



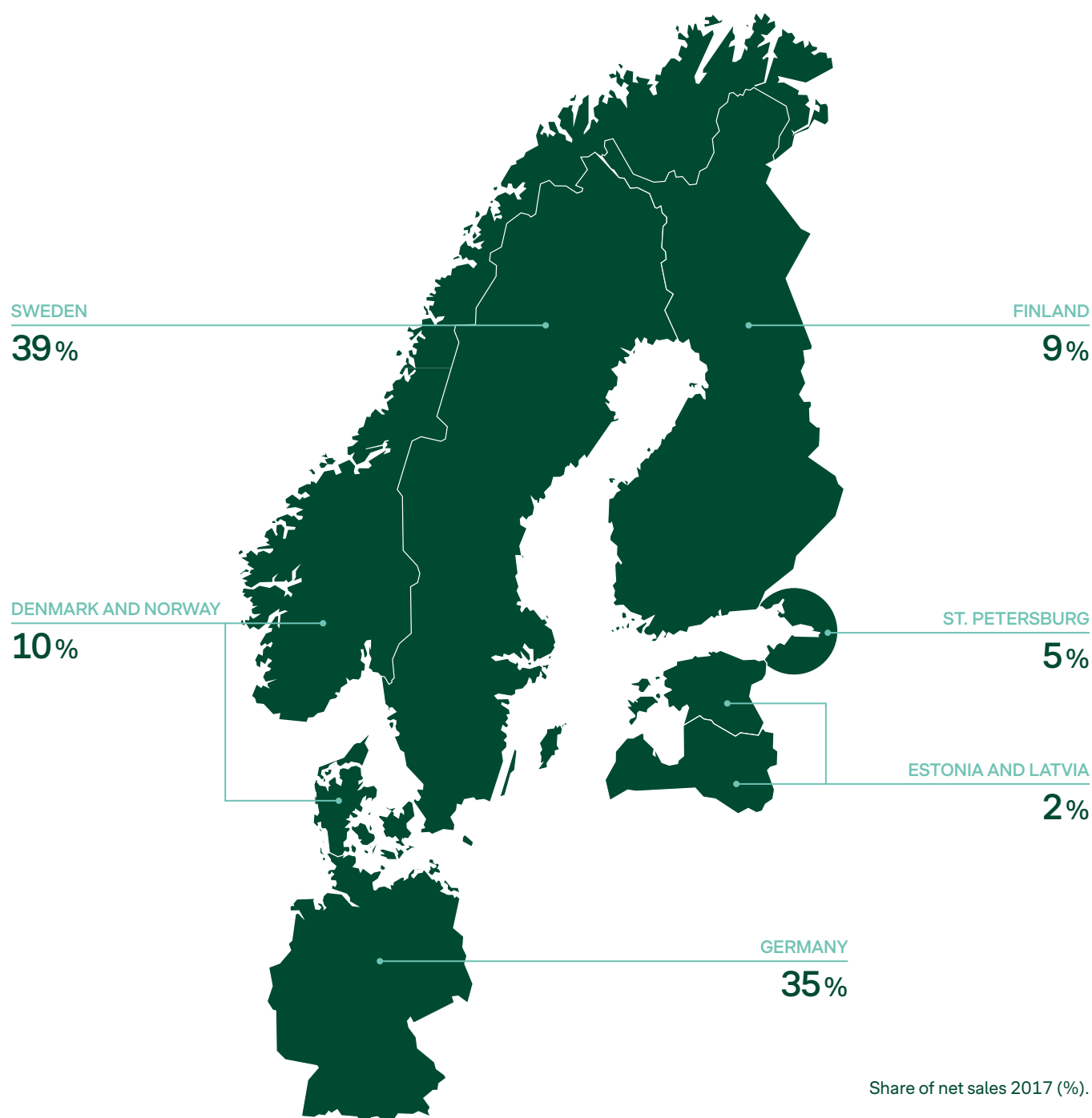
Annual Report 2017





The Swedish "bo" means living and "nav" means hub.
That's what we're all about. We don't just build houses.
We create homes and neighbourhoods where
people live their lives.

A leading residential developer in northern Europe



Bonava develops and sells homes across 23 regions in eight countries. Its selected geographical markets are Sweden, Germany, Finland, Denmark, Norway, St. Petersburg, Estonia and Latvia. The main characteristic is a focus on major city regions with clear

growth and stable local labour markets, which creates demand for new housing over time.

Bonava develops land into affordable and sustainable neighbourhoods, where housing is adapted to customers' wants and needs, as well as the unique circumstances of each

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

NET SALES
14.5

SEK billion

HOUSING UNITS IN PRODUCTION

9,880

At year-end

NUMBER OF EMPLOYEES

1,807

Across 23 regions in eight countries

OUTCOME FINANCIAL OBJECTIVES
AND DIVIDEND POLICY 2017

RETURN ON CAPITAL EMPLOYED

16.6%

Return on capital employed
should be 10–15 per cent

EQUITY/ASSETS RATIO

33.7%

The minimum equity/assets ratio should be 30 per cent

BOARD OF DIRECTORS' PROPOSED DIVIDEND

40%

(SEK 5.20 per share)

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

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The statutory Annual Report covers pages 90–131.

The statutory Sustainability Report covers pages 52–62,
72–74 and 136–149.

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

The year in brief

Key ratios

Net sales amounted to SEK 14,479 M (13,492).

Operating profit was SEK 1,946 M (1,562), of which profit from sale of land totalled SEK 492 M (188).

Profit after financial items was SEK 1,721 M (1,283).

Profit for the period after tax amounted to SEK 1,402 M (1,004).

Cash flow before financing was SEK –26 M (536).

Earnings per share was SEK 12.99 (9.26)¹⁾

Return on capital employed amounted to 16.6 (14.6) per cent.

The number of housing units sold in the period was 5,702 (6,233).

The number of production starts of housing units in the period was 6,702 (5,832).

The Board of Directors proposes a dividend of SEK 5.20 (3.80) per share.

SEK M	2017	2016
Net sales	14,479	13,492
Operating profit	1,946	1,562
Operating margin, %	13.4	11.6
Profit after financial items	1,721	1,283
Profit for the period after tax	1,402	1,004
Earnings per share, SEK ¹⁾	12.99	9.26
Cash flow before financing	–26	536
Net debt ²⁾	4,165	3,699
Net debt, excl. tenant-owners associations/housing companies ²⁾	–168	75
Capital employed at period end	12,003	10,134
Return on capital employed, %	16.6	14.6
Equity/assets ratio, %	33.7	33.7
Number of housing units started in the period	6,702	5,832
Number of housing units in production at period end	9,880	9,113
Number of housing units sold in the period	5,702	6,233
Number of housing units recognised for profit in the period	5,464	4,778
Dividend, SEK	5.20 ²⁾	3.80

¹⁾ No dilution effect.

²⁾ Proposed by the Board.

For definitions of key ratios, see bonava.com/en/investor-relations/financial-information

SOLD HOMES DURING THE YEAR

5,702

PRODUCTION STARTS OF HOMES DURING THE YEAR

6,702



"We have extensive experience of developing high quality homes, and our rental apartments are no exception. Our housing development repeats the same processes and construction systems, ensuring that we create happy neighbourhoods where people have the highest quality of life."

HANNA IVANSSON, HEAD OF B2B TRANSACTIONS

Overall sustainability goals

HAPPY NEIGHBOURHOODS FOR THE MANY

By 2020, 50 per cent of Bonava's production starts of housing units shall be in the affordable segment.

Read more on page 54.

PROTECTING OUR PLANET

By 2020 Bonava shall fight climate change with science-based targets. By 2020, 50 per cent of Bonava's production starts of housing units on markets with Nordic Swan eco-labelling or Green Zoom certification, shall be subject to environmental certification or labelling.

Read more on page 56.

PASSIONATE WORKPLACE

The long-term goal of Zero Harm – no person, whether an employee, subcontractor, member of the public or customer shall be harmed or become sick by Bonava's workplaces.

Read more on page 58.

RELIABLE BUSINESS

Bonava shall present an annual Sustainability Report in accordance with GRI's guidelines and report progress to UN Global Compact.

Read more on page 61.



"I'm proud of developing happy neighbourhoods. Working for Bonava isn't just about building houses. We work as a team, building houses block by block, and ultimately create new homes where people can live. Here in Bernau, north of Berlin, we're planning single-family homes for 200 families, all with their own garden or terrace in a great area."

MICHAEL SUCKOW,
FOREMAN AT THE FRIEDENSTALER GÄRTEN PROJECT IN BERNAU, GERMANY



VIBRANT NEIGHBOURHOODS IN DENMARK

Vedbæk Park, north of Copenhagen, comprises 103 Nordic Swan eco-labelled semi-detached houses. The houses are integrated in an area of preserved woodland, which is part of the original landscape. We've also built an activity park in a clearing, where residents can socialise, meet and play.

Comments from the CEO



JOACHIM HALLENGREN, PRESIDENT AND CEO

Our broad geographical spread, diversified offering and strong financial position mean that we are well positioned for continuing to create better homes and lives for the many.

INCREASED CUSTOMER FOCUS

Looking back at the year, I'm pleased to conclude that we presented our strongest full-year result ever and that Bonava is a workplace with committed and passionate people. In a very short time, we have established Bonava as a leading developer on the residential market in northern Europe. On a market where many developers are building expensive homes for few people, we are developing affordable homes for the many.

We focus on our customers in everything we do, and our curiosity about what makes people happy about where they live took us on a quest to our eight countries during the year, where we asked the public about what it is that makes them happy in their neighbourhoods. Feeling safe and easy access to an active lifestyle were two of the strongest key factors. I recommend you to read more about the survey and its results on pages 26–30.

A STABLE BONAVA

Towards the end of the year, the Swedish housing market was subject to negative media reporting and political decisions that caused the market to shift from strong to cautious. After several years of rising house prices in Sweden, we have now entered a period of more normal market conditions where buyers and sellers need to find each other at a new level. However, my conclusion is that there is strong underlying

In 2017, net sales and operating profit increased to new record levels. Net sales for the full year increased to SEK 14.5 Bn (13.5) and operating profit to SEK 1.9 Bn (1.6). Profit after tax was SEK 1.4 Bn (1.0), generating Earnings per share of SEK 12.99 (9.26). A strong cash flow in the fourth quarter meant that, adjusted for loans in Swedish tenant-owner associations and Finnish housing companies, we concluded the year with a positive net cash position. We delivered on our financial goals and the Board's proposal for dividend amounts to SEK 5.20 (3.80) per share, which is in line with our dividend policy to hand out at least 40 per cent of profit after tax.

demand for housing and favourable macro-economic conditions for the Swedish housing market in the longer perspective.

Our geographical spread over 23 regions in eight countries means that we can meet local variations in demand and invest in markets generating the best returns. Our focus on growing in Germany continues as planned, and we have increased the number of building rights in Germany by 144 per cent since 2013 at the same time as we have decreased the number of building rights in Sweden by 33 per cent. During the year, sales increased by 25 per cent in Germany compared to 2016. In recent years, the German market has been strong, and there is solid demand for housing from consumers and investors. The investor business continued to grow during the year, and we completed our first transaction in Norway with the sale of 70 rental apartments in Bergen. During the year, the investor business comprised some 30 per cent of our total business, in line with our ambition. It's pleasing that the investor business continues to grow on multiple markets, as it contributes to balance in our operations.

IMPROVEMENTS IN HEALTH AND SAFETY

Bonava's most important asset is its employees. For me, it's important that all employees are and feel safe in their workplaces. Our Zero Harm vision means that all workplaces should be free of accidents and ill health, an attitude that should characterise our projects from beginning to end. We have carried out extensive work aimed at improving our health and safety initiatives, and I am

pleased that the frequency of work-related injuries, the seriousness of accidents and sick leaves are all down on last year, even if a great deal remains to be done in order to achieve our vision. Our sustainability work is progressing as planned. Bonava is a member of UN Global Compact, and during the year we adopted two more sustainability targets. We will be fighting climate change on the basis of science-based goals and continue to contribute to sustainable consumption and production by increasing the proportion of eco-labelled housing units on markets where Nordic Swan eco-labelling or Green Zoom environmental certification apply.

WE WANT TO CHANGE THE INDUSTRY

At the end of the strategy period 2020, our aim is that 50 per cent of all housing units in production shall be in the affordable segment. We want to change the housing market so that first-time buyers and families can move into homes in safe neighbourhoods. To retain our long-term target of 50 per cent affordable housing, we need to increase productivity. The willingness to change is low in the sector, with negative productivity growth since 1997 compared to productivity gains of over 100 per cent in the manufacturing industry. In order to increase productivity, we need to challenge our own and old sector attitudes every day. We need to increase efficiency by standardising processes, take advantage of economies of scale and cut costs without compromising on design and quality. A small but important example of how we have increased efficiency in

procurement in the year, is our appointment of a single lift supplier instead of purchasing lifts from multiple operators. Read more about our initiatives aimed at increasing efficiency in the Strategy section on pages 18–25. With this in mind, I feel confident about the future. Our broad geographical spread, diversified offering and strong financial position mean that we are well positioned for continuing to create better homes and lives for the many.



Joachim Hallengren
President and CEO

The residential development market

Demand for affordable housing has increased on several of our markets in recent years. External factors such as macroeconomic conditions, politics and demographic trends are strong underlying drivers. With a strong focus on improving efficiency we can expand our offering of affordable homes for the many.





The market for new residential housing on markets where Bonava operates has grown in recent years. Favourable macroeconomic and demographic factors have led to increased demand for new residential housing.

In the last five years, investments in new productions increased by over 20 per cent in the EU and total investments amounted to EUR 312 Bn (287)¹⁾ during the year.

More than 90 per cent of Bonava's net sales in 2017 derived from Sweden, Germany, Finland, Denmark and Norway. On these markets, investments have increased in recent years, and during 2017 investments in new residential housing on these markets totalled EUR 95 Bn (86). On Bonavas markets investments increased the most in Sweden, Denmark and Germany during the last five years.

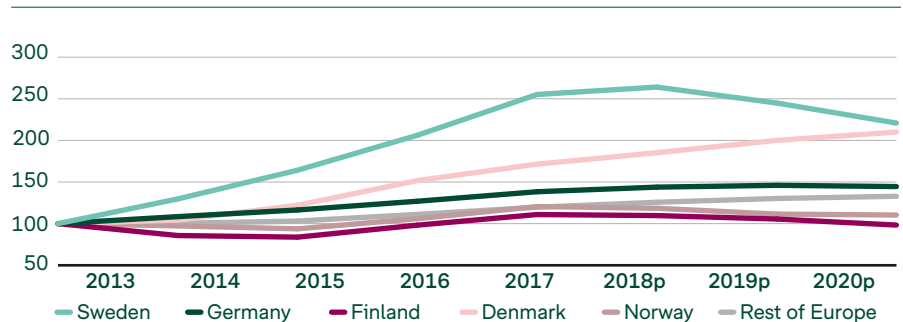
SWEDEN

The market for new residential housing has grown rapidly in Sweden in recent years. Investments increased to EUR 12.2 Bn (9.8) in 2017, an increase of over 20 per cent. During 2017, the market slowed down and moved from strong to cautious, largely due to political decisions and negative market psychology. However, there is good underlying demand for housing and good macroeconomic conditions for the housing market in the longer term.

GERMANY

The housing market in Germany has been strong with rising prices in recent years and investments in new residential housing increased to EUR 62.1 Bn (57.0) in 2017.

Investments in newly produced residential units (Index 100, base year 2013)



Source: Euroconstruct, report 84, 2017.

FINLAND

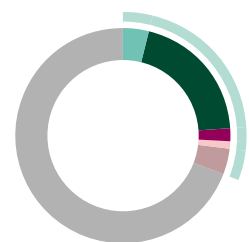
The Finnish economy has started to recover after a period of weak growth and investments in new residential housing increased by 15 per cent in 2017 compared to 2016. In total, investments in new residential housing amounted to EUR 6.8 Bn (6.0) in 2017.

DENMARK-NORWAY

The housing market in Denmark was strong during the year and housing prices increased in the areas where Bonava is active. Investments increased to EUR 3.5 Bn (3.0) during 2017.

The Norwegian housing market was strong in 2017, and investments in new residential housing increased by 13.8 per cent to EUR 11.1 Bn (9.7). After several years of strong price growth and political regulation, the Norwegian housing market has slowed down slightly, which was reflected in falling house prices during the year.

Share of investments in newly produced residential housing in Europe 2017



- Sweden, 4%
- Germany, 20%
- Finland, 2%
- Denmark, 1%
- Norway, 4%
- Other, 69%²⁾
- Market where Bonava is active, 31%

¹⁾ Estimated value of investments in all housing projects in EUR Bn. Euroconstruct, report 84, 2017.

²⁾ Includes Belgium, France, the Netherlands, Ireland, Italy, Poland, Portugal, Switzerland, Slovakia, Spain, UK, Czech Republic, Hungary and Austria.



FACTORS INFLUENCING THE HOUSING MARKET

Supply and demand

Historically, the production of new housing has been too low compared to demographic trends on several of our markets. This has created an undersupply of housing. In Sweden, the production rate has been high in recent years which has created a debate about whether the supply of new housing units is too high in certain regions and additionally, if the homes that are being developed are too expensive. Despite the high production level of housing units in Sweden, Boverket (Sweden's National Board of Housing, Building and Planning) estimates a need for residential development of 600,000 new homes³⁾ between 2017 and 2025. In Germany, our second largest market, GdW⁴⁾ estimates demand for 400,000 new homes yearly over the coming decade.

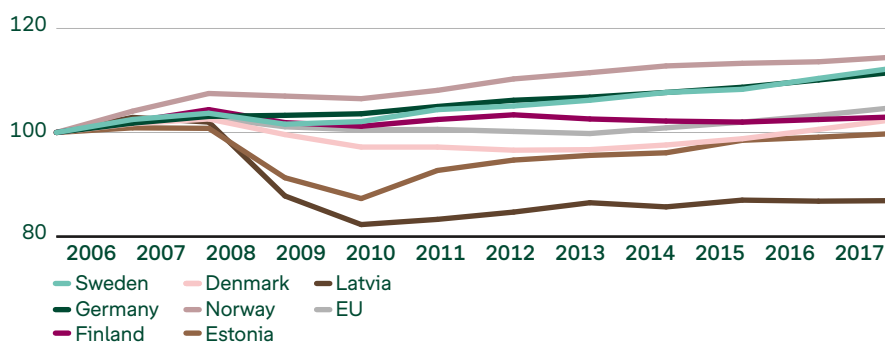
Employment

High employment increases consumption and investment appetite on the housing market. The employment rate has been strong in Sweden, Norway and Germany in recent years.

Economic growth

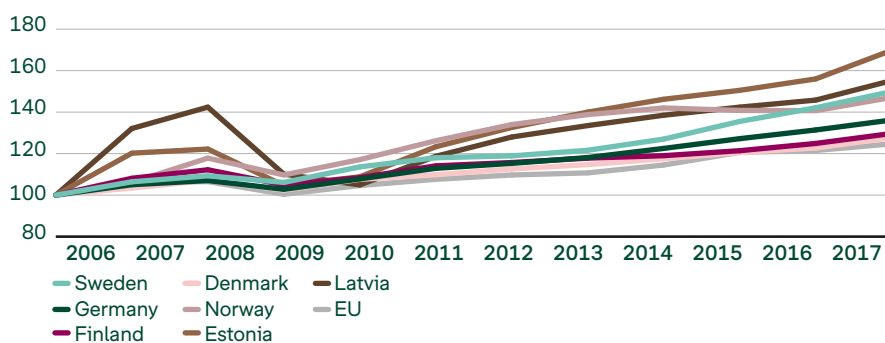
Positive GDP growth creates good opportunities for investments on the housing market. GDP growth has been strong on all of Bonava's markets over the last decade.

Employment levels on Bonava's markets (Index 100, base year 2006)



Source: AMECO (Macroeconomic database for the European Commission's Directorate General for Economic and Financial Affairs).

GDP growth on Bonava's markets (Index 100, base year 2006)



Source: AMECO (Macroeconomic database for the European Commission's Directorate General for Economic and Financial Affairs).

³⁾ Source: Boverket report 2017:17, Calculation of demand for new homes until 2025.

⁴⁾ Source: Calculations from GdW (The Federal Association of German Housing and Real Estate Enterprise Registered Associations).

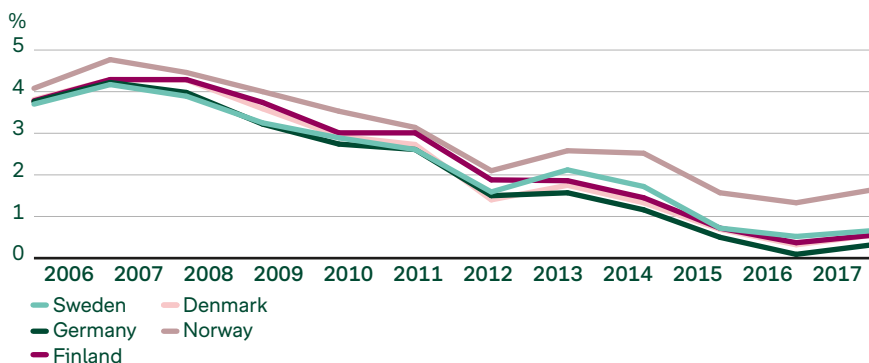
Interest rates

When interest rates are low, the willingness to investment on the housing market increases. Low interest rates result in lower housing costs, which enables increased consumption and investments on the housing market. On most of Bonava's markets, interest rates on long-term government bonds are historically low.

Access to credit

Laws and regulations affecting consumer purchasing power such as access to and cost of credit have a major impact on the housing market.

Long-term interest rates on Bonava's markets (Index 100, base year 2006)

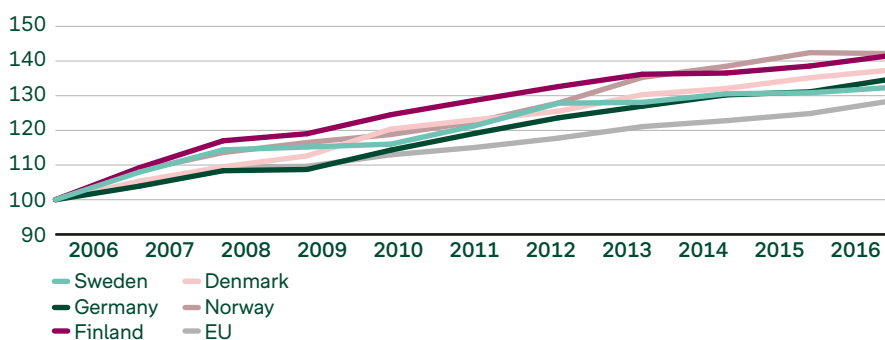


Source: OECD. Long-term interest rates refer to ten-year government bonds.

Disposable income

Consumer purchasing power is an important factor for investments on the housing market. Disposable income has increased across all our markets since 2006.

Disposable income on Bonava's markets (Index 100, base year 2006)



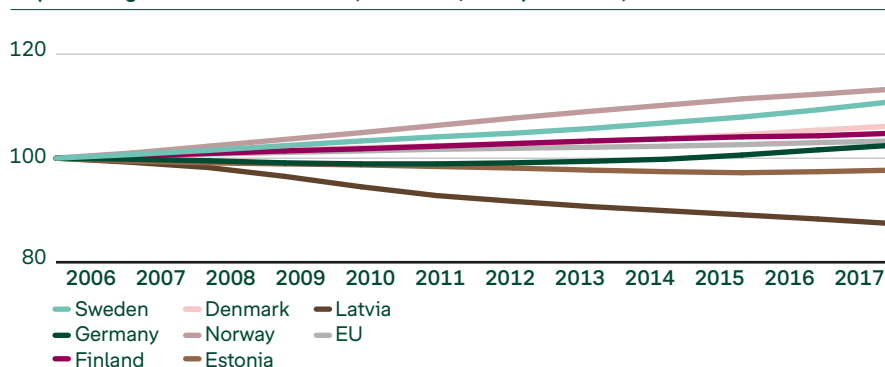
Source: OECD. Information for the full year 2017 was not available at the time of the publication of this Annual Report.



Population growth

Increased population growth strengthens demand for housing. On Bonava's markets, Sweden and Norway have seen the highest population growth. Recently, turbulence in the surrounding world has meant that immigration has led to an increased share of population growth on several of our markets. Accordingly, it is becoming increasingly important for us as a residential property developer to produce affordable homes that more people can afford to buy.

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



Source: AMECO (Macroeconomic database for the European Commission's Directorate General for Economic and Financial Affairs).

Urbanisation

The urbanisation trend is strong in Europe and more people are moving to metropolitan areas. It is becoming increasingly important for Bonava to develop new neighbourhoods with good infrastructure so that new areas can be incorporated into the city environment. The urbanisation trend is expected to continue and to increase on all of Bonava's markets.

Rate of urbanisation on our markets



Source: United Nations (World Urbanization Prospects 2014).



THREE UNIQUE CHARACTERISTICS ON THE HOUSING MARKET

1. Growing demand for affordable housing

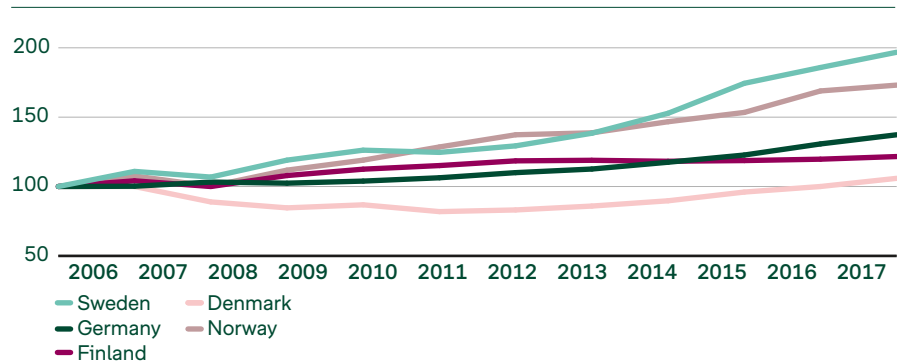
House prices on Bonava's markets have increased in recent years. Low interest rates have fuelled purchasing power and increased the investments of consumers and investors. Historically, there has been an undersupply of new housing on several of Bonava's markets which, in combination with strong urbanisation and strong population growth, has created substantial demand for new homes.

As house prices increase, demand for affordable housing has also increased. To meet the growing demand for affordable housing, Bonava's objective is that 50 per cent of the housing units in production by the end of the strategy period in 2020 shall be categorised as affordable.

Increased productivity will be key to fulfilling this objective.

➤ Read more on how we create affordable homes on page 54.

Price growth for housing units on Bonava's largest markets (Index 100, base year 2006)



Source: Bank for international Settlements. Includes all housing in the country. Nominal numbers.

2. Great opportunities for increased productivity

Productivity growth is generally low in the construction sector, and was even negative in Sweden between 1997 and 2016⁵⁾. In Germany, Bonava's second largest market, productivity growth was positive although construction still lags behind the manufacturing industry. Productivity growth in manufacturing in Sweden and Germany was 107 per

cent and 54 per cent respectively between 1997 and 2016, compared to productivity growth of -13 per cent and 5 per cent respectively in the construction industry.

In order to increase productivity, increased standardisation and industrialisation is needed. New and more efficient production methods will change the production

of housing in the future and Bonava wants to be a driving force in that development.

➤ Read more about how Bonava works with standardisation and industrialisation in the Strategy section on pages 24–25.

⁵⁾ OECD, gross added value per hour, constant prices, working productivity. Data for 2017 not available upon publication of the Annual Report 2017.

Productivity growth in the construction and manufacturing industry between 1997–2016

Sweden



Construction

-13%

Manufacturing

+107%

Germany



Construction

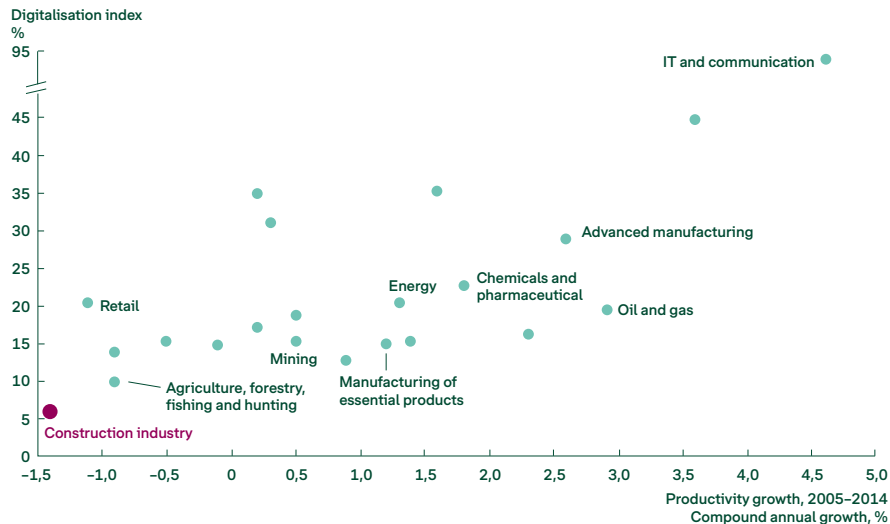
+5%

Manufacturing

+54%

3. Increased digitalisation enables increased productivity

Studies show that the rate of digitalisation and productivity growth in the construction industry is low. The construction industry has an even lower rate of digitalisation and lower level of productivity growth than the agriculture, forestry, fishing and hunting sectors. Digitalisation is an important tool for increasing sector productivity and efficiency. Digitalisation enables real time alignment between internal and external resources and between information models containing relevant project information such as costs, material usage, blueprints, visualisations and time plans. Improved digital models will facilitate standardisation of building components. Working from the same digital platform will also improve the ability to spot potential errors prior to starting production of new homes.



Productivity growth and rate of digitalisation, 2005-2014.

Source: McKinsey Global Institute, Reinventing construction: A route to higher productivity, February 2017.

➤ Read more about how Bonava works with digitalisation in the Strategy section on page 24.



REPETITION, REPETITION, REPETITION...

We want to offer our customers attractive balconies without it being too expensive. For us, efficiency is key. Bonava Germany uses three types of balcony that are comparable in price and ease of installation. The consistent repetition facilitates the process, speeds things up, ensures quality and secures accurate cost planning – for Bonava, the subcontractors and the customers.



BONAVA GERMANY APPLIES INDUSTRIALISATION

In order to meet the needs of customers within the affordable segment industrialisation is crucial. Bonava's stairs use prefabricated components and steel formwork that we procure from a few suppliers through framework contracts. This ensures that stairs are adjustable in design and run length. This flexibility is needed to succeed in balancing efficient living spaces and design. Other than the efficiency of construction, processes and materials, Bonava still provides flexibility in terms of railing and layering design.

Strategy and objectives

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



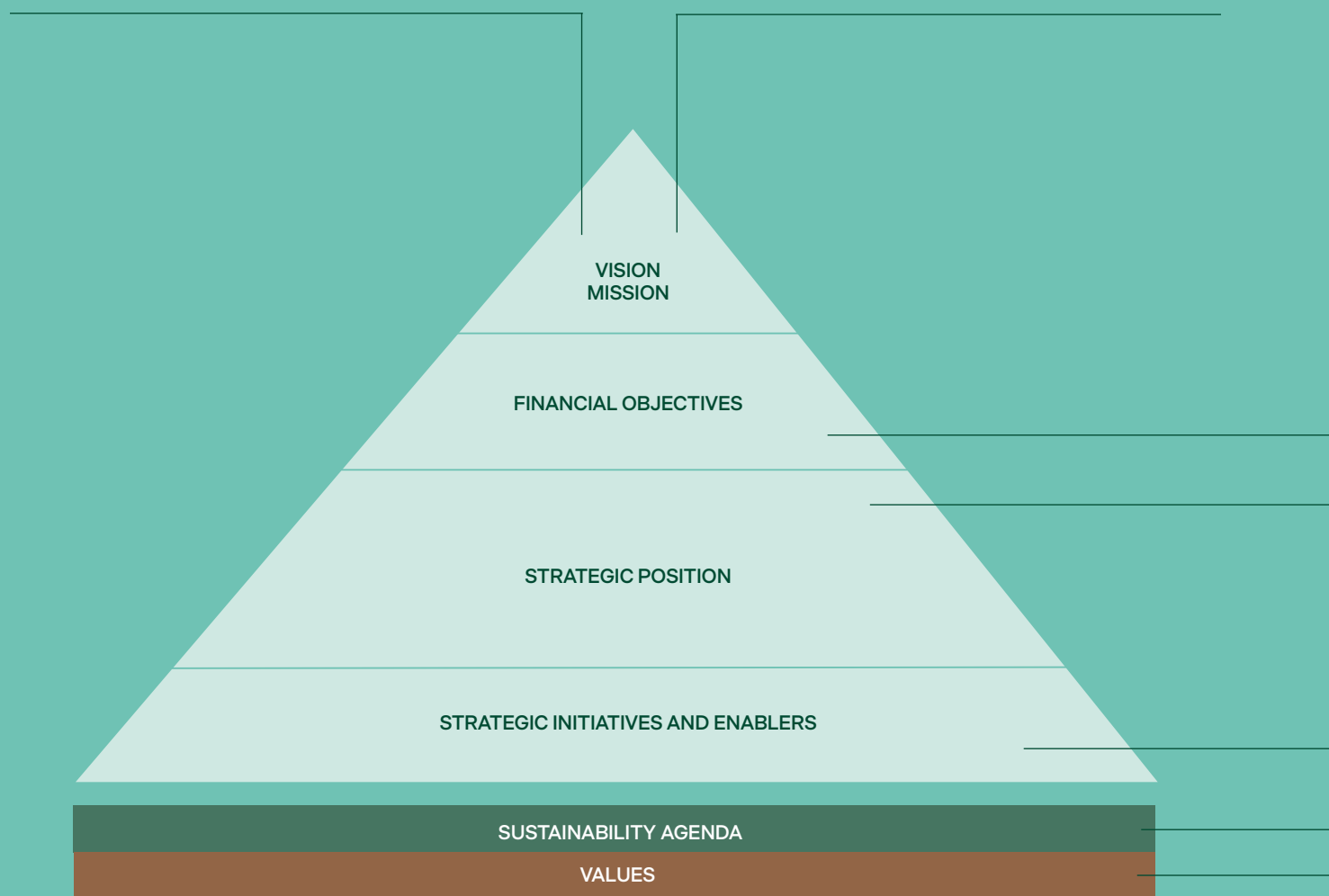
VISION

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

Our vision is to create happy neighbourhoods where people have the highest quality of life. We understand that this means different things to different people and that it might vary over time. This is why we're on a constant quest to find out what makes people happy where they live.

MISSION

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



Bonava's strategy is based on our experience that the similarities between different markets are strong enough to benefit from operating as a single company, with a broad geographical presence and shared processes. Residential development is a local business in that neither customers nor products are mobile. Additionally, municipalities and local authorities play a central role as they formulate policies and regulations, as well as the stipulations governing the planning process, and grant permits. Accordingly, many of our suppliers and competitors are local or regional operators.

Nevertheless, there are many characteristic features of residential development that are the same across international borders. Studies show that customer needs are largely the same regardless of country. This is the foundation of Bonava's strategy and the initiatives that will be implemented in the current strategy period until 2020. Bonava's sustainability agenda, with closely linked sustainability goals, demonstrates how the company's long-term strategy creates sustainable development.

FINANCIAL OBJECTIVES AND DIVIDEND POLICY

Return on capital employed

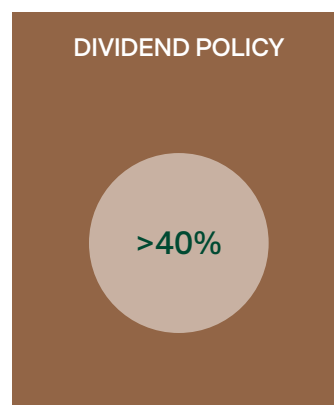
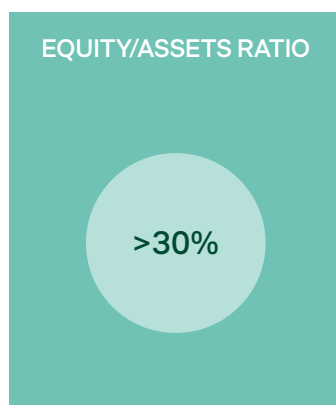
Bonava should generate good returns on capital employed with retained financial stability. Return on capital employed should be 10–15 per cent.

Equity/Assets ratio

To ensure that returns are not achieved as a result of financial risk-taking, the minimum equity/assets ratio should be 30 per cent.

Dividend policy

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



STRATEGIC POSITION

With a broad geographic spread, a diversified customer offering, an extensive product range and cost leadership in Germany and the Baltics, Bonava has an attractive strategic position on the market.

> Read more on page **22**

VALUES

Bonava is defined and driven by six core values:

- Customer focus
- Passion
- Delivering excellence
- Friendly
- Brave
- Reliable

SUSTAINABILITY

Contributing to global sustainability is important to Bonava. The company's sustainability agenda and long-term sustainability focus areas provide the conditions for the success of our strategy, delivering on financial goals and living up to Bonava's core values. Bonava has overall sustainability goals, linked to four focus areas:

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

STRATEGIC INITIATIVES AND ENABLERS

To fulfil its vision, Bonava implements several strategic initiatives. These include increasing differentiation by a sharpened customer focus, market consolidation, growth in Germany, increased efficiency and reduced costs. The strategic initiatives are supported by a beneficial operating model, shared processes and systems, as well as a winning culture and people focus.

> Read more on pages **49–51**

> Read more on pages **52–62**

> Read more on pages **24–25**

Strategic position

Bonava's strategic position is attractive in several dimensions. We have a broad geographical presence, which means that we can focus on growing on markets that

generate the best returns. A diversified offering with differentiated product types aimed at consumers and investors creates balance in our business. We have cost

leadership in Germany and the Baltics, which has made us market leaders in the affordable segment.

1. Geographical presence in 23 regions in eight countries

Our geographical footprint enables the company to respond to local changes in demand and invest in the markets that generate the highest return. The German housing market is large, stable and has qualities that are attractive to Bonava. The market is fragmented, creating growth potential for larger developers like Bonava. The fairly short building permit process, and potential for part-payments during the produc-

tion phase are the foundation of a capital-efficient delivery model. Bonava is well positioned to benefit from this based on its position as a long-term leading residential developer on this market.

Bonava's objective is to grow on the German market in the current strategy period. Focusing on growth on specific markets may imply that the company's presence on other markets is deprioritised or discontinued. Accordingly, Bonava has continued to increase the number of building rights in

Germany. Earlier in the current strategic period, Bonava exited a number of regional markets in Norway, Sweden and Finland considered to have less favourable market conditions. Bonava constantly monitors and evaluates regional markets to ensure that it is operating on the most attractive markets for long-term operations.

2. Diversified offering to consumers and investors

We have a diversified offering that generates a low risk profile. The core business is to sell and deliver homes and neighbourhoods to consumers. Meanwhile, projects targeting investors are an interesting and attractive complement, as this improves the overall risk and cash flow profile, and

contributes to a more diversified and balanced portfolio.

Bonava's objective is to exploit growth opportunities in the investor segment on markets where this is possible. The goal is for investor transactions to constitute a third of business over time. In 2017, Bonava sold its first project aimed at investors in Bergen, Norway. The first investor project

was launched in Denmark at the end of 2016 and was completed in the final quarter of 2017.

3. Product mix

Bonava's offering covers large multi-family housing projects as well as small-scale projects in single-family homes. The available land reserves often determine the type of products Bonava decides to focus on. A good mix of products in a project generates opportunities to create unique

customer value by building vibrant and happy neighbourhoods, but also improves the financial risk profile as margins and sales rates vary. Bonava's single-family home projects in Sweden have been efficiently managed and are attractive on the market. Accordingly, Bonava plans to increase its production of Swedish

single-family homes during the strategy period. During the year, Bonava has strengthened its Swedish single-family homes organisation, both in terms of competences and processes, as well as creating a solid foundation for continuing to improve operations.

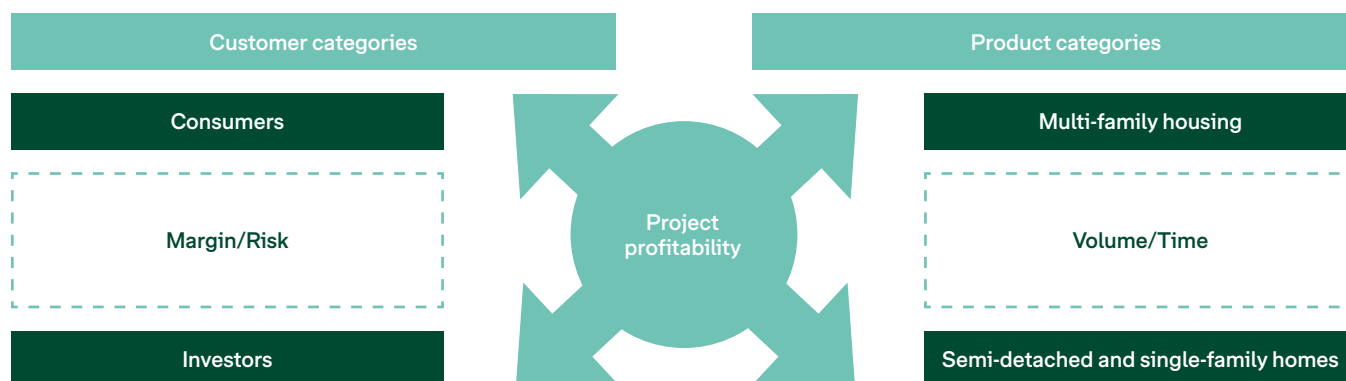
4. Cost leadership in Germany and the Baltics

We are the cost leader on the German market, making the company the market leader in the affordable segment. Due to this positioning, Bonava is able to purchase and develop land that competitors struggle to make profitable. In Germany, capital turn-

over in this segment is high and lead-times are short. Our German building platform system, which is based on in-house and centralised design and production, has generated substantial competitive advantages. Bonava endeavours to continuously improve this working model that has served for the development of over 20,000 homes

in Germany, and is a major contributor to Bonava's strong market position. The exchange of best practise from Germany has contributed to positive progress in Estonia and Latvia. The cost leadership enjoyed on these national markets is based on components and experiences from the German building system.

A diversified business model that creates value



Strategic focus areas

1. Focus on affordable

The four main segments on the market are Affordable, Core, High-end and Exclusive. Bonava operates in the first three product segments. Until 2020, the company is strengthening its focus on the affordable segment, which is attractive for several reasons, especially because it is consistent with Bonava's mission and helps alleviate the housing shortage. Normally, projects in this segment tend to be more capital efficient because their planning process is shorter. Bonava's objective is that 50 per cent of the homes in production should be categorised as affordable by the end of the strategy period in 2020. By the end of 2017, 40 (46) per cent of the homes produced were classified as affordable. Read more about the outcome on page 139.

2. Create differentiation

Residential development is a market with limited differentiation and low brand loyalty. This is particularly evident in the affordable and core segments. As a newly established brand, Bonava's objective is to increase brand awareness and build confidence and preference.

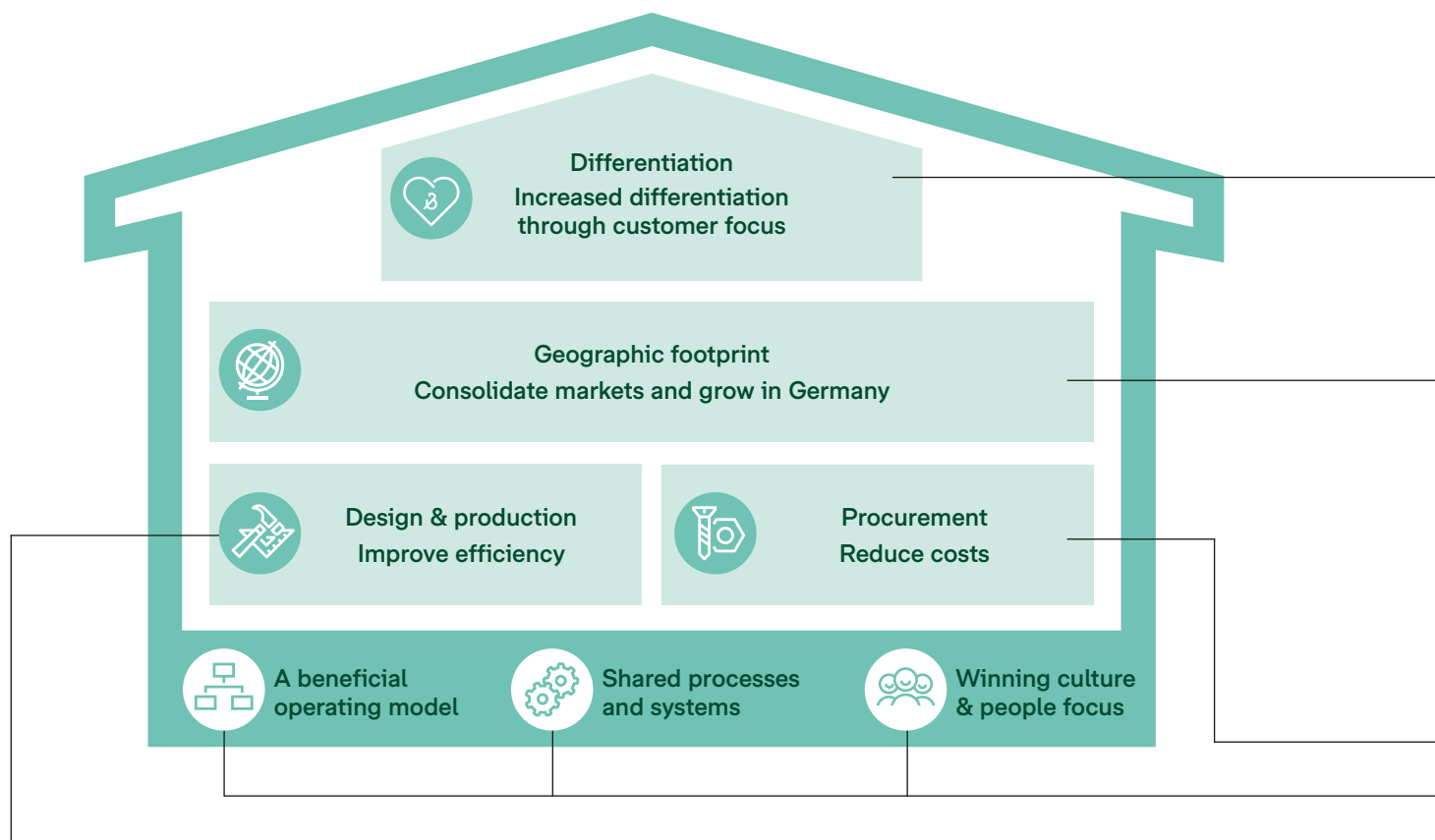
Our ambition and focus is to create unique value throughout the customer experience, from communication to delivering homes and neighbourhoods. This contributes to increased differentiation.

3. Opportunities to improve cost positioning in the Nordics

Historically, Bonava's Nordic operations were fully dependent on NCC as contractor, with very limited proprietary resources and competences in production, design and procurement. Accordingly, in 2015, Bonava started working on building up internal functions in these segments in the Nordic countries. This process is ongoing, and the objective is to control the whole value chain from land purchases to handing over properties to customers as an independent company. This means an improved cost position for delivering new homes and neighbourhoods for the many.



Strategic initiatives and enablers



Improve efficiency

The organisational structure of Bonava's design and production resources differs between countries. In Germany, Bonava uses vertically integrated design functions and production staff, while the Nordic operations have historically used NCC as contractor and therefore had its own limited in-house capacity. The objective is to establish in-house production and design functions on all Bonava's markets to optimise the design process and increase industrialisation. Using our experiences from the German operations, we create prerequisites to increase productivity and at the same time decrease costs and lead times. As an important part of the implementation of an efficient design and production process, we are also working on digitising the flow of information.

The combination of an increasingly digital society and rapid technological progress creates great opportunities to increase the efficiency in housing production. VDC (Virtual Design and Construction) is a collective term for the development that is taking place to create a digital information flow that spans all the activities involved in designing and constructing homes and neighbourhoods. VDC creates the prerequisites for high efficiency gains as it reduces

manual work and increases the quality of information models that connect suppliers, architects and customers. In 2017, Bonava initiated an extensive project aimed at digitalising the design process on several of its markets. The initial focus has been on digitalising core elements of Bonava's products

and construction systems. VDC allows all the components of construction systems to be digitalised. This creates opportunities for increased modularisation and more cost-efficient delivery of Bonava's products, without compromising on customer benefit or architectural qualities.

"The implementation and development of VDC in our processes and systems will make us more efficient. The world around us is changing rapidly and we need to use the right technologies, processes and competencies to outpace our competitors."

ALEXANDER BOYTSOV, DEPUTY DEVELOPMENT DIRECTOR,
BONAVA ST. PETERSBURG



Increased differentiation through customer focus

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

In order to distinguish Bonava on the market in a way that is relevant to the company's customers, Bonava needs to focus

on insightful working methods. The home is very important to most people, and many people describe the kitchen as the "heart of the home." This is where we all cook, eat, do the dishes but also where we spend time with our families and friends, do homework, work and relax. Through intensive and thorough work, we surveyed our target groups in terms of the design and appearance of the kitchen – all in order to truly understand how we can offer really good and affordable kitchens to our customers. In collaboration with architects, designers, and insight experts, Bonava has developed a brand new kitchen concept. By offering a number of

attractive design concepts for kitchens, customers are ensured an easier and smoother decision-making process. Additionally, Bonava streamlines the entire process from procurement, handling and assembly. Customers in the single-family housing project in Åltadalen were first out to try this concept. Surveys returned positive feedback from customers and businesses.

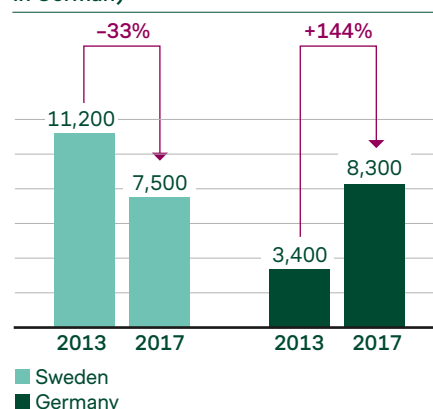


Consolidate markets and grow in Germany

Historically, Bonava's earnings and capital efficiency has varied between regions on our eight markets. These differences are partly due to varying market dynamics and structures, and our strategic positioning on local markets. The focus is on growing the German market and concentrating operations on fewer regions in the Nordics. Bonava is monitoring progress on regional markets and progressively adjusting its local geographical presence. In line with our strategy,

we continued to increase the number of building rights in Germany and by the end of 2017 we had about 30 per cent more building rights compared to 2016. The number of housing units in production increased in Germany and at the end of 2017 the number was 3,584 compared to 2,969 at the end of 2016. From 2013 until the end of 2017, we have increased the number of building rights in Germany by 144 per cent, compared to a decrease in Sweden of 33 per cent.

Increased number of building rights in Germany



A beneficial operating model

To realise strategic initiatives and achieve full effect, Bonava needs to coordinate the different markets. To ensure the realisation of our common synergies, we have different forums for our strategic initiatives and ensure coordination and efficiency in our various markets.



Shared processes and systems

The independence of Bonava required substantial investments in new systems and processes in core and support functions. These are now in place and enable Bonava to implement a purposeful system landscape that will improve the efficiency of our overall strategic initiatives.



Winning culture and people focus

People are the focus of everything Bonava does, and the foundation of the company's external and internal strategy. To achieve sustainable success, it is important to recruit, retain and develop our people. Bonava takes a structured approach to continuously strengthening its corporate culture and sharpening its people focus.



Reduce costs

Bonava's procurement resources vary between markets in terms of competence and capacity. The Nordic organisations have historically had limited procurement resources because projects have been delivered on contract by NCC. There is significant potential to coordinate procurement activities between Bonava's markets. To utilise this potential, Bonava has established a central procurement function whose objective is to generate cost savings by exploiting economies of scale.

Bonava actively focuses on structuring the work into different categories with the aim of finding optimal suppliers in each category. During the year, procurement focussed on lifts, a category where the company previously used different suppliers on the various markets with a complex profile of demands that differed between markets and projects. We consolidated procurement for all markets to a single primary supplier which has enabled direct savings and standardised variations of a key building component.



Example of the design of a stairwell with a lift.



Our offering

Our customers are the starting point of everything we do. By working with customer insights, we can ensure that we fulfil our customers' expectations. This is the foundation of our aim to create vibrant and happy neighbourhoods.



WE CREATE HOMES AND NEIGHBOURHOODS

Our vision is to create happy neighbourhoods where people have the highest quality of life. A home is so much more than the house you live in, the people and places around you play an equally important part. Our customer insights are founded on continuous dialogue with customers about what is important for feeling happy and at home where you live. Creating safe and vibrant neighbourhoods that succeed long term is critical to Bonava. The offering spans several product segments, with the main focus on affordable and sustainable homes.

ON A CONSTANT QUEST FOR INSIGHTS

Bonava's vision is to create neighbourhoods where people are happy and have the highest quality of life. To fulfil this vision, it is crucial to genuinely understand the needs and underlying drivers of its customers and target groups.

Accordingly, customer and market insights are important information to decision making and to driving progress of Bonava's projects and products, but also for communication, sales and services.

Bonava uses the same measurements on all eight markets, and these are the foundation of the organisation's insight-based work. By measuring and following up areas like brand awareness, customer satisfaction and customer effects of specific campaigns, Bonava ensures that all units deliver. At the same time we identify similarities and differences between markets, both in terms of customers and performance. This forms the foundation for organisational learning and illustrates potential synergies between national markets. By working through the offering step by step, Bonava ensures relevance and improvements in its customer offering from a target group perspective.

Bonava generates detailed insights on all our markets to ensure each project is optimised in relation to its target group, its needs and conditions applying to that specific area. Here, the customer dialogue is central.

HAPPY INDEX – MEASURES AND COMPARES AREAS OVER TIME

During the year, Bonava presented its findings from Happy Quest, an extensive survey of the company's eight national markets; Sweden, Germany, Finland, Denmark, Norway, St. Petersburg, Estonia and Latvia. The study had two main objectives:

- To answer questions about what is important for people to be happy in their neighbourhoods and in which neighbourhoods there are areas for improvement.
- To create a Happy Index, Bonava's own KPI, to measure the degree to which people in Bonava's neighbourhoods experience our vision.

This unique survey comprised a representative sample of the population on Bonava's eight markets. In total, 8,000 people aged 18 and above participated in the survey. The study proceeded from a web-based survey where Bonava's name was hidden and respondents were guaranteed anonymity.

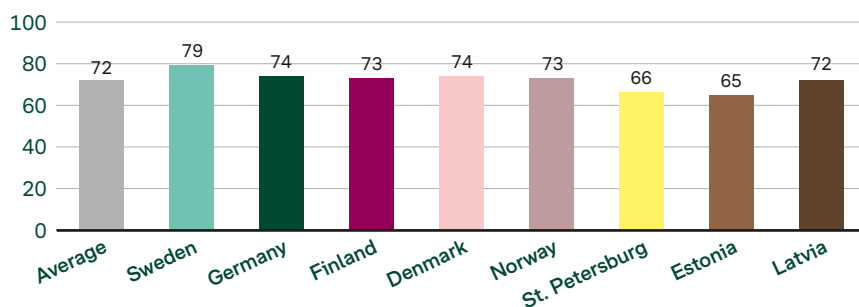
The statistically verified Happy Index was created on the basis of this survey.

The Happy Index represents a combined indexation of three questions. This measure reliably measures and compares the degree of happiness between different neighbourhoods, areas or countries. Additionally, it measures progress over time. Measuring the Happy Index from this representative sample of the population provides Bonava with reference values that it strives to exceed in new neighbourhoods.

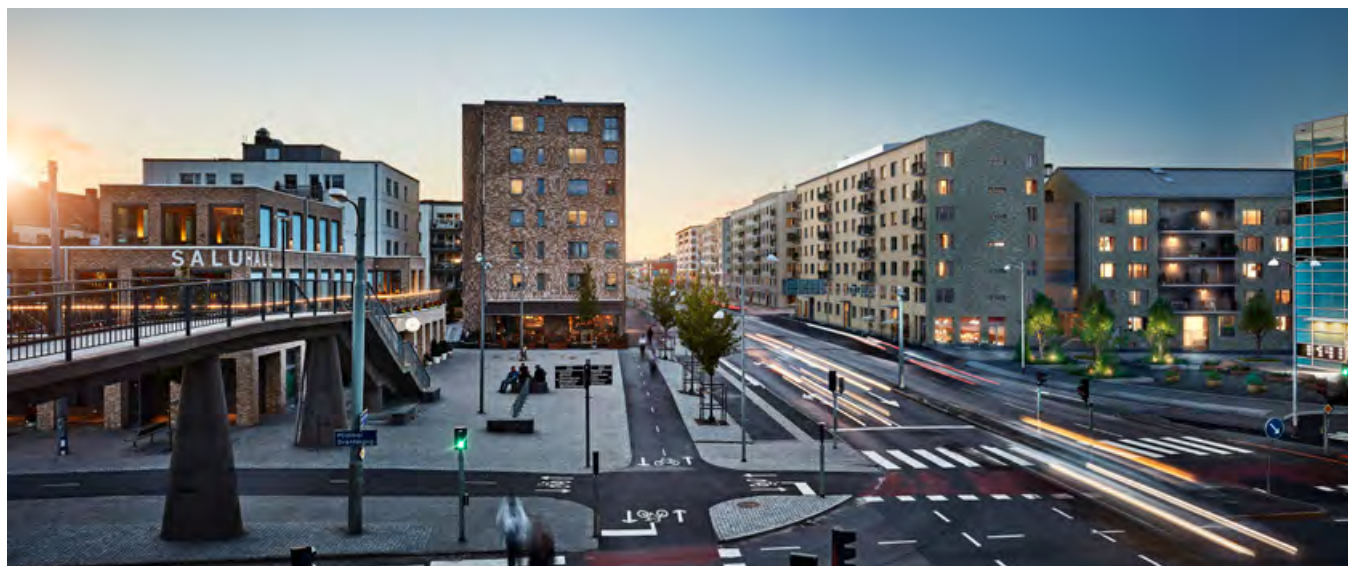
SIMILAR DRIVERS ON ALL MARKETS

Many things can be done to make people feel at home in their neighbourhoods. The most fundamental need is feeling safe, which 81 per cent of those surveyed stated as important. Some of the most important drivers on all markets were facilitating an active lifestyle, such as the opportunity to go for walks and bike rides (66 per cent), convenience in everyday life (58 per cent) and a neighbourhood that enables a healthy lifestyle (58 per cent). Being familiar with the area (57 per cent) and knowing the people who live in the area (41 per cent) were also important drivers.

High level of happiness by the public on Bonavas markets



The Happy Index measures the degree of happiness in neighbourhoods from (0) to 100. The measure has been developed by Bonava and is statistically verified across all eight markets. All markets returned high results in the Happy Index in 2017, with an average of 72 (out of a maximum 100). Swedes are the happiest in their neighbourhoods at 79 points. St. Petersburg and Estonia show lower results than other markets.



WHAT DO WE DO WITH THE CUSTOMER INSIGHTS?

Bonava work systematically to convert customer insights into action to constantly improve the offering and establish how, when and where the company meets the demands of its target groups and customers.

For example, customers should feel safe living and being in Bonava's homes and neighbourhoods, which should always be easily accessible by foot and bike. Solutions may vary depending on country and project, but are always aligned with the brand. This ensures that Bonava meets both the customers' and the market's demands that operations realise the company's vision.

Bonava's customer satisfaction surveys are designed to ensure that the customers' opinions are heard and that customers can easily communicate urgent matters relating to their home, neighbourhood or their relationship with Bonava. All feedback is welcome, positive, happy messages and customer concerns alike. Based on this customer feedback, Bonava identifies focus areas and assesses where the company needs to improve and progress. This is what insight-driven improvements and customer focus means to Bonava.

MULTI-FAMILY AND SINGLE-FAMILY HOMES

Bonava produces multi-family homes, semi-detached houses and single-family homes. The development process is conducted in close partnership with consumers, investors, municipalities, regional authorities and other stakeholders. The offering is diversified in terms of customer and product categories, which enhance the potential for value creation and profitability as varying needs can be met while also diversifying risk.

FOCUS ON THE CONSUMER

Most of Bonava's homes and neighbourhoods are built and sold directly to consumers. The homes are sold as tenant-owner homes and condominiums, or as housing companies which is the Finnish equivalent. Around 70 per cent of the homes Bonava sold in 2017 were sold to consumers. Bonava initiates the marketing and sales of the homes and neighbourhoods in parallel with project development. Consumers are given the opportunity to view their future home through digital visualisation and other tools. This enables Bonava to secure substantial interest ahead of production start. Sales to consumers are made by the in-house sales department to varying extents depending on markets. In St. Petersburg, Estonia and Latvia, sales are solely made in-house, whilst in Sweden, Finland, Denmark and Norway external real estate brokers are also used. Germany uses external real estate brokers in combination with the in-house sales department.

HIGH AMBITIONS FOR THE INVESTOR BUSINESS

Investors include pension funds, insurance companies, real estate funds and private or public sector landlords. Bonava usually sells housing units to investors before construction starts. In practice, this means that investors often pay the purchase price in stages as each project phase is completed, which reduces capital tied-up for Bonava compared to sales to consumers. In 2017, investors represented approximately 30 per cent of the housing units sold. In its investor deals, Bonava takes responsibility for project development. In some cases, Bonava also provides rent guarantees to investors.

On several markets Bonava collaborates closely with a number of investors. The ambition is that the share of housing transactions with investors will also increase on other markets. During 2016 we conducted our first investor deal in Denmark and during 2017 we conducted our first investor deal in Norway, which means that the company has now completed investor transactions on most of its markets.

BONAVA'S ROLE IN SOCIETY

In order to successfully develop affordable housing, we have a regular dialogue with policy makers and civil servants. The focus is on collaboration and how Bonava can create new neighbourhoods and affordable homes for the many. Due to Bonava's unique position as a residential developer in eight countries, the company can contribute important insight and experience from other markets. Bonava seeks to continue contributing to the evolution of society.

By sharing Bonava's insights with the media, in round table talks and by participating in relevant sector events, the company has an impact in its role as a residential developer and makes a contribution to society as a whole. In July, Bonava arranged a well-attended round table event in Almedalen, Sweden where Bonava hosted a discussion regarding digitalisation of the industry and how happy neighbourhoods can be created. In Finland, Bonava hosted a seminar for government and municipality officials to discuss how more affordable homes can be produced. On several occasions, Bonava Germany has commented on the German housing development market in some of the country's major newspapers.

A HAPPY NEIGHBOURHOOD IN BONN

With a total of 137 homes in 12 multi-family buildings, the new living quarter in Bonn will provide homes for young families and elderly residents as well as disabled people, all living together in a single neighbourhood.



The housing market plays an increasingly important role in the modern economy. The market needs to operate effectively and be balanced, both in terms of rental apartments versus tenant-owner homes, but also between new neighbourhoods and the interplay with the existing environment. At the end of the day, this is about national and regional competitiveness, the ability to attract top competences and create well-functioning and inclusive neighbourhoods.

During 2017, the general housing debate changed from being about how many homes need to be built to who they are being built for. Another explicit focus of the current debate relates to how the construction industry can become more efficient through digitalisation. These trends are relevant for all of Bonava's eight markets, and Bonava contributes to improvements in these areas.

The importance of municipalities and local authorities' roles in the residential development process cannot be underestimated. Bonava regularly participates in meetings with civil servants and politicians at different levels in order to understand, explain and discuss how a residential developer like Bonava can deliver attractive living environments at a reasonable cost. Maintaining a dialogue with municipalities and regional authorities is crucial to creating homes and neighbourhoods that people want to move in to.

Bonava makes an active contribution on all its eight markets in order to meet the requirements of residential development that result from increased urbanisation. Examples include incorporating green areas into plans, developing innovative parking solutions and simplifying and enabling sustainable transport alternatives. As a major

operator on the housing market, Bonava has an important role in society, including speeding up the process towards sustainable urban development. Bonava's experience from its different markets contributes to this process. Are there needs that Berlin's municipalities have in common with Umeå in Sweden? Can lessons from the Finnish market be applied to Sweden in terms of maintaining a dialogue with municipalities?

The answer is a resounding yes. This is why Bonava focuses on growing and nurturing a positive and open dialog with representatives from local municipalities in order to continuously obtain the best information for when the spade hits the ground for the next neighbourhood.

➤ Read more about Bonava's role in society on pages 52–62.



WELCOME HOME

Bonava in Denmark and Norway has developed a "Welcome home package" that is placed in all new homes ahead of moving in. The package contains various essential items and other goodies to welcome the new home owner. The package also shows that the home has been verified for cleanliness and functionality by a named Bonava employee.



BONAVA BOOSTS WELLBEING

Exercising is easier when you can do it close to home. In Bonava's Vermonniitty neighbourhood in Finland, one of the apartment blocks includes a gym, with equipment that allows residents to exercise and stay active. Vermonniitty takes the idea of an exercise area further. In addition to the home gym, the neighbourhood

includes an activity area where adults and children can exercise and stay active together. The adjacent exercise area is equipped so that parents can do their workout while the children play in the safety of their own area.



Value chain

The success of Bonava's operations is based on our ability to develop land into new, sustainable housing environments. This is about adapting homes to customers' wants and needs, as well as the unique conditions of each neighbourhood. To achieve this, we need to be active throughout the value chain – from project concept and analysis to handing over homes to the customer.

We are active throughout the value chain from the point of acquiring land until the customer is handed the keys to their new home. Our success is based on our ability to develop suitable land into new, sustainable neighbourhoods. We adapt our housing units to our customers' needs and wants and the unique conditions of the local area. This means that it is important for Bonava to have a good understanding of and insights into how people want to live.

Based on our customer insights, we produce a project concept that results in the development process. We create value by developing neighbourhoods where people live and are happy. In order to complete projects, Bonava follows carefully defined processes. This gives Bonava control of the entire value chain and ensures that projects stick to time plans and deliver profitability.

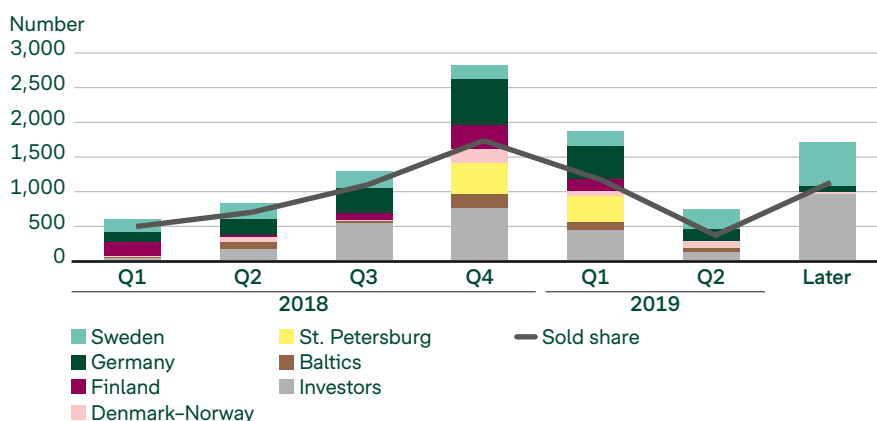
We report the sales value of a home as net sales once the home is handed over to the customer.

ESTIMATED COMPLETION

At the end of the year, Bonava had 9,880 (9,113) homes in production with a sales rate of 68 (75) per cent. The number of residential units in production to consumers amounted to 6,844 (6,158) and 3,036 (2,955) to investors. The timing of completions is assessed at the end of each quarter. The exact timing for completion may vary from our initial assessment, due to changes in production lead-times or regulatory frameworks and permits. In some cases, formal regulatory requirements by authorities or customers may create delays that mean that the time of completion is not identical with the housing unit being recognised for profit.

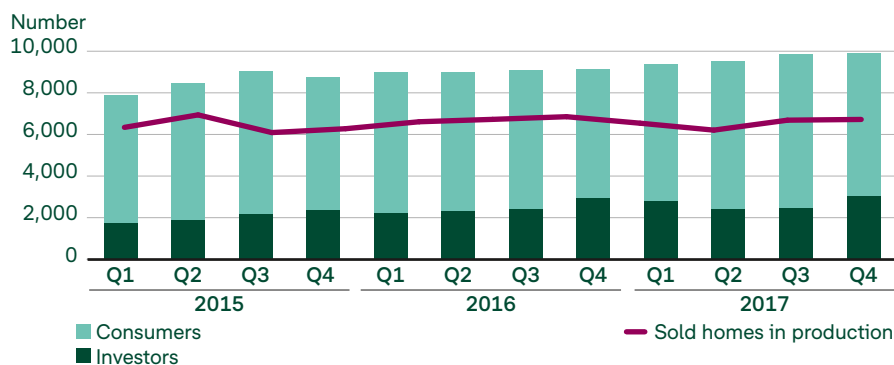
Compared to the same time in 2016, we have more housing to complete from the first quarter of 2018 and beyond. Of the total number of homes that have not yet been completed, 56 (60) per cent are expected to be completed in 2018.

Estimated completions of housing units per quarter



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

Number of housing units in production per quarter and proportion of sold housing units



The diagram illustrates the number of housing units in production per quarter and the share of housing units sold.



Björksätravägen in Sättra is Bonava's and Designstudion's first project in Sweden where Bonava has acted as in-house architect. "Björksätravägen is our first internally produced project in Sweden and has paved the way for our current working methods. We have created new homes with a small village feel, even when we are building multi-family housing. The team focused on creating 'life between the houses'. This will be a pleasant and open residential neighbourhood with a unique character", says Måns Elander, Architect at Designstudion.

Bonava's value chain

REFINING AND DEVELOPMENT

1. Land purchases

We conduct an analysis of the type of housing that should be developed and the target group on the basis of our customer insights before making a potential land acquisition. By involving the right competences in terms of architecture, project development, the environment and construction management at an early stage, we ensure a time and cost-efficient process.



Accessing
land

2. Project development

Project development proceeds from our customers' needs, requirements and our internal profitability requirements. Proposals are considered internally and in collaboration with the relevant authorities to ensure that the project is consistent with target group preferences. Once the framework for the program, finances, product selection etc. have been actualised and determined, we take the decision to start the project.



Sales
start

3. Marketing and sales

Project marketing begins in the project development phase. We initiate and maintain dialogue with the relevant target groups through physical meetings, digital channels and printed media. Digital visualisations provide our customers with a good understanding of their homes, so they can make well-founded purchasing decisions before their home is completed. Once we have attracted sufficient interest from customers, we start production.



Production
start

1. Land purchase

2. Project development (design and planning)

3. Marketing and sales

FINANCIAL REPORTING OF HOUSING TRANSACTIONS

CONSUMERS

Land purchases

Expenditure until land purchase is expensed on an ongoing basis as a production expense. Once we have taken possession of land, we recognise the cost as Properties held for future development in the Balance Sheet and Investments in housing projects in the Cash Flow Statement. Once Bonava controls the potential for developing land, it is reported as Building rights, with one building right corresponding to one future home. Land that Bonava controls through option agreements or other contracts, but where possession has not yet been taken, is recognised as Building rights off Balance Sheet.

Expenditure for project development

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

Project execution

Once a decision on production start is taken and production has commenced, the value of land purchases and development expenses in the Balance Sheet transfers from Properties held for future development to Ongoing housing projects. Expenditure incurred during production lead-times is capitalised as Ongoing housing projects in the Balance Sheet and is charged to Investments in housing projects in the Cash Flow Statement. On production start, the number of building rights transfer to the Number of houses in production. After production start, all homes are recognised in the Number of sold housing units in the period once a binding agreement has been signed with the customer.

4. Project execution

On the Nordic markets, Bonava has historically procured design and construction contracts from NCC. As an independent company, Bonava is establishing design and production competences in-house. This will enable projects to be procured on construction contracts, which provides more control over the production phase. In Sweden and Denmark-Norway, Bonava has established site management to develop single-family homes. In Germany, Bonava utilises in-house and centralised design and production competences, which include site management and

construction workers. Bonava also has production competence and site management in St. Petersburg, Denmark and Estonia-Latvia. Regardless of Bonava's role in the production phase, all projects have a designated project manager who continuously coordinates and monitors activities, schedules and budgets. The project manager also co-ordinates and manages contacts with the authorities, suppliers and contractors, as well as auditing subcontractors. Project execution concludes with Bonava ensuring a professional handover to the customer.



Handing over home



4. Project execution

5. Customer service

Completion and handover of homes

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

flow, the result from house sales is recognised under Profit after financial items, while the book value of homes recognised for profit is reported under Sales of housing projects. Homes that the customer has taken possession of are recognised as the Number of profit-recognised housing units in the period. Other completed homes are recognised as Completed housing units, not recognised for profit, including sold housing units that the customer has not yet taken possession of.

5. Customer service

Bonava's responsibility doesn't end when customers move into their new homes. We remain in dialogue with the customers and are responsive to questions and suggested improvements. It is important that Bonava's customers feel secure throughout the journey, even after moving in.

Customer feedback is collected to ensure that Bonava's processes are continuously improved.

FINANCIAL REPORTING OF HOUSING TRANSACTIONS

INVESTORS

The reporting of housing transactions for investors is essentially the same as for consumers. Reporting of consumer transactions recognises housing units for profit one at a time, while profit recognition for investors usually involves an entire housing development project or a substantial number of housing units.

Markets

With a geographical spread across 23 regions in eight countries, Bonava has a unique position as a residential developer. Through continuous knowledge exchange between our markets, we create happy neighbourhoods where people have the highest quality of life.

Sweden

2017 2016

Key financial figures

Net sales, SEK M	5,699	5,040
Operating profit, SEK M	1,230	920
Operating margin, %	21.6	18.3
Capital employed at period end, SEK M	4,986	4,350
Return on capital employed, %	24.7	19.3
Number of employees	229	184

Building rights

Building rights at period end, number	7,500	7,200
of which off-balance sheet building rights, number	4,900	3,300

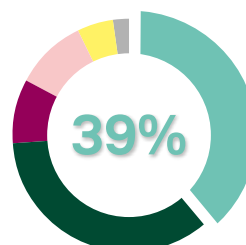
Housing development for consumers

Number of sold housing units during the period	621	1,123
Number of started housing units during the period	965	1,108
Number of profit-recognised housing units during the period	1,245	1,013
Number of housing units in production at period end	2,009	2,304
Sales rate for housing units in production, %	55	75

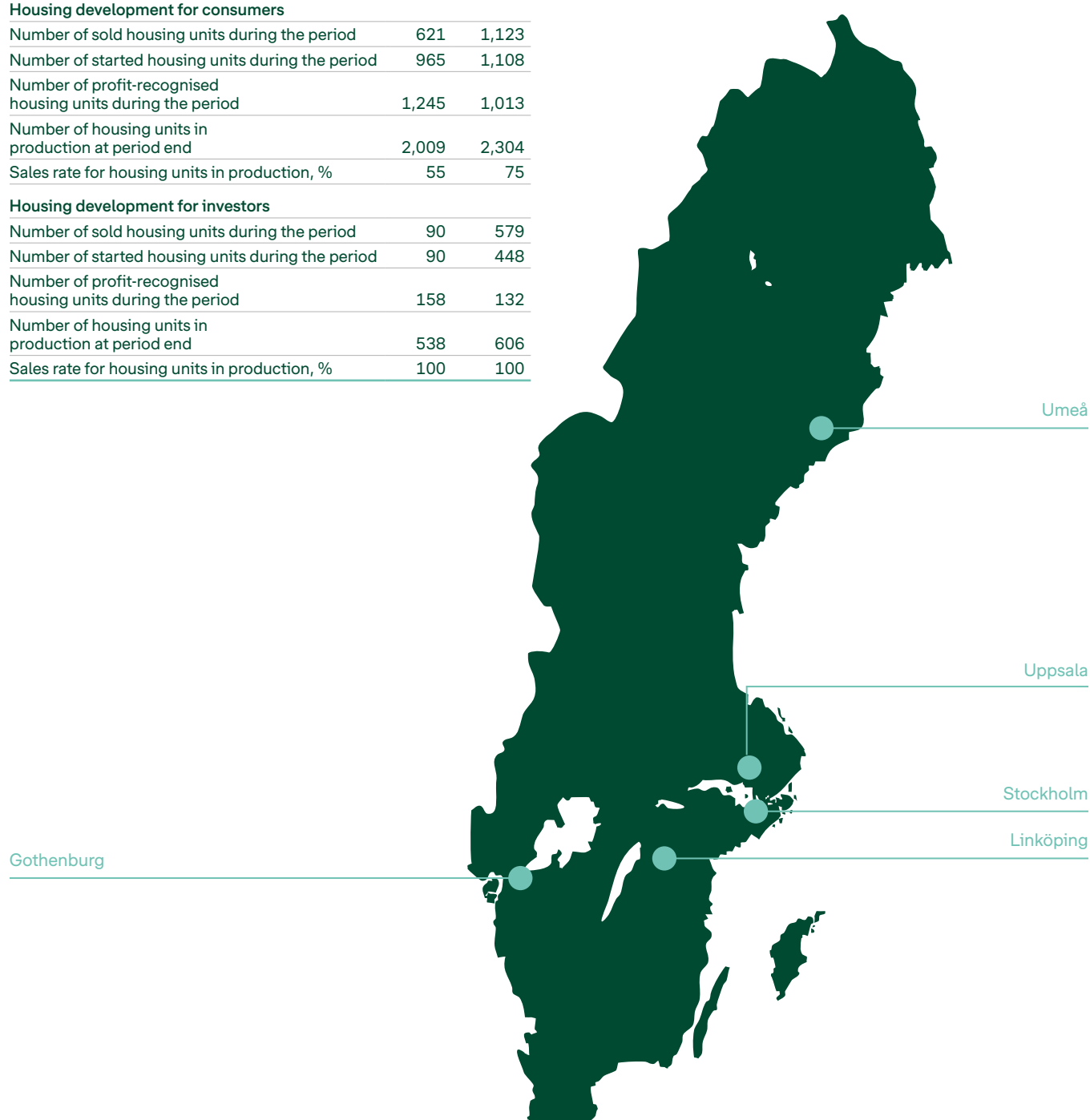
Housing development for investors

Number of sold housing units during the period	90	579
Number of started housing units during the period	90	448
Number of profit-recognised housing units during the period	158	132
Number of housing units in production at period end	538	606
Sales rate for housing units in production, %	100	100

Net sales per segment 2017



Sweden, 39%
Germany, 35%
Finland, 9%
Denmark-Norway, 10%
St. Petersburg, 5%
Baltics, 2%



MARKET

During the latter part of 2017, the market moved from strong to cautious, largely due to political decisions and market psychology. However, there is high demand for housing and the underlying macroeconomic conditions favor the housing market. Boverket (Sweden's National Board of Housing, Building and Planning) estimates a need for residential development of 600,000 new homes between 2017 and 2025.

OUR OFFERING

In Sweden, Bonava's offering focuses on consumers and investors. The consumer markets are Stockholm, Gothenburg, Linköping, Uppsala and Umeå. Within the single-family housing business, Bonava limits the offering to a small number of products to increase industrialisation of the construction process. For multifamily housing, Bonava uses a building system based on long-term experience. This building system is continuously improved and progressively updated to better address our strategic priorities. All of the projects in Sweden are environmentally certified. As of 2017 we use the Nordic Swan eco-labelling system for all new investments.

COMPETITORS

The market is competitive and following several years of rising house prices, more housing developers have become established on the market. Some competitors are construction companies like Skanska and Peab, who are active in housing development, and companies that specialise in housing development such as JM. There are also many smaller developers that are not active in construction, like Oscar Properties, Besqab and Magnolia. In the single-family housing market, competitors include Älvsbyhus and Myresjöhus.

STRATEGIC PRIORITIES

In order to increase productivity, we are currently building our own design and production competence, which enables us to steer and control the design and production process. This allows us to continue to develop our design processes and building system and thereby reduce production costs and improve our offering. We also want to prioritize the work with our project portfolio on selected markets and grow the investor business.

SIGNIFICANT EVENTS

During the year Bonava made several advances in moving towards more housing in the affordable segment. For example, we bought land in Botkyrka to create a residential area with about 350 homes. Our single-family business continues to grow, and during the year, we celebrated the development of our 500th house. For instance, we started the project Ältadalen in Nacka, an initiative that generates further growth and focus on our single-family housing business. We started production in 2018 and will develop a total of about 220 single-family houses in the project. At the end of the year, we started the Kristinebergs Slottspark project, one of Bonava Sweden's largest projects, comprising a total of 182 apartments.

FINANCIAL RESULTS

Net sales increased in Sweden as a result of more housing units being handed over to consumers and investors, and increased land sales. Operating profit improved as more housing units were recognised for profit, at the same time as profit from land sales increased to SEK 482 million (257).

**SIGNIFICANT INTEREST IN SUSTAINABLE APARTMENTS IN KRISTINEBERGS SLOTTSPARK**

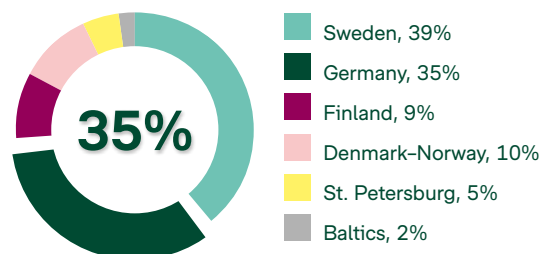
During the year, work started on one of Bonava Sweden's biggest projects: Kristinebergs Slottspark on Kungsholmen in Stockholm. The location is very central and attractive. Bonava is developing 182 Nordic Swan eco-labelled housing units in the area.

Kristinebergs slottspark will include different types of housing units. The neighbourhood has multiple social spaces and is close to a deli, wine bar and convenience store. The park house, which faces the wooded palace gardens, has a quiet and private feel.

Germany

	2017	2016
Key financial figures		
Net sales, SEK M	5,049	3,907
Operating profit, SEK M	668	477
Operating margin, %	13.2	12.2
Capital employed at period end, SEK M	3,037	2,163
Return on capital employed, %	23.0	25.4
Number of employees	886	809
Building rights		
Building rights at period end, number	8,300	6,400
of which off-balance sheet building rights, number	3,700	2,700
Housing development for consumers		
Number of sold housing units during the period	1,506	1,288
Number of started housing units during the period	1,455	1,455
Number of profit-recognised housing units during the period	1,135	1,057
Number of housing units in production at period end	2,105	1,785
Sales rate for housing units in production, %	68	59
Housing development for investors		
Number of sold housing units during the period	906	645
Number of started housing units during the period	906	645
Number of profit-recognised housing units during the period	611	201
Number of housing units in production at period end	1,479	1,184
Sales rate for housing units in production, %	100	100

Net sales per segment 2017



Hamburg region

Hamburg

Rhine-Ruhr region

Düsseldorf

Cologne/Bonn region

Cologne

Rhine-Main region

Neu-Isenburg

Rhine-Neckar/Stuttgart region

Mannheim/Ludwigsburg

Baltic sea region

Rostock/Stralsund

Berlin region

Berlin

Fürstenwalde
(German
headquarter)

Saxony region

Leipzig/Dresden

MARKET

The housing market in Germany is strong and house prices continued to increase during the year. Demand is good from consumers as well as investors and statistics show that 400,000 new homes need to be developed annually over the next ten years.

OUR OFFERING

Bonava operates in the regions of Berlin, Hamburg, the Baltic coast, Saxony, Rhine-Ruhr, Cologne/Bonn, Rhine-Main and Rhine-Neckar/Stuttgart. The offering targets consumers and investors, and consists of single-family houses and multi-family housing. In Germany, Bonava has established a building system that enables an efficient production process through acquisition, planning and construction all the way to handover. This building system has been applied for over 20 years, and is continuously improved.

COMPETITORS

The German market is fragmented with multiple companies, which creates good growth opportunities for a large company like Bonava. In Germany, Bonava meets competition from larger developers and smaller local businesses. The main competitors are BPD, Instone (former Formart) and CG Gruppe.

STRATEGIC PRIORITIES

Based on the positive profitability and the scale of the German market, Bonava sees further potential for organic growth through recruitment and purchasing land for future projects. In line with our strategy, we continued to increase the number of building rights in Germany and by the end of 2017, we had about 30 per cent more building rights compared with 2016. The number of residential units in production also increased and at the end of 2017 the number was 3,584, compared with 2,969 at the end of 2016.

SIGNIFICANT EVENTS

For the fifth consecutive year, Bonava was ranked as the most active residential developer in German urban areas by market research company bulwiengesa. Bonava hosted its first Capital Markets Day as a listed company at the Swedish embassy in Berlin, with the aim of diving deep into the company's German operations. During the day, the participants visited a couple of projects that illustrate how Bonava creates affordable homes in Berlin.

FINANCIAL RESULTS

In Germany, net sales increased mainly due to more housing units being handed over to investors. 611 housing units for investors were recognised for profit in the year, against 201 housing units in the previous year. Net sales from consumers increased as more housing units were recognised for profit. Operating profit in Germany improved as a result of higher net sales at slightly higher margins.

**A VIBRANT NEIGHBOURHOOD WITH SHARED GARDENS**

In the Beuel residential quarter in Bonn, Bonava is developing around 500 tenant-owner housing units. A dedicated heating and power station provides the area's energy supply. Terraces, balconies and a shared roof terrace create a harmonious environment.

The shared gardens create opportunities for socialising and cultivating flowers, fruit, fresh herbs and vegetables. Residents are given the possibility of extending their new home with a small garden next to the residential building.

NETWORKING AT EXPO REAL

Bonava attended EXPO REAL, one of Europe's most important real estate and investor fairs. An important meeting place for developing relationships with municipalities, landowners and investors, and not least discussing trends on the real estate market.



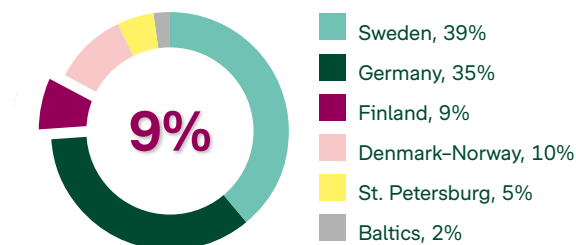
EXPANDING IN GERMANY

The 5,000 m² extension of our headquarters in Fürstenwalde not only creates new office space, but also provides space to support a healthy lifestyle. This supports us in our growth strategy.

Finland

	2017	2016
Key financial figures		
Net sales, SEK M	1,290	1,516
Operating profit, SEK M	1	92
Operating margin, %	0.0	6.1
Capital employed at period end, SEK M	1,284	1,092
Return on capital employed, %	-0.2	7.1
Number of employees	146	104
Building rights		
Building rights at period end, number	7,100	7,300
of which off-balance sheet building rights, number	4,300	4,200
Housing development for consumers		
Number of sold housing units during the period	579	637
Number of started housing units during the period	702	522
Number of profit-recognised housing units during the period	398	658
Number of housing units in production at period end	865	567
Sales rate for housing units in production, %	54	50
Housing development for investors		
Number of sold housing units during the period	628	624
Number of started housing units during the period	628	624
Number of profit-recognised housing units during the period	327	
Number of housing units in production at period end	925	1,091
Sales rate for housing units in production, %	100	100

Net sales per segment 2017

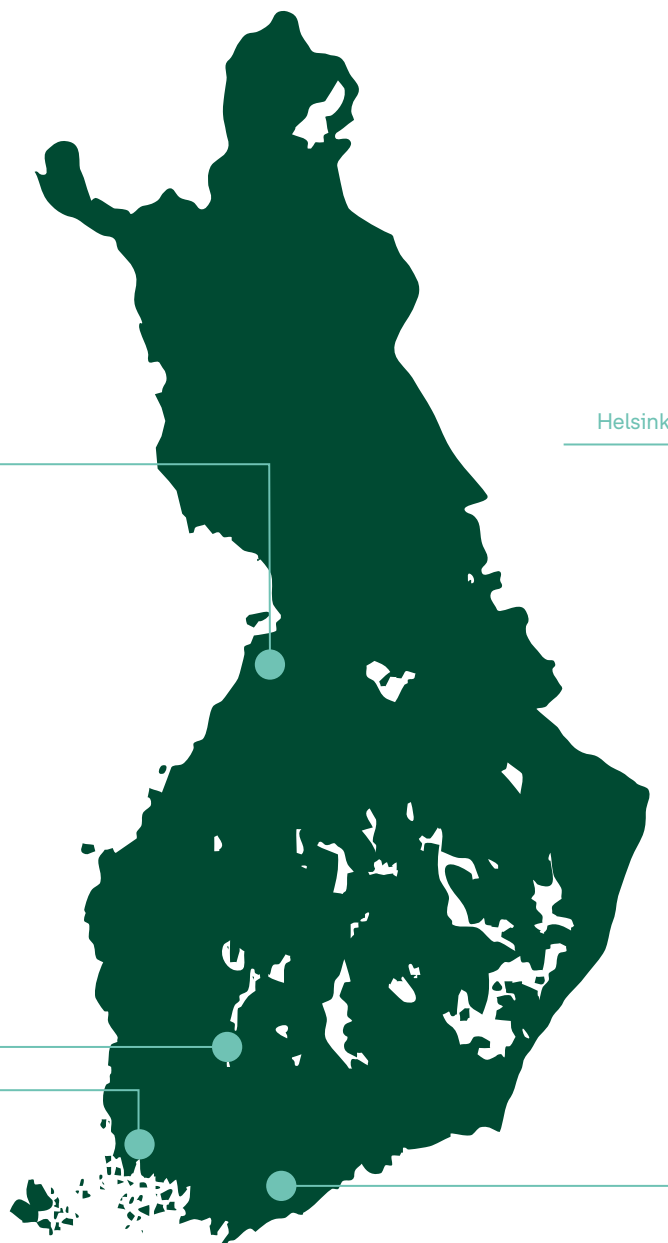


Oulu

Helsinki

Tampere

Turku



MARKET

The economy in Finland has begun to recover after a time of weak development. Demand in 2017 was good from both consumers and investors, and house prices increased.

OUR OFFERING

Bonava offers multi-family housing for consumers and investors in Helsinki, Esbo, Vantaa, Turku, Tampere and Oulu.

COMPETITORS

The largest competitors in Finland are construction companies active in housing development such as Lemminkäinen and Skanska. During the year, Finnish company YIT merged with Lemminkäinen which consolidated the market somewhat.

STRATEGIC PRIORITIES

We expanded our design and production competences through active recruitment according to plan. By the end of the year, we had 12 ongoing projects led by in-house site management teams. Building system solutions were developed according to plan, which will reduce production costs and improve quality over time.

SIGNIFICANT EVENTS

In May, Bonava gathered a considerable number of decision-makers from the housing market to discuss the prospects and obstacles for affordable housing. The guests included the deputy mayor of Helsinki, mayor of Vantaa, property manager of Espoo and two government ministers and other professionals in the housing field. Bonava was one of the winners of the major land allocation competition for the Pasila district

of Helsinki, Finland. The area includes the creation of a total of over 500 apartments in two phases. Once the area has been completed, it will provide homes for some 5,700 new inhabitants. Bonava will develop its part of the area in close cooperation with the City of Helsinki.

FINANCIAL RESULTS

Net sales in Finland were lower than in 2016. A low number of production starts

in recent years resulted in that fewer homes to consumers were recognised for profit, while more units for investors was recognised for profit. Operating income and operating margin in Finland declined compared with the same period last year, as the lower net sales could not adequately cover the fixed costs. The build-up of own production resources resulted in increased administration costs.



STRONG INVESTOR MARKET IN FINLAND

Bonava sold 119 rental apartments in Perkkää, Espoo, to OP-Rental Yield. Construction start is being initiated at once and the apartments are expected to be completed at the beginning of 2019. The apartments are being built in an up-and-coming area of Espoo. The neighbourhood is close to nature, shops and schools, but also to Helsinki city centre.



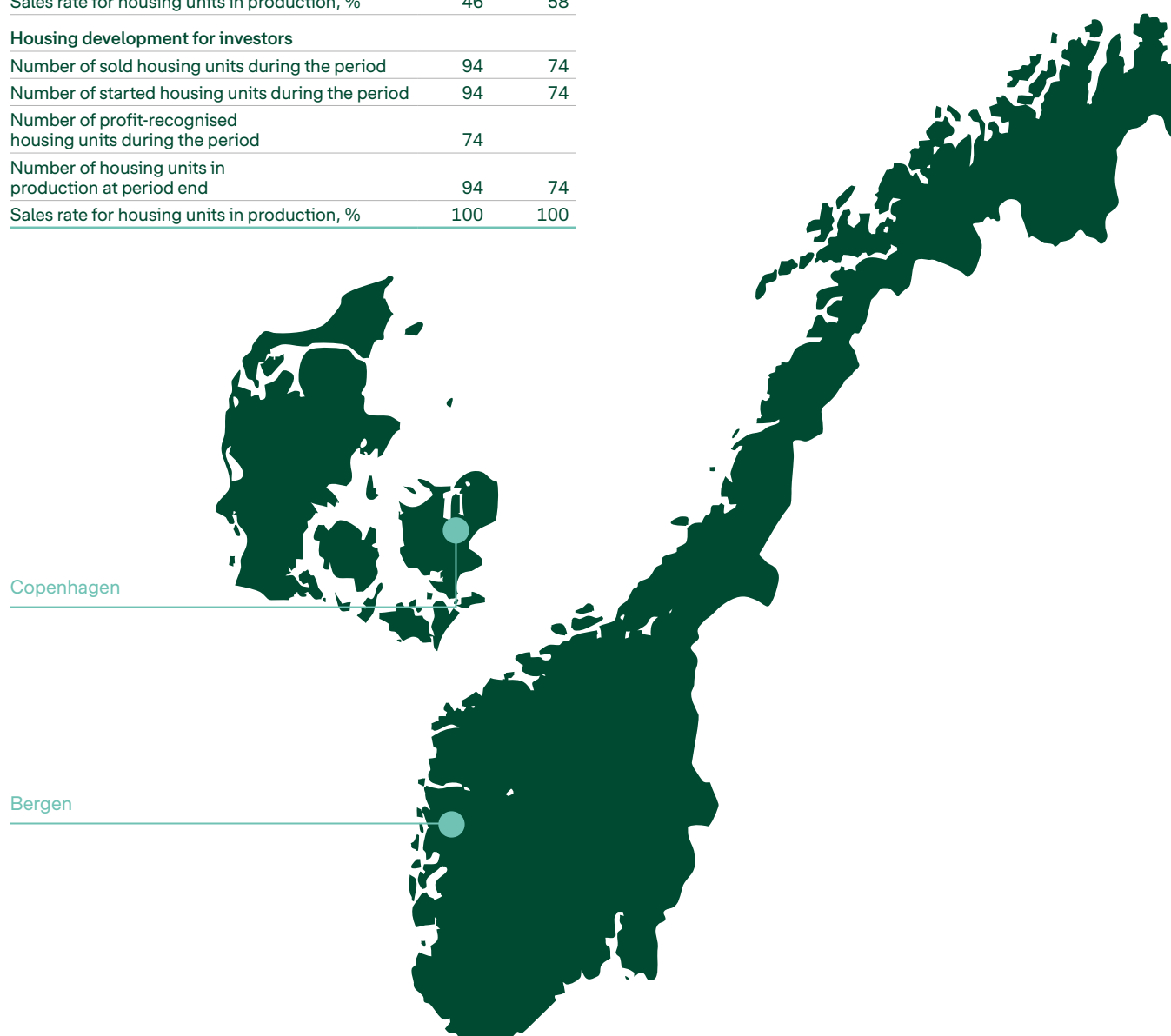
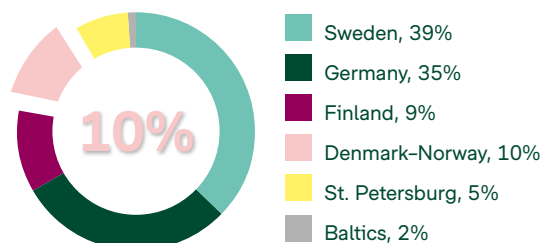
BONAVA WINS MAJOR LAND ALLOCATION COMPETITION

Bonava was one of the winners of a major land allocation competition for the Pasila region of Helsinki.

Denmark–Norway

	2017	2016
Key financial figures		
Net sales, SEK M	1,454	1,931
Operating profit, SEK M	141	194
Operating margin, %	9.7	10.0
Capital employed at period end, SEK M	857	736
Return on capital employed, %	15.3	16.0
Number of employees	79	53
Building rights		
Building rights at period end, number	2,000	900
of which off-balance sheet building rights, number	800	300
Housing development for consumers		
Number of sold housing units during the period	362	299
Number of started housing units during the period	507	249
Number of profit-recognised housing units during the period	312	396
Number of housing units in production at period end	517	316
Sales rate for housing units in production, %	46	58
Housing development for investors		
Number of sold housing units during the period	94	74
Number of started housing units during the period	94	74
Number of profit-recognised housing units during the period	74	
Number of housing units in production at period end	94	74
Sales rate for housing units in production, %	100	100

Net sales per segment 2017



MARKET

In Denmark, prices continued to increase in the areas where we are active and the demand was good. In Bergen in Norway, house prices fell slightly during the year after several years of rising prices.

OUR OFFERING

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

COMPETITORS

The Danish market is fragmented with many residential developers such as Arkitekt-

gruppen, ELF Development and FB Gruppen. In Norway, Bonava meets competition from larger construction companies such as Skanska and Veidekke, as well as developers focused on residential development such as Obos, Selvaag Bolig and JM.

STRATEGIC PRIORITIES

The strategic orientation in Denmark and Norway focuses on continuing to build the production organisation and develop Bonava's own building systems. In Denmark, Bonava has handed over its first semi-detached and multi-family houses based on in-house production.

SIGNIFICANT EVENTS

Bonava executed its first investor deal in Norway during the year with the sale of rental apartments in Bergen. The project consists of 70 apartment units, acquired by the Norwegian investor Utleiebolig AS.

FINANCIAL RESULTS

The number of housing units for consumers recognised for profit was down on the previous year and net sales decreased. Operating profit for Denmark–Norway decreased year-on-year because of reduced net sales.

WE BUILD BEAUTIFUL HOMES

Byhusene in Havnevig and Krøyers Plads was awarded a prize by the Municipality of Copenhagen for beautiful buildings.

"We are very proud to receive this award. It shows how we can impact the quality of life of an entire city", says Torben Modvig, Business Unit President Denmark–Norway (to the left in the picture).



FIRST INVESTOR DEAL IN BERGEN, NORWAY

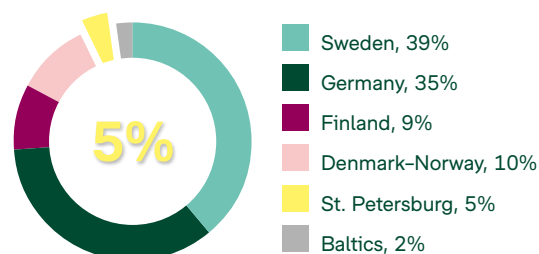
Bonava Norway completed its first investor transaction with the sale of 70 rental apartment units in Bergen. The project is situated in the

new area of Sandsli, between the city and the airport, with good infrastructure, schools and recreational areas.

St. Petersburg

	2017	2016
Key financial figures		
Net sales, SEK M	727	915
Operating profit, SEK M	104	178
Operating margin, %	14.3	19.4
Capital employed at period end, SEK M	1,108	1,277
Return on capital employed, %	8.4	16.5
Number of employees	266	276
Building rights		
Building rights at period end, number	3,500	4,400
Housing development for consumers		
Number of sold housing units during the period	516	653
Number of started housing units during the period	813	363
Number of profit-recognised housing units during the period	833	1,026
Number of housing units in production at period end	813	800
Sales rate for housing units in production, %	33	61
Housing development for investors		
Number of sold housing units during the period		
Number of started housing units during the period		
Number of profit-recognised housing units during the period		74
Number of housing units in production at period end		
Sales rate for housing units in production, %		

Net sales per segment 2017



St. Petersburg

MARKET

The housing market in St. Petersburg remained awaiting with stable prices.

OUR OFFERING

On the Russian market, Bonava only has a presence in St. Petersburg. The company focuses solely on multi-family housing for consumers and investors.

COMPETITORS

There are numerous developers in St. Petersburg, including YIT and domestic companies such as Setl City and LSR.

STRATEGIC PRIORITIES

We want to continue to develop our customer offerings and simultaneously improve our cost position as a result of our structured building system and work with strategic procurement.

SIGNIFICANT EVENTS

The first phase of the Magnifika project was launched during the year. The neighbourhood includes kindergartens and schools. The first and second phases of Magnifika received Silver and Gold Green Zoom certificates respectively.

FINANCIAL RESULTS

Net sales decreased due to fewer housing units for consumers being recognised for profit. Operating profit was down year-on-year because of fewer housing units recognised for profit. Profit was charged with impairment losses for properties held for future development of SEK 34 M (18).



SUSTAINABLE PROJECT IN THE HEART OF ST. PETERSBURG

The Magnifika project was launched in St. Petersburg in April 2017. The landscaped concept was recognised by the business community and received an Urban Award. To show the advantages of the neighbourhood to potential customers, Bonava created a show yard in connection to the projects sales office.

“Magnifika is a landmark project for St. Petersburg – the landscaped concept sets the standards for the whole industry. The neighbourhood is situated close to the embankment of the river and redevelopment of the waterfront is included in our plans. What is also unique for St. Petersburg is that the first residential building with zero energy consumption will be built within the neighbourhood”, says Pekka Eskola, Magnifika Project Manager at Bonava.



Working at Bonava

At Bonava, you will have an exciting work-life and be part of a journey; Bonava's journey, your individual career journey and the journey our projects take from land acquisition through to blueprints and all the way to homes and neighbourhoods where our customers can be happy and feel at home.

Working at Bonava

Our vision is to create happy neighbourhoods where people have the highest quality of life. The vision sits right at the heart of all of us. It is our passion, it is what drives us and guides us every day on our journey.

We have shared values and goals, but each one of us has our own journey through which we grow and develop as individuals and professionals. We are always moving forward; aiming a little higher, a little further, while striving towards a sustainable work-life balance. Together, we've come very far. We're not saying that our journey is always easy, but we're confident that we'll make it together.

Along the way, we explore and seek out new opportunities. Not only for our own personal growth, but also for how we contribute to creating places where people feel they belong. That's why we get up in the morning. That's what we believe in. We challenge ourselves every day to change the housing game, creating better homes and lives for the many.

JOIN OUR JOURNEY

Bonava's employer branding is summarised in "Join our journey". At Bonava, you'll be able to enjoy an exciting work-life and be part of a journey – Bonava's journey, your individual career journey and the journey our projects take from land acquisition through to blueprints and all the way to homes and neighbourhoods where our customers can be happy and feel at home. We welcome you on board. You choose if you want to join us on our journey, and we want you to choose that every day.

START-UP WITH A HISTORY

We're a new company with a strong entrepreneurial drive. But we stand on a solid base as a stock-listed company with strong financials and a history spanning back to the 30's. We're in this industry for the long run. And although we're large and international, we're a company with a familiar feel.

ON AN EXCITING CHANGE JOURNEY

We're on an exciting journey towards our vision to create happy neighbourhoods for the many.

To succeed, we need to live our values and challenge the housing game and how we do things in all aspects of our business. We offer our customers affordable living whilst keeping our business balanced. Our continued success relies on our ability to build smart and cost-effective homes and neighbourhoods that create better homes and lives for the many.

HIGH AMBITIONS AND LOTS OF EXPERTISE

We have high ambitions and a strong desire to perform, always keeping the customer at the heart of everything we do. Together we hold a wide array of expertise, which makes Bonava a great place to grow at, while we strive towards our high-set goals.

GREAT ATMOSPHERE AND TEAM SPIRIT

We're passionate, positive and dedicated to what we do. We're constantly developing and help each other out in collaborations across borders. With an open, communicative and straight-forward approach, we work hard together and have lots of fun along the way.

OUR VALUES

Our values define and determine how we act as a company and a brand, and is the foundation of our corporate culture.



Customer focus

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



Passion

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



Delivering excellence

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



Friendly

We treat everyone in a friendly way with empathy and warmth.



Brave

We courageously challenge ourselves to create better homes and lives.



Reliable

We take responsibility for our actions, products and the environment.



"The people I work with and the atmosphere.
That's what brings me passion."

ANNA BABICHEVA, CUSTOMER SERVICE, ST. PETERSBURG



"It's important to me to make it possible
for people to live in beautiful homes
that they can afford."

PATRIK MYRBERG, ARCHITECT, SWEDEN



"Our work is all about doing things
smarter, being brave and finding new
ways of doing things."

ANNALY ROSIN, MARKETING, ESTONIA

Sustainability Agenda

The world is facing major challenges. Bonava can and wants to contribute to the change required to ensure social, environmental and financially sustainable development. Our contribution is summarised in Bonava's Sustainability Agenda.

About the Sustainability Agenda

The Sustainability Agenda drives long-term progress towards realising Bonava's values, strategy and implementing the precautionary principle.

Bonava's Sustainability Agenda has four focus areas:

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

The Sustainability Agenda also supports a number of external commitments: Bonava should deliver on the principles for human rights, labour conditions, the environment and anti-corruption under UN Global Compact, contribute to the UN's global objectives for sustainability, follow OECD guidelines for multinational companies and publish reports in accordance with the Global Reporting Initiative (GRI).

Bonava's Sustainability Agenda has been formulated on the basis of extensive mapping of the company's key sustainability aspects.

➤ Read more about the mapping process on page 136.



Happy neighbourhoods for the many

Group objectives:
Happy neighbourhoods for the many
 By 2020, 50 per cent of Bonava's production starts shall be in the affordable segment.

Society and demographic conditions are continuously changing, including on markets where Bonava is active. More affordable homes are now needed to remedy the housing shortage. In general, there is significant need for action to secure sustainable neighbourhoods, cities and communities. Contributing to this process represents a great business opportunity for Bonava.

SIGNIFICANT EVENTS IN 2017

- Internal workshops on all markets, focusing on affordable homes and happy neighbourhoods
- Execution of Bonava's first Happy Quest, a survey examining the drivers behind happy neighbourhoods
- Implementing an evaluation and support tool aimed at increasing social sustainability in connection with development of new housing projects in Sweden

AFFORDABLE HOUSING

Bonava's main objective is to offer affordable homes for the many. The availability of affordable homes is essential for society to progress in a positive and sustainable direction. All Bonava's strategic initiatives work towards this aim.

During the year, Bonava held workshops across all markets, under the banner of Bonava's brand and culture ambassadors. The workshops provided time and space for reflection on how each individual can optimise their contribution towards realising Bonava's vision and mission. The workshops identified strengths and areas for improvement, and generated commitment to the company's continuous efforts to deliver more affordable homes and maintain happy neighbourhoods.

According to Bonava's definition, affordable homes are those that people with

disposable income in the median bracket, on each respective geographical market, can afford to buy and live in. Bonava's objective is that by the end of the strategy period 2020, 50 per cent of production started homes should lie within the affordable segment. The share of affordable homes in new production starts in 2017 was 40 per cent. The share of new production in the affordable segment is lower than in 2016 due to a few very large new production projects in 2016, and improvements in internal reporting. See page 141 for more information.

Affordable homes	2017	2016
Production started homes in the affordable segment, %	40	46



A NEIGHBOURHOOD FOR AN ACTIVE LIFESTYLE

"On Track" is the name of Bonava's new homes for people who enjoy an active lifestyle, socialising, being close to the city centre and having access to their own car pool. The smart apartments have large windows for optimal daylight, and balconies or patios towards communal areas. And the train station is just around the corner.

BONAVA'S SUSTAINABILITY AGENDA

Supporting framework



The UN's sustainable development goals

Focus areas

Happy neighbourhoods for the many

- Affordable housing
- Areas for happy neighbourhoods
- Community development for sense of belonging



Sustainable cities and communities

Protecting our planet

- Circular production model
- Sustainable use of land
- Efficient buildings
- Sustainable and non-hazardous materials



Responsible consumption and production



Climate action

AREAS FOR HAPPY NEIGHBOURHOODS

Bonava develops happy neighbourhoods. The location and design of an area impacts people's behaviour, which has sustainability effects, both socially and environmentally. Bonava's Happy Quest survey charts what makes people happy where they live, and provides meaningful insights. For example, lush and green areas, sustainable transport and opportunities for an active life are important factors for the well-being of residents.

COMMUNITY DEVELOPMENT FOR SENSE OF BELONGING

Bonava involves future consumers and neighbours in the development of its neighbourhoods, particularly because many of Bonava's customers appreciate being involved in the development process. This contributes towards building communities with a sense of belonging.

Bonava strives to create internal processes and collaborations that optimise the creation of neighbourhoods with social and environmental sustainability. We measure our success through customer satisfaction surveys. The program includes a survey aimed at all new customers, and an annual survey to customers who have bought and live in homes developed by Bonava.

During the year, Bonava started using a new support and evaluation tool for increased social sustainability in ongoing housing production. The tool was developed alongside with municipalities in areas where Bonava operates in 2016. The tool facilitates the early planning stages of happy neighbourhoods and communities with a sense of belonging.

We examine:

- Customers' willingness to recommend Bonava (NPS)
- Customer satisfaction (NKI)
- Degree of happiness in the neighbourhood (Happy Index).



Read more about Bonava's customer surveys and about Bonava's offerings on page 28. Read more about Bonava's key measures and results within Happy neighbourhoods for the many on page 139.



NORDIC SWAN ECO-LABELLED HOMES IN AWARD WINNING NEIGHBOURHOOD

"Sigtuna Stadsängar", previously "Norra Sigtuna Stad", received Sweden Green Building Award in the sustainable urban development category for its development of the new area in 2014.

The new neighbourhood is the result of a unique process based on the inhabitant's visions and high demands on a long-term environmental focus, and is a joint project where Bonava is now one of multiple operators. The participants competed for participation in a land allocation competition in order to contribute to the project's high sustainability ambitions.

The neighbourhood has its own website welcoming visitors with the words: "Welcome to Sigtuna Stadsängar, a brand new neighbourhood developed in Sigtuna with the ambition of being Sweden's most sustainable town. Bonava and SigtunaHem have started production of homes in each neighbourhood that are expected to be ready for occupation in 2018". The area Bonava is developing is called Greta's glänta and offers Nordic Swan eco-labelled, energy-efficient and well-planned homes of different sizes. All in an architecturally varied environment.

Passionate workplace

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



Decent work and economic growth

Reliable business

- Compliance
- Responsible supply chain management
- Tax
- Transparency



Partnerships for the goals

Protecting our planet

Group objectives:
Protecting our planet
 By 2020, Bonava shall fight climate change through science-based targets.

By 2020, 50 per cent of Bonava's production starts on markets where Nordic Swan eco-labelling or Green Zoom apply shall be eco-labelled or certified.

Most things people do use up the planet's resources and have a negative environmental impact. In combination with more people moving to urban areas, this means that change towards more sustainable cities and communities is needed. The efficient use of resources and land, and reduced emissions, are essential. Although this change implies risks, it mostly generates opportunities for Bonava.

SIGNIFICANT EVENTS IN 2017

- Two new Group objectives related to the global sustainable development goals Climate Action and Responsible Consumption and Production
- Mapping of Bonava's key material flows, for a circular production model
- Reporting to the Carbon Disclosure Project

CIRCULAR PRODUCTION MODEL

Construction, especially building materials, exerts an impact on the environment in several ways. The circular production model encapsulates Bonava's vision of efficient production, where all material flows are optimised to minimise the need for new production. The ultimate aim is a closed loop.

Converging on the vision of a circular production model is critical for reducing Bonava's environmental impact, and to its ability to deliver housing in the affordable segment. We are convinced that the cost of materials, especially where supply is limited, and waste management, will increase over time.

Bonava has taken the decision to set ambitious and long-term climate objectives. At the end of the current strategy period, year 2020, Bonava's agreed objectives for reducing climate change should be approved under the international initiative Science Based Targets. The Science-Based Initiative helps companies formulate comprehensive objectives and take full responsibility for their share of the world's need to reduce greenhouse gas emissions to keep global warming below two degrees. In order for the objectives to be approved as science-based, extensive mapping is required. Bonava's objectives will include both direct and indirect climate impact. Bonava's indirect impact mainly derives from materials usage and the homes we build.

Reporting Bonava's ongoing climate initiatives to the Carbon Disclosure Project (CDP) is a step in the right direction, which Bonava completed for the first time during the year. In 2018, Bonava will have access to further data and objectives to report to CDP on.

SUSTAINABLE USE OF LAND

Using land more sustainably is becoming increasingly important due to its significance for climate change resilience.

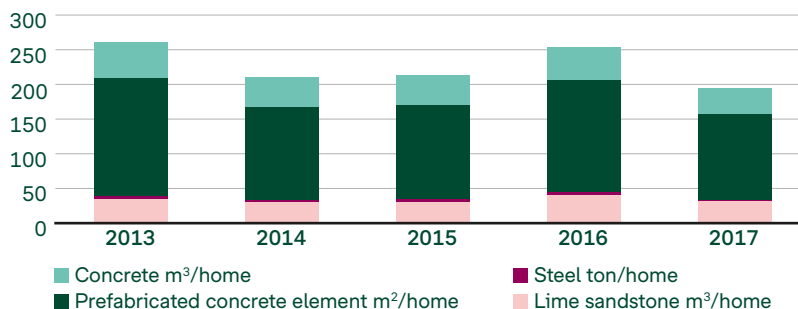
Where needed, Bonava will decontaminate land and render it suitable for building homes. Where Bonava acquires unexploited land, we design the projects to protect biological diversity and other ecological values.

Bonava's evaluation of its sustainable land usage focuses on previously exploited/unexploited land, decontamination, actions to protect or offset ecological values and managing protected species. Historically, this has been effected through internal control evaluated in each business unit, but Bonava's new sustainability agenda has identified it as an area that would benefit from being addressed at Group Management level.

EFFICIENT BUILDINGS

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

Construction materials usage in Germany



The increase in materials usage reported in 2016 was due to procurement planning. The trend over time is downward.

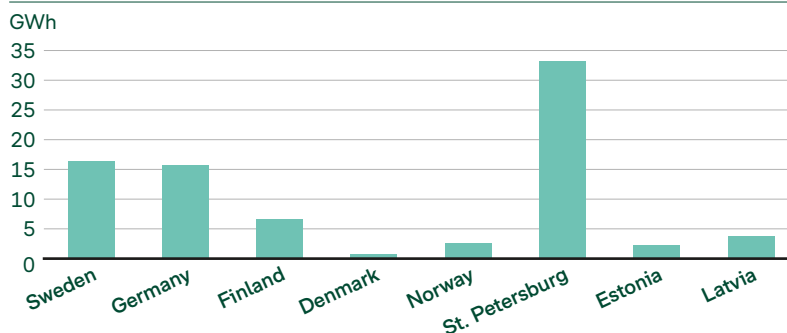


ZERO ENERGY HOMES SET THE STANDARD

"Magnifika is a landmark project in St. Petersburg. The landscaped concept sets the standard for the whole industry. Magnifika will be an attractive neighbourhood in a previously rundown industrial environment, situated on the embankment of the river. St. Petersburg's first residential building with zero energy consumption will also be included in the neighbourhood", says Pekka Eskola, Magnifika Project Manager at Bonava.

Bonava aims to deliver homes with superior energy performance compared to national building standards. Targets are set by country as circumstances and energy standards vary between national markets. The energy standards on Bonava's markets have gradually become more stringent. The fact that the homes Bonava produces are more energy-efficient than national building regulations, implies lower energy consumption for the completed buildings. For Bonava's production starts in 2017, this potential energy saving amounts to 81.2 GWh annually while the buildings are operational. This is equivalent to 0.15 per cent of Sweden's overall nuclear production in 2015 (most recent year reported by the Swedish Energy Agency). Adapting Bonava's technology platforms to national environmental standards and accreditation, also creates potential for more efficient utilisation of water resources.

Reduced need of energy for future operation of the production started homes 2017, annually



Amount of energy that each year will be saved for the homes Bonava started to produce during 2017, compared to homes on the respective national markets that solely adhere to national energy regulations for new productions. Based on each country's energy calculation standards.

SUSTAINABLE AND NON-HAZARDOUS MATERIALS

Bonava defines sustainable and non-hazardous materials as materials that do the least harm to the external environment, are non-hazardous to the health of the people that handle them, and do not have a negative impact on the indoor environment. New variations of materials and components are continuously being developed, and legislation does not always keep up. Environmental certification of buildings is an effective tool for ensuring that the precautionary principle is applied and that sustainable and non-hazardous materials are used. Bonava utilises environmental labelling and certification either directly, or as a benchmark for internal processes and requirements.

Nordic Swan eco-labelling is Bonava's first choice. Nordic Swan eco-labelling is only applicable to buildings in the Nordics. Bonava is an advocate for Nordic Swan eco-labelling to develop the labelling scheme in a joint venture with the EU Flower eco-labelling.

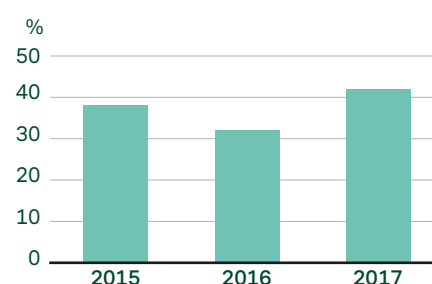
A common EU eco-labelling scheme for all homes in Europe would simplify and speed up progress, especially for sustainable and non-hazardous materials.

As of 2017, Bonava Nordic Swan eco-labels all new production in Sweden, and is gradually transitioning away from the Sweden Green Building certification. Bonava also builds Nordic Swan eco-labelled homes in Denmark and Norway. In St. Petersburg, all new productions are certified with the Russian Green Zoom certification from 2017 onwards. In Germany, Bonava's processes and materials have been audited according to the German certification DGNB, and Bonava's homes would qualify for DGNB Gold certification. Bonava applies Nordic Swan eco-labelling requirements in all tendering at Group level and adds further suitable local certifications where relevant.

Bonava's objective is that by 2020, at least 50 per cent of production starts where Nordic Swan eco-labelling or Green Zoom certification is available shall be eco-labelled or certified.

➤ Read more about Bonava's key measures and results under Protecting our planet on page 140.

Share of eco-labelled homes



Share of eco-labelled and certified production starts on markets where Nordic Swan eco-labelling or Green Zoom applies: the Nordics and St. Petersburg.

Nordic Swan eco-labelling considers the environment throughout the production process – from raw materials to finished home. The end product is a Nordic Swan eco-labelled home that is comfortable, economical and climate-smart. The production process is closely monitored to ensure no usage or presence of environmentally hazardous, carcinogenic or toxic substances. The Nordic Swan eco-labelling also controls and limits usage of substances that have not yet been scientifically proven as hazardous, to be on the safe side. Hardwood used in homes is checked to ensure it does not derive from protected forests or genetically modified plants. Additionally, the Nordic Swan eco-labelling ensures soundproofed homes and good ventilation for a happy and peaceful indoor environment.

Customers buying a new Nordic Swan eco-labelled home from Bonava receive:

- Energy-efficient solutions: Low cost due to good insulation, high quality windows and efficient energy recycling
- A sound indoor environment: Solid soundproofing and good ventilation
- Environmentally friendly and healthy choice of materials: Building materials that contain minimal environmental and hazardous substances
- Improved quality of living: Homes remain energy-efficient and maintain a positive indoor environment for longer

Nordic Swan eco-labelling was initiated by the Nordic Council of Ministers in 1989. Homes received Nordic Swan eco-labelling from 2009 onwards, and the criteria were updated most recently in 2017. Nordic Swan eco-labelling is the Nordics' official environmental certification and a non-profit organisation. The objective is to provide Nordic consumers with a tool for choosing products that fulfil stringent environmental requirements.

Passionate workplace

Group objectives: Passionate workplace

Long term goal of Zero Harm; no person, regardless of whether a Bonava employee, subcontractor, member of the public or a customer, should injure themselves or fall ill because of Bonava's workplaces.

Bonava actively seeks to improve its employees' well-being and corporate culture. Bonava creates opportunities for excellent performance and results, and potential for training and improvements. We strive to prevent injuries and illness in Bonava's workplaces. It is important to Bonava to provide a welcoming and inclusive working environment.

SIGNIFICANT EVENTS IN 2017

- Bonava's first Passionate workplace survey
- The launch of Bonava Change, a program for management change
- Reinforcement of competences and routines to improve health and safety

WORKING CONDITIONS THAT SUPPORT OUR VALUES

Because Bonava operates on eight different markets, it is important to actively contribute to strengthening employees and the corporate culture. Bonava's corporate cultural journey started in 2012, and provides the foundation for our current position. The starting point was to develop a winning culture, underpinned by our values. In order for every individual at Bonava to have the opportunity to grow, an environment that encourages positive performance and achievements is needed, as well as opportunities to learn and develop. Strong leadership and well defined HR-processes drive Bonava in the right direction. During 2017, Bonava defined the key conditions for its Passionate workplace concept, and designed a yearly employee survey to follow up on these conditions throughout the Group. 84 per cent of Bonava's employees contributed to this year's survey, which was completed in the spring. Bonava's strength as an employer was mirrored by the employees' replies, which confirmed a high level of commitment and loyalty compared to the sector average. Concurrently, it emerged that some employees experience stress and requested better planning and prioritisation. Accordingly, Bonava will work intensively to improve the working environment and enable positive performance and a healthy work-life balance. All teams have analysed their results and produced progress plans on this basis.

Bonava Change was launched in the year and is expected to produce positive results. Bonava Change is a change management team that is available for the whole Group. The aim is to improve Bonava's ability to lead and manage change, something that is critical as the company is in a strong growth phase.

Bonava Academy is the Group's competence development hub. This is where we integrate mandatory training packages on health and safety, environmental responsibility and courses for Bonava's compliance program Our Foundation. Bonava Academy also develops and runs strategic improvement programs and networks for leaders and other key executives. In 2017 Bonava launched its first leadership program, L.E.A.D., which is aimed at all leaders across Bonava's markets. New employees are offered a number of courses and joint introductions, these are held for two days at head office. In 2017, 288 new employees from all Bonava's markets participated on three different occasions.

Bonava has a structured process for evaluating employee performance and progress. Each employee holds quarterly meetings with line managers to receive extensive feedback relating to expectations, goals and development. Additionally, each employee participates in monthly catch-up meetings with line managers.

HEALTH AND SAFETY

Construction work is connected with risks and requires preventative action and a

Employee turnover	Headcount, 2017	Share of total workforce, 2017
New employees	501	29%
Terminations	274	16%

The numbers include temporary employment.

Number of employees per professional category, year end

Period	Total		Salaried employees				Skilled workers			
			Women		Men		Women		Men	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Permanent, full time	1,568	1,399	534	457	785	662	5	6	244	274
Permanent, part time	53	57	46	49	6	6	1	1	0	1
Temporary, full time	118	100	31	21	46	30	8	8	33	41
Temporary, part time	11	4	6	3	5	1	0	0	0	0
Line consultants, full time	40	28	30	22	10	6	0	0	0	0
Line consultants, part time	6	5	4	3	2	2	0	0	0	0
Total	1,796	1,593	651	555	854	707	14	15	277	316

Long-term absent employees not included.

strong corporate culture in order to reduce risks. Bonava has embraced a long-term objective for health and safety: Zero Harm. Zero Harm means that no one, neither customers, contractors or members of the public should be injured or fall ill because of Bonava's workplaces. The main focus during the year has been on improving routines, systems support and expanding the health and safety organisation.

Bonava works on the basis of an operational plan for Zero Harm developed in the year. This plan applies until 2020 and consists of objectives, KPIs, actions and activities that should be reached by 2020. The objectives lie within the areas of leadership and culture, and are aimed at creating business value, well-being and a work-life balance,

process and system efficiency and entrepreneurial involvement. Bonava's annual plans reconnect to these objectives. In 2017, 83 per cent of the targeted objectives were reached. Outstanding activities will be implemented in 2018. The Board and management team evaluate progress on a quarterly basis, thereby complying with the Zero Harm plan and evaluating risks. Serious incidents and accidents get evaluated at each Board meeting. Initially, the work aimed at improving health and safety means that reporting will capture more incidents and include more minor incidents compared to what Bonava has reported in the past. However, this is crucial for achieving change and developing a strong safety culture. Hazards should be dealt with before a potential injury occurs.

The theme for Bonava's 2017 Awareness Day was "Zero Harm – it starts with me". The Awareness Day is the result of Bonava's focus on improving health and safety. Alongside employees and contractors, Bonava identified improvements that strengthen the health and safety culture in the company's workplaces.

The written feedback from participants revealed that the 2017 Awareness day was a success. 98 per cent of participants felt that the time was well spent, and that the concept was interesting and educational.

Bonava acknowledges the International World Day for Safety and Health at Work through "risk spotting" events at its construction sites and offices. Employees reviewed their workplaces in order to identify and manage potential hazards.

Health and safety

	Employees		Contractors ⁴⁾	
	2017	2016	2017	2016
Sickness absenteeism, % ¹⁾	4.0	5.0	N/A	N/A
Work-related injuries ²⁾	11	19	38	23
Work-related injury ³⁾	4.0	7.0	6.8	N/A
Fatalities, work-related	0	0	0	0

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

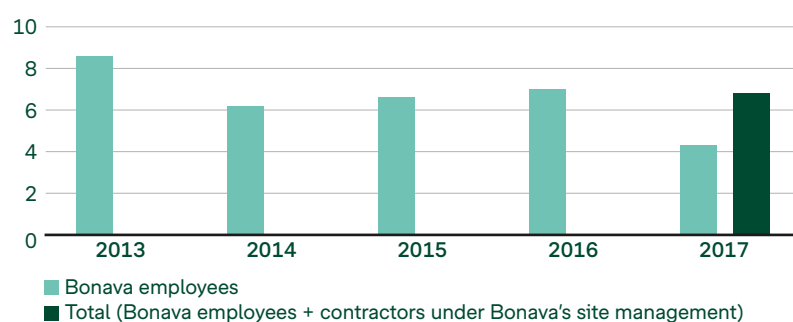
²⁾ Work-related injuries resulting in sickness absenteeism.

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

⁴⁾ Contractor employees subject to Bonava site management.

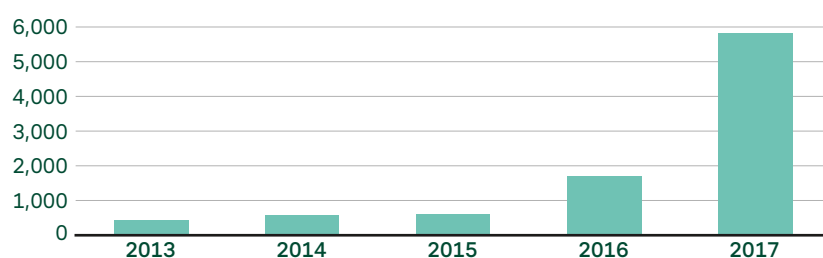
N/A = not available

Work-related injuries frequency



Bonava's intensive efforts aimed at reducing accidents at construction sites has paid off. The overall frequency of work-related injuries, including subcontractors on all eight markets, is now close to the construction industry average in Sweden. This is despite the fact that Sweden is usually at the lower end of work-related injuries in international comparisons. The construction industry average for work-related injuries is six work-related injuries resulting in sick leave per one million working hours. (Source: Swedish Work Environment Authority, year 2016). The work-related injury frequency for Bonava's employees is below the sector average.

Risks and near-misses



The systematic task of identifying and investigating risks and near-misses (incidents that could have caused an accident) in order to improve routines and working practices to avoid accidents is key to creating safer workplaces. The fact that many risks and near-misses are reported is therefore mainly positive, and completely in line with Bonava's plan for improving health and safety.

DIVERSITY

Bonava endeavours to be a welcoming workplace that features diversity with a focus on collaboration. The aim is to ensure Bonava's access to a broad recruitment base, and the employee base should reflect the general population. This makes Bonava's mission simpler – it's about creating better homes and lives for the many. Bonava's initiatives to increase diversity include placements for students and recent immigrants, and cooperating with organisations increases these contacts and fuels interest in the sector.

Bonava expects its objectives to be reflected in the actions of the employees. This presumes mutual respect. Bonava's Code of Conduct and HR-policy underline that we stand for equal opportunities regardless of gender, transgender identity, ethnicity, religion or other beliefs, disability, sexual preference and age. Bonava's

employee survey confirms that the vast majority (83 per cent) of the employees believe that the company provides equal opportunities and obligations. A smaller proportion (9 per cent) feel that Bonava has not succeeded in creating an equal workplace, or are indifferent to Bonava's success in creating an equal workplace (8 per cent). Slightly more women than men stated that they do not feel that equal opportunities and obligations are in place. This is something that Bonava is investigating through further surveys. Since the survey was completed, Bonava has implemented measures to increase awareness of the importance of inclusiveness, and that harassment and discrimination are not acceptable.

In 2017 Bonava in Sweden engaged in a collaboration with the organisation Mitt Liv, in which employees are offered support to act as mentors for recent immigrants in

a nine month shared journey to exchange experiences and contacts. In the 2017 Mitt Liv program, 11 persons from Bonava participated as mentors. In Germany, Bonava runs a trainee program for recent immigrants.

➤ Read more about Bonava's key measures and results under Passionate workplace on page 142.

Board



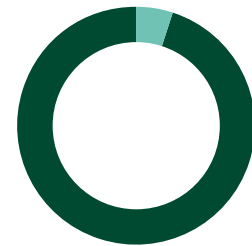
Women, 43%
Men, 57%

Salaried employees

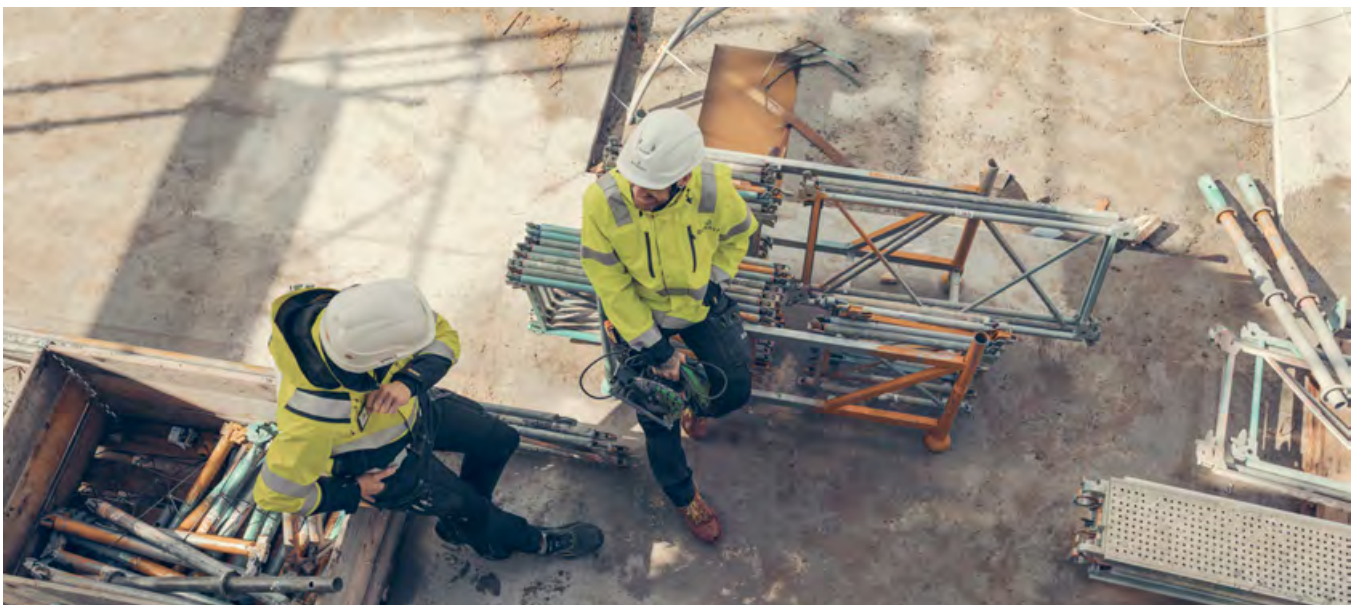


Women, 42%
Men, 58%

Skilled workers



Women, 5%
Men, 95%



Reliable business

Group objectives: Reliable business

Bonava shall publish annual Sustainability Reports in accordance with GRI's guidelines and report progress to UN Global Compact.

Developing homes and neighbourhoods involves contact with a range of stakeholders such as customers and employees, but also public authorities, suppliers and shareholders, who are particularly important. Bonava is dependent on the confidence of its stakeholders to operate on the market. Bonava's values are the starting point for all our interactions. Bonava openly declares its initiatives and results in sustainable business.

SIGNIFICANT EVENTS IN 2017

- Updating of Bonava's Code of Conduct
- Implementation of new processes for internal controls of risks and compliance
- Production and implementation of supplier requirements for compliance with Bonava's Code of Conduct

COMPLIANCE

Bonava's initiatives aimed at strengthening the corporate culture ensure that the right things are done in the right way. This includes compliance with legislation, regulations and principles. Bonava's internal regulations and processes are defined in the Code of Conduct, and in the company's policies and business management system.

Bonava's Code of Conduct has been updated to clarify responsibilities in relation to Bonava's Sustainability Agenda and principles for human rights, fair labour conditions, environment and anti-corruption. Bonava's Speak Up System, a whistleblowing function, enables employees and individuals outside the company to report suspected breaches anonymously via the internet or by phone.

Our Foundation provides support for compliance with Bonava's Code of Conduct. It contains guidelines that supports good decision making in difficult situations, and each business unit has access to an advisor. During the year, Bonava held 32 in-person workshops with 667 employees across all eight markets to discuss and provide information about the company's ethical guidelines. Our Foundation is very important for Bonava's anti-corruption work, for example. Every member of staff needs to know what is expected of them while working at Bonava, and where advice can be found.

During 2017, Bonava extended and improved the organisation and processes for internal controls of risks and compliance. The controls for sustainability risks are integrated in the processes. The project was led by Bonava's Group Head of Risk and Compliance, alongside a Risk Committee including the CFO, Group Head of Finance and Business Control, General Counsel and Group Head of Sustainability. The Risk Committee completes an annual cycle of analysis and controls involving all business units and central functions, where risks are identified and mitigating functions evaluated.

Information about Bonava's most substantial risks and how they are managed is presented on page 72–74.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Bonava has a total of approximately 14,000 suppliers. Bonava seeks to ensure long-term relationships and mutual learning in its relationships with suppliers.

During 2017, Bonava produced Group-wide requirements that all suppliers need to satisfy in order to comply with Bonava's Code of Conduct. To qualify, suppliers must comply with systematic environmental and working environment initiatives and the UN's Global Compact principles. In connection to this, Bonava improved its procurement processes and developed tools for evaluating suppliers. A new procurement system was also launched.

On some of Bonava's markets, systematic initiatives relating to the environment and health and safety are not the industry standard. Some suppliers may perceive Bonava's requirements as oppressive, whilst others appreciate the company's approach. By clarifying the aims behind Bonava's procedures, and by driving progress in our sector partnerships, Bonava is able to have an impact on all its markets.

Distribution of Bonava's suppliers



- Outsourcing services, 22%
- Construction and installation materials, 11%
- Consulting services and indirect procurement, 66%

"If we don't react when values and principles are contravened, we accept wrongful behaviour. This means that I want to ask each and every one of you to get in touch if anyone or anything infringes what we believe in. I know that this may require courage, and I guarantee that I will help and support anyone who stands up for our values."

BONAVA'S CODE OF CONDUCT
JOACHIM HALLENGREN, PRESIDENT AND CEO

TAX

Bonava contributes to society by paying taxes such as corporation tax, property tax and transaction tax, VAT and employer's contributions. These tax revenues are crucial for social progress on the markets where Bonava operates, and ultimately facilitates the creation of happy neighbourhoods where people can live with the highest quality of life. These undertakings mean that Bonava:

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

TRANSPARENCY

Each year, Bonava reports on its activities and performance in accordance with the Global Reporting Initiative's Sustainability Reporting Guidelines. During 2017, Bonava reported actions and results to the UN's Global Compact and to CDP.

The GRI and UN Global Compact index on page 146 indicates where in the Annual Report sustainability information is presented.



For reporting of Bonava's key measures relating to Reliable Business, see page 145.

"I appreciate order and structure, values that I also feel site management shares. When there are clear guidelines, schedules etc. in place, building projects always run smoothly. In my 12 years of experience, I've never worked with a better construction company, nor have I felt as valued as I do here. I find Bonava's focus on the working environment extremely important. It's evident that Bonava takes this seriously."

**PATRIK KARLSSON, PLUMBER AT JARLARÖR AB
SUPPLIER FOR BONAVA'S EDS HOME PROJECT IN SWEDEN**



Bonava on the capital markets

Bonava's communication with the capital markets aims to increase the understanding of Bonava's business, optimise access to capital and reduce share price volatility.

Capital structure and financing

Residential development is a capital-intensive business, and in Bonava's Balance Sheet there are assets in the form of land and ongoing housing projects that require financing. On several of Bonava's markets, most payments are not received until the homes are handed over to customers. This imposes requirements on how we handle the Group's liquidity, financing and financial risks. Bonava's operations are financed in local currency with internal loans from Bonava's Finance Department. Bonava's main source of liquidity is operating cash flow and borrowing from external creditors.

The Group's financial risks are regulated by a Finance Policy and are managed centrally, largely by utilising different financial instruments. More information about the financial risk management can be found on pages 72–74 and in Note 23.

LONG-TERM FINANCING

In 2016, Bonava entered into a credit agreement with AB Svensk Exportkredit for two fixed-term loans of EUR 30 M each with original terms of four and five years respectively. In 2016, Bonava also entered into a revolving credit facility (RCF) with four banks (Danske bank, Handelsbanken, SEB and Swedbank) with a limit amount of SEK 2.7 Bn. The facility can be used in SEK, EUR and NOK, and had an original term of five years. The credit has been utilised when required and remains a back-up facility for the commercial paper program. The SEK and RCF loans are subject to floating 3-month Stibor plus a margin and are subject to covenants relating to equity/assets ratio and interest coverage.

WORKING CAPITAL FINANCING

Bonava also has credit limits with banks in the form of 364-day overdraft facilities totaling SEK 280 M that were unutilised as of 31 December 2017, and credit limits at banks for daily or weekly borrowing.

COMMERCIAL PAPER

On 30 August 2017, Bonava established a commercial paper program. The program has a limit of SEK 2 Bn, is registered with Euroclear and can be drawn down in SEK or EUR. The issuing agents are Danske Bank, SEB, Handelsbanken and Swedbank. The RCF described above also serves as back-up for the commercial paper. More information can be found in the "Commercial paper" information brochure and in the presentation for investors in commercial paper at bonava.com.

CONSTRUCTION FINANCE FOR TENANT-OWNER ASSOCIATIONS AND HOUSING COMPANIES

In Sweden and Finland, Bonava sells housing in the form of tenant-owners associations and housing companies respectively. As Bonava starts new projects, tenant-owner associations are established in Sweden and housing

companies in Finland. The funding of these projects is usually secured in the form of project finance from banks, where loans are drawn down at a pace with construction. The tenant-owner associations or housing companies act as borrowers. These loans are reported in Bonava's Balance Sheet. Bonava has a financial framework which covers projected project costs for tenant-owner associations and housing companies.

GUARANTEES

Bonava's customers pay advances at various points of the process and to varying degrees depending on market. As collateral, guarantees may be issued by banks or credit insurance companies, or alternatively by a company in the Group. Advance payments provide an advantage because some of the construction can be financed with these cash flows.

Financing as of 31 December 2017

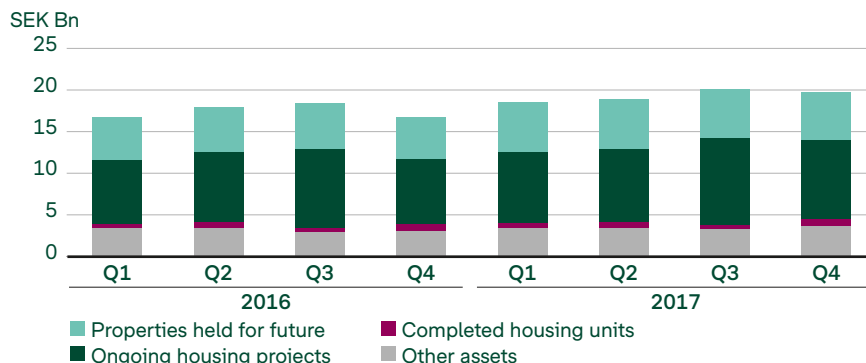
Type of borrowing	Currency	Limit	Maturity	Interest	Utilised amount	Unutilised amount
Commercial paper	SEK M	2,000	< 1 year	Floating	200	1,800
Loan	EUR M	30	2020-06-09	Floating	30	0
Credit facility (RCF)	SEK M	2,700	2021-04-28	Floating	0 ¹⁾	2,500
Loan	EUR M	30	2021-06-09	Floating	30	0

¹⁾ There was no amount drawn down under the RCF. The difference between the framework amount and the unutilised amount corresponds to the outstanding commercial paper, for which the RCF comprises a backup facility.

Project financing	Currency	Average maturity	Interest	Unutilised amount
Tenant-owner associations in Sweden and Housing companies in Finland	SEK M	18 mths.	Floating	4,411

TOTAL ASSETS

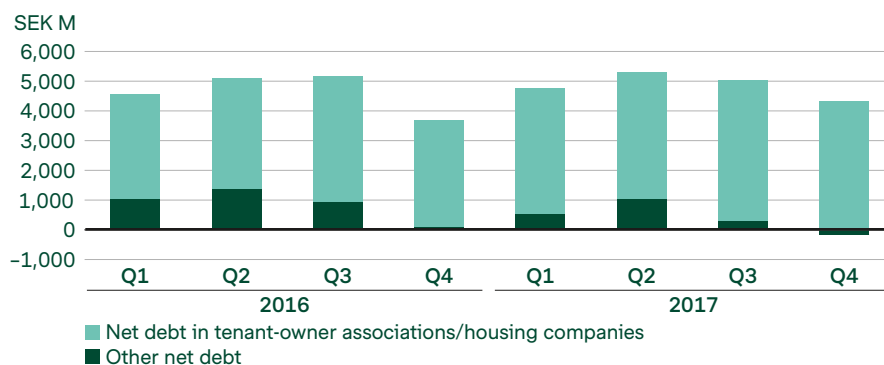
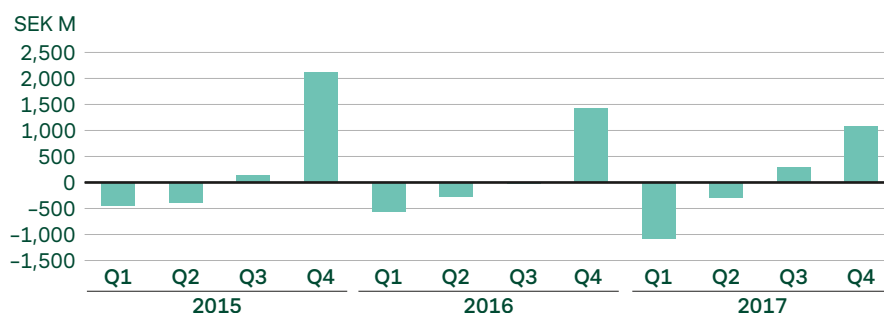
Total assets were SEK 19,713 M (16,770). The increase was mainly due to more housing units in ongoing production and increased volume of properties held for future development.

Allocation of assets in the balance sheet**SEASONAL VARIATIONS AFFECT BORROWING**

Bonava's operations exhibit significant seasonal variations, which is also reflected in its borrowing. In the first three quarters of the year, borrowing usually increases as many projects are started and that there are many housing units in production. In the fourth quarter, many housing units are handed over to customers, generating substantial cash flows which are used to reduce debt.

The diagrams illustrate how cash flow and net debt progress between quarters, and the proportion of borrowing comprising financing of tenant-owner associations and housing companies.

Net debt for the Group was higher than at the end of 2016, mainly as a result of net investments in housing projects, and at year-end amounted to SEK 4,165 M (3,699). Of these, 4,333 (3,699) were attributable to Swedish housing associations and Finnish housing companies. This means that Bonava had a net cash position of SEK 168 M at year-end (net debt of SEK 75 million in 2016), excluding tenant-owner associations and housing companies.

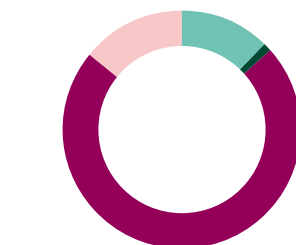
Net debt**Cash flow before financing**

Bonava's owners and the share

The Bonava share was listed on Nasdaq Stockholm, Large Cap on 9 June 2016. Bonava has two share classes, Class A and Class B. Each share of Class A in the company entitles the holder to ten votes and each share of Class B in the company entitles the holder to one vote. The total number of shares as of 31 December 2017 was 108,435,822, of which 13,169,505 Class A shares and 95,266,317 Class B shares, corresponding to a total of 226,961,367 votes.

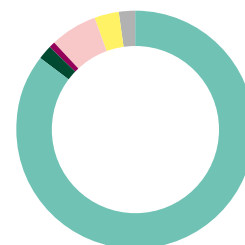
OWNERS AND OWNERSHIP STRUCTURE

As of 31 December 2017, Swedish businesses, mutual funds and private individuals held 85.6 per cent of the share capital. Foreign ownership amounted to 14.4 per cent. The number of shareholders amounted to 35,299 (41,189).

Ownership categories¹⁾

- Private individuals, Sweden, 12%
- Private individuals, Other, <1%
- Companies, Sweden, 73%
- Companies, Other, 14%

¹⁾ Source: Euroclear Sweden as of 31 December 2017.

Ownership by country¹⁾

- Sweden, 86%
- Germany, 2%
- Finland, <1%
- US, 6%
- UK, 3%
- Other, 2%

QUICK FACTS

Marketplace:	Nasdaq Stockholm	Market cap as of 31 December 2017:	SEK 12.3 Bn
Segment/sector:	Financials/Real Estates	ISIN code, Class B share:	SE0008091581
Share class:	Class A and Class B	ISIN code, Class A share:	SE0008091573
No. of shares:	108,435,822	Ticker symbols	
of which Class A:	13,169,505	Nasdaq:	BONAV B
of which Class B:	95,266,317	Bloomberg:	BONAVA:SS
		Reuters:	BONAVb.ST

Largest shareholders	No. of Class A shares	No. of Class B shares	Holding, %	Votes, %
Nordstjernan AB	10,000,000	10,323,759	18.7	48.6
AMF – Försäkring och Fonder	0	14,036,388	12.9	6.2
Swedbank Robur fonder	0	8,332,261	7.7	3.7
Lannebo fonder	11,772	5,326,355	4.9	2.4
SEB Investment Management	0	4,962,122	4.6	2.2
The Fourth Swedish National Pension Fund (Fjärde AP-fonden)	3,343	4,146,636	3.8	1.8
Carnegie fonder	0	3,250,000	3.0	1.4
Handelsbanken fonder	0	3,051,217	2.8	1.3
Länsförsäkringar fondförvaltning	0	2,946,335	2.7	1.3
Afa försäkring	0	1,620,638	1.5	0.7
Subtotal, 10 largest shareholders	10,015,115	57,995,711	62.7	69.7
Other	3,154 390	37,270,606	37.3	30.3
Total no. of shares	13,169,505	95,266,317	100.0	100.0

Source: Euroclear Sweden as of 31 December 2017.

Share capital performance

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

PROGRESS IN THE YEAR

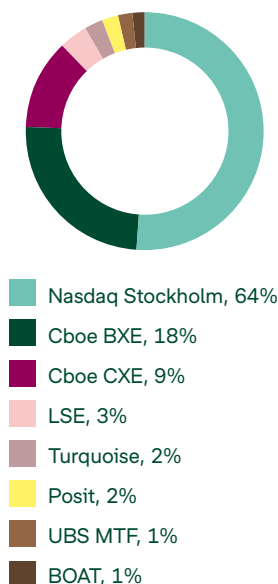
During the year, Bonava's Class B share decreased by -18.8 per cent compared to OMXSPI, which rose by 6.4 per cent in the same period. From the date of the IPO on 9 June 2016, Bonava's Class B share increased by 7.6 per cent compared to OMXSPI, which rose by 18.3 per cent in the same period. The closing price as of 29 December 2017 was SEK 113.5 per Class A share and SEK 114.6 per Class B share, corresponding to a market capitalisation of SEK 12.3 Bn.

SHARE TURNOVER AND TRADING

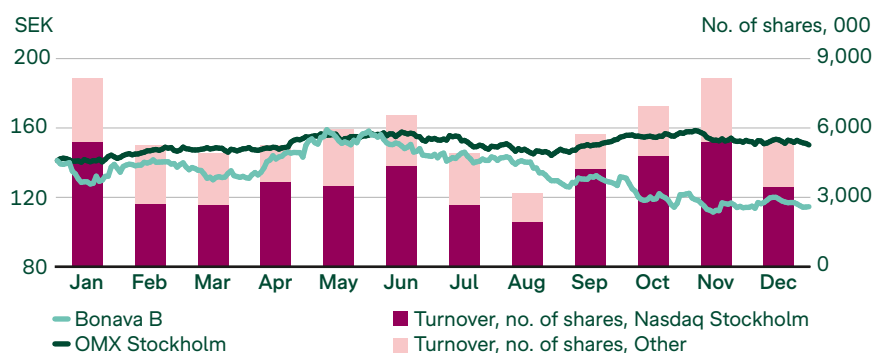
Share turnover for the class B share was 280,349 in the year. During the year Bonava's Class B shares were traded on more than eight different market places, of which Nasdaq Stockholm represented 64 per cent of turnover.

RETURN

Total return in the year was -15.0 per cent. As of 31 December, the dividend yield was 4.5 per cent based on the proposed dividend of SEK 5.20 per share for 2017. The highest closing price for Class B shares during the year was SEK 159.0 on 11 May, and the lowest closing price for Class B shares was SEK 111.5 on 13 November.

Market share (trading)

Source: Fidessa as of 31 December 2017.

Share price performance

Average daily turnover (no. of shares)		2017
Class A shares		3,510
Class B shares		280,349

Trading in Class B shares		2017
Share turnover, million		70.4
Value of share turnover, as of 31 December		SEK 9.3 Bn
Average daily turnover		SEK 37.0 M

DIVIDEND AND DIVIDEND POLICY

Bonava's dividend policy is to distribute a minimum of 40 per cent of profit after tax for the year. For 2017, the Board of Directors proposes dividends of SEK 5.20 per share, divided into two payments and totaling 40 per cent of profit for the year after tax. The first payment of SEK 2.60 per share is proposed for disbursement on 3 May 2018 and the second payment of SEK 2.60 per share on 31 October 2018.

BUY-BACK OF TREASURY SHARES

The Annual General Meeting on 4 April 2017 authorised the Board of Directors' proposal to buy back Class B treasury shares on the basis of the share-based incentive program LTIP 2017. In 2017, 194,800 Class B shares were repurchased, corresponding to 0.2 per cent of the number of registered shares with a total value of approximately SEK 30.0 million. In total, Bonava has repurchased 549,200 shares.

CONVERSION OF SHARES

According to Bonava's Articles of Association, owners of Class A shares are entitled to conversion to Class B shares. In 2017, a total of 1,205,333 Class A shares were converted to 1,205,333 Class B shares.

Analysts who cover the Bonava share

ABG Sundal Collier	Tobias Kaj	tobias.kaj@abgsc.se
Carnegie Investment Bank	Erik Granström	erik.granstrom@carnegie.se
Handelsbanken Capital	Albin Sandberg	alsa06@handelsbanken.se
Nordea Markets	Niclas Höglund	niclas.hoglund@nordea.com
SEB Equities	Stefan E Andersson Klara Jonsson	stefan.e.andersson@seb.se klara.jonsson@seb.se
Kepler Cheuvreux	Jan Ihrfelt	jihrfelt@keplercheuvreux.com

Per share data¹⁾

	2017	2016
Share price, Class A, SEK	113.50	139.6
Share price, Class B, SEK	114.60	141.2
High, Class B, SEK	159.0	141.2
Low, Class B, SEK	111.5	95.9
Share price performance, %	-18.8	32.6
Equity per share, SEK	61.48	52.25
Dividend, SEK	5.20 ²⁾	3.80
Total return, %	-15.0	36.2
Dividend yield, %	4.5 ³⁾	2.7
Earnings per share ⁴⁾ , SEK	12.99	9.26
Cash flow, SEK per share	0.79	6.54
P/E ratio	8.8	15.2
No. of shares	108,435,822	108,435,822
No. of shareholders	35,299	41,189

¹⁾ At year end 31 December 2017.

²⁾ Proposed dividend.

³⁾ Based on proposed dividend.

⁴⁾ There is no dilution effect.

LTIP 2017

Bonava has an existing share-based incentive program consisting of 25 employees. The Annual General Meeting on 4 April 2017 authorised the introduction of a further share-based incentive program consisting some 50 key executives in Group management and certain key executives. For more information, see Note 3.

Investor Relations



Bonava's communication with the capital markets aims to increase the understanding of Bonava's business, optimise access to capital and reduce share price volatility. Bonava's Investor Relations department aims to provide the capital markets with transparent, timely and relevant information as far as possible.

Bonava's information flow should be relevant to the target group, communicated within a reasonable time frame and reach the company's stakeholders simultaneously to ensure continuous access to up-to-date information. Investor Relations events are held

throughout the year in the form of presentations in conjunction with Interim Reports, Capital Markets Days, roadshows, investor and analyst meetings and Annual General Meetings and Shareholders' Meetings.

Key dates for Bonava's shareholders	2018
Annual General Meeting	April 25
Interim Report Jan-Mar	April 25
Interim Report Jan-Jun	July 17
Interim Report Jan-Sep	October 24

FOR MORE INFORMATION

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Interview with Bonava's CFO and Head of Investor Relations



ANN-SOFI DANIELSSON, CFO AND HEAD OF INVESTOR RELATIONS

"The conservative profit recognition method we use creates security and confidence amongst our investors, customers and partners."

Are you satisfied with the year and is there anything specific you would like to emphasise?

Looking at net sales and operating profit, we presented our strongest full-year figures ever. Strong cash flow in the fourth quarter contributed to closing the year with a net cash position adjusted for loans in tenant-owner associations and housing companies.

Why should I invest in Bonava?

Bonava is a company with extensive experience of residential development. We have a broad geographical spread which means that we are not exposed to a single housing market. Our geographical diversification creates good opportunities as we are able to allocate capital to those markets in which we believe the most.

In Germany, demand for affordable housing is expected to grow strongly over the coming years, and we have been increasing the number of building rights in Germany for some years. We also have a diversified business model which means that we sell homes to consumers and investors. The investor market is strong on most of our markets. Price growth on our markets has created demand for affordable housing which is in line with our strategy of offering affordable homes for the many.

Unlike other residential developers you don't report profit from sales until a home has been handed over to the customer. Why?

All residential development projects include multiple risk factors such as delays to pro-

duction, legal disputes or sales results that are lower than expected. The conservative profit recognition method we use creates security and confidence amongst our investors, customers and partners.

What are your thoughts about the future from a financial perspective?

Adjusted for loans in Swedish tenant-owner associations and Finnish housing companies, we had a net cash position at the close of the year. We have a solid equity/assets ratio and we are delivering on all our financial targets. Our financial strength together with our broad geographical spread, our diversified offering and focus on affordable mean that we are standing on a stable foundation.

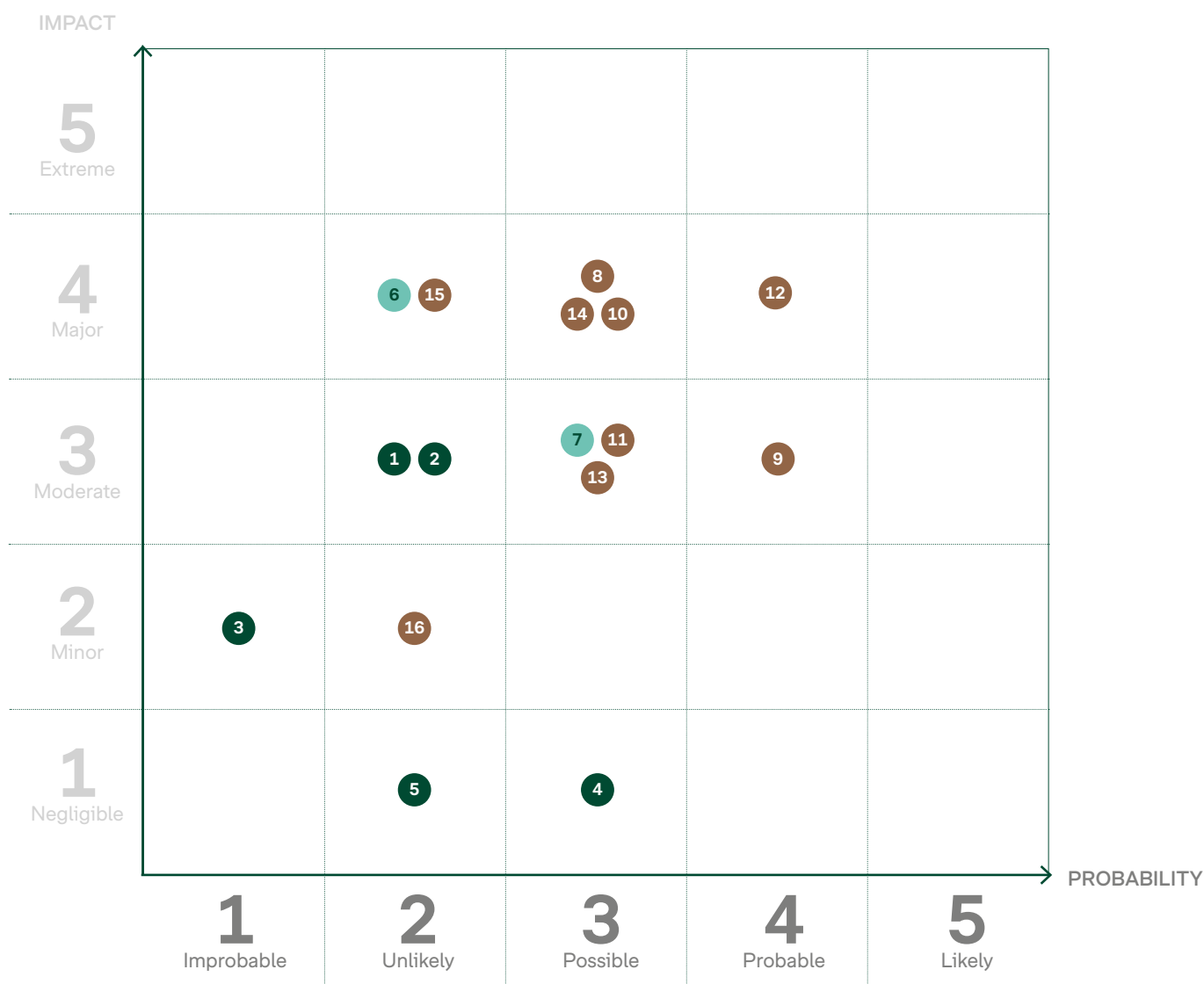
Risks and risk management

Bonava is exposed to risks with varying degrees of impact on the company. The risks can be attributable to events or decisions beyond Bonava's control, but may also be the result of decisions by the company. Through structured and proactive risk management, Bonava's ambition is to ensure that the risks, as far as possible, are minimised or remain potential risks. The Board of Directors and Audit Committee review Bonava's risk management and internal control annually. The Audit Committee is also tasked with monitoring and evaluating Bonava's risk management, including its internal control.

Potential risks are identified and measures taken to manage those risks. In the risk management process, a number of risks have been identified and assessed based on the probability that they occur, what impact it would have on operations and what Bonava does to manage the respective risks. The following presentation and illustration ranks these risks in terms of probability and impact. For information on how Bonava affects the environment and what efforts are being made to minimise the negative effects see page. 56.

In March 2017, Bonava established a Risk Committee, comprising the CFO, General Counsel, Group Head of Finance & Business Control, Group Head of Sustainability and Group Head of Risk and Compliance. The Risk Committee is responsible for centrally organising, coordinating, and driving Bonava's risk management work. The Risk Committee regularly reports to the Audit Committee and the Executive Management.

Risk matrix



PROBABILITY THAT THE RISK IS REALISED (See illustration on page 72 for summary)				IMPACT IF THE RISK IS REALISED (See illustration on page 72 for summary)	
FINANCIAL RISK					
RISK AREA		DESCRIPTION		MITIGATING FACTORS	
1	Liquidity risks	Liquidity risk is the risk of the company being unable to meet its payment obligations on the due date without incurring significantly increased funding costs.	2	3	Bonava has stipulated a specific level relating to its payment capacity. The company also has a structured process for continuously monitoring and forecasting Group liquidity in order to ensure optimal financing and liquidity at all times.
2	Guarantees	Bonava's business depends on guarantees. Guarantors could decide against providing additional guarantees to Bonava if the company exceeds its guarantee facilities.	2	3	Bonava closely monitors its volume of guarantees and obtains sureties from a centrally selected group of guarantors. The company also focuses on the reclamation process of outstanding guarantees.
3	Inaccurate reporting	Financial reporting of the housing market is complex and implies both complex calculations and valuations. Incorrect calculations and insufficient monitoring and analysis of reported figures can lead to significant errors in financial reporting.	1	2	Bonava applies the completed contract method, which implies that revenues and costs are known at the time of profit recognition. The company also has a structured process for budgeting outstanding costs at the time of profit recognition.
4	Valuation	The valuation of Bonava's assets in Properties held for future development and ongoing and completed housing projects are dependent on estimates of the housing units' future sales value and estimates of future costs for development and production. Inaccurate estimates can lead to incorrect reporting of the value of these assets.	3	1	Bonava undertakes a thorough valuation process where the future sales value and cost is regularly reviewed. Potential impairment of assets is reported in the Interim Reports.
5	Fluctuations in interest rates and currencies	Bonava is exposed to interest rate and currency risks insofar as interest rate and exchange rate fluctuations could impact profit and cash flow or the fair value of financial assets and liabilities negatively.	2	1	Bonava's Finance policy stipulates a specific level for the average interest-fixing period in the debt portfolio and that interest roll-over structure should be diversified over time. Bonava's exchange rate risk is limited because the business units' payments are mainly denominated in local currency. Exchange rate risk in the form of currency fluctuations is managed centrally by the Treasury function and is widely hedged in accordance with the Finance Policy.
MACROECONOMIC RISK					
RISK AREA		DESCRIPTION		MITIGATING FACTORS	
6	Demography/economic growth	A downturn in the economy could affect consumer purchasing power and hence negatively affect sales and profitability.	2	4	Bonava constantly analyses the market situation in each area of operations. A diversified portfolio in eight countries provides the opportunity to flexibly take advantage of changing market conditions.
7	Rules and regulations	Changes for instance to planning regulations and construction guidelines can generate cost increases or delay construction projects. Legislative changes for instance relating to tax and borrowing can influence housing demand and property prices. Sustainability-related regulatory progress can imply risks as well as opportunities.	3	3	Bonava is in ongoing dialogue with stakeholders that are able to influence the political agenda. This is complemented by external analysis focused on identifying causes, trends and ongoing changes to laws, regulations and other rules. When significant changes occur, Bonava adjusts continuous processes and decisions, and whenever necessary, the strategy.

PROBABILITY THAT THE RISK IS REALISED (See illustration on page 72 for summary)		IMPACT IF THE RISK IS REALISED (See illustration on page 72 for summary)			
OPERATIONAL RISK					
RISK AREA		DESCRIPTION		MITIGATING FACTORS	
8	Project development	Faulty portfolio management decisions could lead to significantly decreased profitability. Price changes in procurement, increased planning costs and delays caused by revoked permits from public authorities can impact the project development process. Misjudging the constitution of acquired land or infrastructure costs could increase the costs of a project significantly.	3	4	Operational risks are managed as part of the structured internal corporate governance process that Bonava applies. Bonava evaluates and manages these risks through operational systems and developed processes and routines, such as legal and physical due diligence, preliminary project and detailed project planning processes, and centralised procurement.
9	Procurement	Bonava is turning its operations from general contracts to divided contracts, which allows the company to assume direct control of its design and production processes. The failure of procurement activities could lead to significant financial and operational disadvantages for the company. If Bonava fails to control its supply chain for compliance with for instance the universal principles of human rights, labour conditions, environment and anti-corruption there is risk for significant legal and reputational consequences.	4	3	Bonava has established a centralised procurement organisation and created a framework for the selection and review of its suppliers in order to increase control over and improve the coordination of procurement. Bonava has identified the requirements that each supplier must fulfill in order to qualify as a supplier to Bonava, with principles of the UN Global Compact and Bonava's Code of Conduct as a starting point.
10	Design and production	Shortcomings in the planning and implementation of the production of housing units could lead to increased costs and/or unsatisfactory quality, resulting in increased guarantee costs and damage to the company's reputation.	3	4	Bonava seeks to increase the industrialisation of its production. Increased repetition and knowledge exchange within the Group reduces the risk of repeating mistakes.
11	Environment and climate	Construction and property exploitation have an impact on the environment and are regulated by extensive environmental legislation. Claims could be raised against Bonava for soil remediation and protection of ecological values in accordance with the provisions of applicable environmental legislation. Suitability of land for development may change due to climate change.	3	3	Bonava's internal corporate governance on each market ensures compliance with national and local directives. Bonava has internal local resources and/or employs external experts to plan and carry out environmental measures and planning in close dialogue with local authorities. Bonava has Group-wide procedures and systems for alert and communication of accidents and serious incidents, as well as a professional sustainability network throughout the Group.
12	Employees	Bonava's operations could be adversely affected if the company fails to recruit and retain employees, particularly in areas such as design, production and procurement.	4	4	Bonava has a structured recruitment process and strongly emphasises employer branding. Bonava offers competitive employment terms.
13	Health and safety	The health and safety of Bonava's employees and contractors relies on Bonava ensuring safe working conditions. The highest risks arise on construction sites and in the context of transport. A high proportion of the work on Bonava's construction sites is carried out by contractors and an increased risk of injury may arise if procedures are not followed.	3	3	Bonava makes no distinction between its employees and sub-contractors' staff at sites managed by Bonava and adheres to a vision of "Zero Harm" with the ultimate objective of eliminating all injuries and occupational illnesses. Bonava has established organisational structures and procedures to utilize synergies, govern and follow-up on the health and safety work across the Group. Bonava has implemented crisis management plans, group-wide routines and systems for Hazard and Incident handling which include notification and alerts for severe incidents (accidents and/or near misses). A group-wide health and safety network has also been established.
14	IT	Faulty decisions regarding Bonava's IT architecture and IT operations could lead to decreased profitability and impose security risks for the company.	3	4	Bonava has implemented a centralised IT organisation that continuously monitors and evaluates the company's business needs.
15	Breach of internal and external regulations	Bonava's operations are governed by a system of internal rules and principles based on the values and legislative requirements on the company's various markets, for example to prevent anti-corruption. Breaches of those internal and external rules could lead to significant reputational and financial disadvantages.	2	4	Bonava has implemented a comprehensive compliance program ("Our Foundation") to manage these risks. Key elements of the program include direct and online training programs, extensive advisory services, a whistle-blower function and regular internal reporting and communication.
16	Competition	Increased competition could have a negative effect on the availability of land, personnel, and demand for Bonava's products.	2	2	The company carries out structured customer surveys and constantly optimises production costs to always offer customers the products they demand.

Corporate Governance Report

Bonava is a Swedish public limited company listed on Nasdaq Stockholm. Bonava complies with the Swedish Corporate Governance Code. Bonavas corporate governance aims to ensure an efficient and value-creating decision-making process through the clear distribution of roles and responsibilities between owners, the Board of Directors and Group management. This transparency is a pre-requisite for quick and appropriate responses to new business opportunities.

Comments from the Chairman



CARL ENGSTRÖM, CHAIRMAN

SWEDEN IN THE SPOTLIGHT

The Swedish housing market was in the spotlight in 2017, following a slow-down at the end of the summer after an extended period of increased prices. During the fall, the newspapers have competed to come up with the gloomiest headlines, which contributed to further market uncertainty. For Bonava, this mainly implied slower sales in our Swedish housing projects and a 28 per cent reduction in the share price between June and December. In the past, apartments have been sold before viewing, and we are convinced that the longer completion periods represent a return to more normal market conditions. Buying a home is always a big decision, and buying a newly built home, where moving in may lie several years into the future, is often an even bigger decision that requires stability and confidence in the future.

BUT BONAVA IS MUCH MORE

Having said this, Bonava remains stable on a potentially weaker Swedish market. Our size and strong financial position make us less dependent on high sales rates at the early stage of projects, and our focus on affordable housing is in line with actual demand. Bonava is geographically diversified over eight countries, and the offering includes tenant-owner associations, rental apartments and single-family homes. Our strategic shift towards the German market is continuing as planned. Since 2013, we have reduced our building rights portfolio in Sweden by 33 per cent and expanded the building rights portfolio in Germany by 144 per cent. Over the last three

years, we have started 60 per cent more housing units in Germany than in Sweden, and also started more housing units in Finland than in Sweden.

STRENGTHENED BOARD

At the Annual General Meeting 2017, Mikael Norman was elected as new Board member. Mikael was also appointed Chairman of the Audit Committee, and his extensive experience and commitment was an important addition to the Board last year. The Board held ten meetings in 2017, including a two-day visit to Bonava's Finnish office. During the year, the Board carefully reviewed the conditions on Bonava's markets, focusing on Sweden. The Board also authorised a number of major divestments and investments. In total, Bonava's building rights portfolio increased by 3,400 units in 2017, mainly relating to the expansion of our future portfolio in Germany. Although most investment decisions are taken at CEO/local level, half of all new investments in terms of value are subject to a Board decision as this is required for all major projects. This allows the Board to exercise control over the overall project portfolio and manage risk.

A SAFE WORKPLACE

A standing item on the Board's agenda includes "the Report on potential health and safety incidents," which provides updates on work-related accidents and incidents, including analysis of the causes. Clearly, everyone should feel safe in the workplace, but unfortunately there are still too many workplace accidents, including fatalities

on construction sites. Bonava has adopted a "Zero Harm" vision which means that our workplaces should be free of accidents. During the autumn, Bonava held an annual Awareness Day that included members of the Board. All of Bonava's construction sites focus exclusively on health and safety during the Awareness Day. The theme was "Zero Harm – it starts with me," focusing on our shared responsibility for contributing to a safer workplace for ourselves and others by identifying dangers before accidents happen. Bonava not only reports and analyses accidents, but also carefully reviews "near misses" that could potentially have resulted in an incident. This allows us to learn from our experiences and improve our working methods.

RECORD RESULT AND INCREASED DIVIDEND

Bonava's profit increased by 40 per cent year on year to SEK 12.99 per share. For the financial year 2017, the Board proposes a dividend of SEK 5.20 per share (SEK 3.80 in 2016), in line with our dividend policy of a minimum of 40 per cent of profit after tax. However, most of Bonava's profit is being reinvested in operations where we perceive positive potential for growth and value creation for our shareholders.

Finally, as Chairman, I would like to express my gratitude to all of Bonava's employees for their positive contribution in 2017, which generated a new record in terms of sales, profit and housing units in production.

Carl Engström
Chairman

Corporate Governance Report

Bonava is a Swedish public limited company listed on Nasdaq Stockholm on 9 June 2016 following a spin-off from NCC. Bonava's Corporate Governance is based on Swedish law, the Articles of Association, Nasdaq Stockholm's rules for Issuers and regulations and recommendations issued by relevant organisations. In the countries where Bonava conducts operations, the company complies with local legislation and other regulations. Bonava also complies with accepted securities market practice, which includes the application of the Swedish Corporate Governance Code, "the Code". Bonava has not departed from the Code. There have been no instances of non-compliance with Nasdaq Stockholm's rules for Issuers or accepted securities market practice.

This Corporate Governance Report has been prepared by the Board of Directors and is presented in compliance with the Annual Accounts Act and the Code, presenting Bonava's corporate governance in 2017.

SHAREHOLDERS' MEETINGS

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

Notices convening Shareholders' Meetings are made available on the company's website and through announcements in the Swedish Official Gazette (Post- och Inrikes Tidningar). Confirmation that the notice has been issued is published simultaneously in Swedish daily broadsheets Dagens Nyheter and Svenska Dagbladet.

Shareholders' meetings in 2017

The Annual General Meeting on 4 April 2017 was the only shareholders' meeting held in the year. In addition to electing the Board of Directors and other customary matters, the AGM authorised a new share-based incentive program for management and specified key executives.

Annual General Meeting 2018

Bonava's Annual General Meeting 2018 will be held on 25 April 2018 in Stockholm, Sweden. Shareholders are entitled to raise matters at the AGM subject to submitting a written request by no later than 7 March 2018. This information was published on the company's website in connection with the Interim Report for the third quarter 2017. The request should be addressed to the Board of Directors. Bonava seeks to ensure that the Board of Directors, management, the Nomination Committee and the Auditor are present at General Meetings. For more information about the AGM, see page 152 or Bonava's website, bonava.com.

SHARES AND SHAREHOLDERS

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

At year end, Bonava had 35,299 shareholders. The company's five largest shareholders at year end were Nordstjernan AB, AMF Insurance and Funds, Swedbank Robur Funds, Lannebo Funds and SEB Investment Management.

➤ For more information about Bonava's shares and shareholders, see Bonava's owners and share on pages 67–69.

ARTICLES OF ASSOCIATION

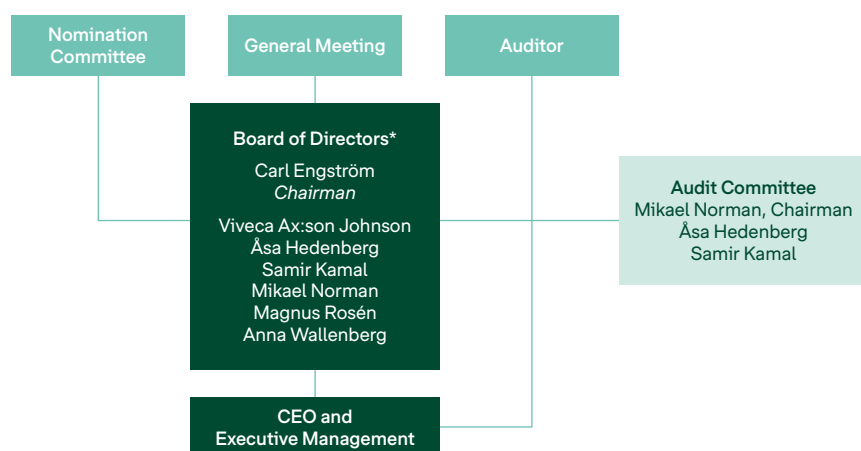
Bonava's Articles of Association were adopted by the AGM 2017 and are available in full at bonava.com. The Articles of Association stipulate that the company, directly or through subsidiaries, develops and invests in residential properties and engages in real estate trading operations, and conducts other operations related to the above. The company also undertakes certain activities common to the Group as a whole, such as the provision of staff services. The registered office is in Stockholm, Sweden. The company is prohibited from making any decisions that contravene the Articles of Association without first referring such matters to the Shareholders' Meeting for a decision and potentially amending the Articles of Association.

The Articles of Association do not contain any special stipulations regarding the appointment and discharge of Board members or amendments to the Articles of Association.

NOMINATION COMMITTEE

The AGM 2017 appointed the following Nomination Committee ahead of the 2018 AGM: Tomas Billing, Nordstjernan AB, Tomas Risbecker, AMF – Insurance and Funds, Mats Gustafsson, Lannebo Funds and the Chairman as co-opted member. Tomas Billing was elected Chairman of the Nomination Committee. The AGM also adopted instructions for the Nomination Committee's work.

Bonava's Corporate Governance



* In 2017, the Audit and Remuneration Committees' tasks were carried out by Bonava's Board of Directors.

Contact the Board of Directors
at ir@bonava.com

The work of the Nomination Committee

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

Diversity policy

In accordance with section 4.1 of the Code, Bonava's diversity policy stipulates that, with regard to the needs of the company's operations, stage of development and other conditions, the Board shall have a suitable composition characterised by diversity and breadth with regard to the members appointed by the AGM in terms of skill, experience and background, and that an even gender distribution shall be pursued. The objective of the diversity policy is to meet the requirement for satisfactory diversity in the Board in terms of gender, age and nationality as well as experience, professional background and other qualities. For more information about the company's diversity initiatives, see summary on page 60. Ahead of the AGM 2018, the Nomination Committee held four meetings where minutes were taken, and also communicated by phone and email between meetings. The Chairman of the Board of Directors reported to the Nomination Committee on the Board's work during the year, and the Nomination Committee also met with and interviewed all Board members. The Chairman of the Board has also shared the results of the Board self-evaluation with the Nomination Committee. The Nomination Committee has noted that the Board is well functioning. The Nomination Committee has further stated that the Board in terms of diversity and gender distribution has a satisfactory composition.

The Nomination Committee has subsequently evaluated the company's needs and an appropriate Board composition in relation to the current Board members' back-

ground and expertise and found that the Board should be complemented by a member with good insight, experience and industry knowledge from the real estate and housing market in Germany. Against the background of this evaluation, the required competences for new Board members were produced, and the Nomination Committee identified, interviewed and evaluated potential candidates. The Nomination Committee also evaluated Directors' fees and addressed the matter of remuneration for committee work. All decisions taken by the Nomination Committee were unanimous.

Nomination Committee proposals

Shareholders are invited to submit their proposals and views to the Nomination Committee. Shareholders wishing to present a proposal to the Nomination Committee should do so via ir@bonava.com.

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

The Nomination Committee's proposals for Board members, Board remuneration and Auditors are published in the Notice convening the AGM and at bonava.com.

BOARD OF DIRECTORS

According to the Articles of Association, Bonava's Board of Directors shall have a minimum of three and a maximum of eight members. The AGM on 4 April 2017 resolved to re-elect Carl Engström, Viveca Ax:son Johnson, Åsa Hedenberg, Samir Kamal, Magnus Rosén and Anna Wallenberg as Board members and elect Mikael Norman as a new member of the board. For information on Board members and their assignments outside the Group, and their shareholdings in Bonava, see the section "The Board, Senior Executives and Auditors".

The Board of Directors safeguards the shareholders' long-term interests and has the ultimate responsibility for the company's organisation and administration. The Board of Directors also adopts the Rules of Procedure for the Board and instructions for the CEO. The Board of Directors has decided on a number of policies, guidelines and instructions relating to the company's operations, see page 86. These internal governing documents are reviewed at least once annually

and are also updated continuously to comply with legislation as and when required.

The Board of Directors and non-affiliation

According to the Code, a majority of Board members elected by the AGM must be non-affiliated to the company and its management. At least two Board members must also be non-affiliated to the company's major shareholders.

Bonava's Board of Directors was deemed to satisfy the requirements of non-affiliation as all seven of the members elected by the AGM are non-affiliated to the company and management.

All Board members, with the exception of Carl Engström and Viveca Ax:son Johnson, are deemed to satisfy the requirement for non-affiliation with regard to major shareholders (in both cases this relates to Nordstjernan AB).

Chairman

The Chairman of the Board is elected by Bonava's AGM and leads the Board's work. The AGM on 4 April 2017 elected Carl Engström as Chairman. The Chairman ensures that the Board carries out its work efficiently and fulfils its obligations, and that Board resolutions are implemented by the company and management. The Chairman ensures that the Board of Directors receives the information and supporting documentation required to make well-informed decisions.

Board work in 2017

In 2017, the Board held ten meetings, including the inaugural meeting following election.

The agenda for every regular Board meeting includes a number of standing items: the CEO's summary of operations, divestments and investments, financial reporting, a summary of major exposure and reports on any potential health and safety and Code of Conduct incidents. In 2017, the Board discussed and decided on adjustments of Bonava's strategy and a number of large sales and investments. The Board also decided on the company's long-term sustainability targets and an otherwise unchanged sustainability agenda.

Nomination Committee ahead of AGM 2018

Board members ¹⁾	Appointed by	Non-affiliated ²⁾
Tomas Billing, Chairman	Nordstjernan AB	Yes/No
Tomas Risbecker	AMF – Försäkring och fonder	Yes/Yes
Mats Gustafsson	Lannebo Fonder	Yes/Yes

¹⁾ And Chairman as co-opted Board member.

²⁾ Non-affiliated to the company and management / in relation to the largest shareholder in terms of votes.

Contact the
Nomination Committee
at ir@bonava.com

Committees

The Board currently has two Committees: the Audit Committee and the Remuneration Committee. In 2017, The Remuneration Committee's assignments were carried out by Bonava's Board of Directors, while a dedicated Audit Committee has operated since year end 2016.

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

Audit committee

The Audit Committee works according to an agenda which is set annually. Its task is to monitor the company's financial reporting and the efficiency of the company's internal control and risk management. The Audit Committee also keeps itself continuously informed about the auditing of the Annual Report and Consolidated Financial Statements. The committee's role includes to review and monitor the Auditor's independence and impartiality, and especially to follow up any services provided by the Auditor other than those included under the auditing assignment. The committee also recommends the choice of Auditor to the Nomination Committee.

During January–April 2017, the Audit Committee consisted of Board members Samir Kamal, Chairman, Carl Engström and Åsa Hedenberg, none of whom is employed by the company. During April–December

2017, the Audit Committee consisted of Board members Mikael Norman, Chairman, Samir Kamal and Åsa Hedenberg, none of whom is employed by the company.

In 2017, the Audit Committee held five meetings. Bonava's Auditor was present at three meetings during the year. The meetings addressed matters such as the company's Interim Reports, the focus of its external auditing and the company's internal control of its financial reporting.

Remuneration Committee

The task of the Remuneration Committee is to address matters relating to the principles governing remuneration to the CEO and senior executives, as well as individual remuneration to the CEO in accordance with the remuneration principles. The principles include the relationship between fixed and variable remuneration, and the correlation between performance and remuneration, mainly the terms applying to potential bonuses and incentive programs, and the primary terms of non-monetary benefits, pension, termination of employment and severance pay. The whole Board determines the CEO's remuneration and other employment terms. Share-based incentive programs to Group management and other senior executives are decided by the AGM.

The Committee also assists the Board of Directors in monitoring the system for compliance with legislation, stock market regula-

tions and the Code governing disclosure of information relating to remuneration to the CEO and other senior executives, as well as in producing, monitoring and evaluating ongoing programs, and programs terminated during the year, relating to variable remuneration to the CEO and other senior executives, application of the guidelines for remuneration to the CEO and other senior executives where an AGM resolution is a legislative requirement, and remuneration structures and remuneration levels.

The Remuneration Committee held two meetings (Board meetings) in 2017, one regular meeting and one extraordinary meeting. All members were present at both meetings, with the exception of Board member Magnus Rosén, who was not present at the extraordinary meeting in June 2017. The meeting addressed matters such as Bonava's remuneration guidelines for senior executives and remuneration to the CEO and other senior management, and the proposed basis for a potential share-based incentive program for Group management and certain key executives for decision in 2018.

Remuneration

The AGM on 4 April 2017 resolved to pay, in the period until the next AGM is held, annual fees of SEK 600,000 to the Chairman and SEK 270,000 to each of the other Board members, none of whom are employed by the company. The AGM simultaneously

Board meetings 2017

5 DECEMBER

- Budget 2018
- Assessment of sustainability targets
- Annual evaluation of the Board of Directors' and CEO's work during the year
- Risk and compliance report, incl. internal control and internal audit
- Remuneration Committee (incl. STI and LTI)
- Annual Report (time frame)

23 OCTOBER

- Interim report Q3
- Audit Report
- Decision business plan

7 SEPTEMBER

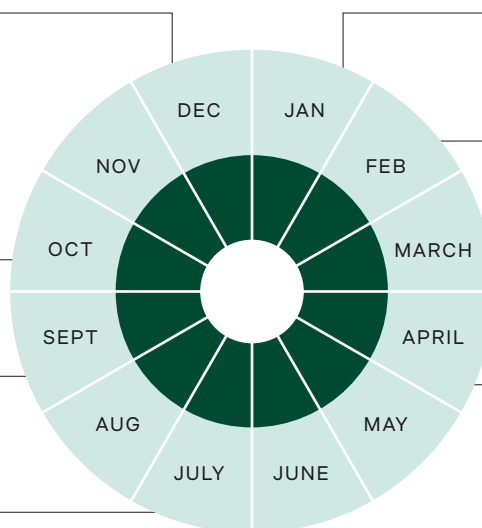
- Awareness day (health and safety)
- Follow up of strategy discussion
- Review of building rights: holdings and needs

17 JULY

- Interim Report Q2

29 JUNE

- Strategy workshop and discussion
- Financial update
- Discussion sustainability
- Confirmation of LTIP participants (Remuneration Committee)



24 JANUARY

- Review of LTIP/STI 2016 and 2017
- Year-end Report Q4
- Audit Report
- Review of preliminary financial statements and draft Annual Report
- Financial targets
- Decision-making process
- Documentation ahead of AGM

24 FEBRUARY (extraordinary meeting)

- Decision target group and objectives LTIP 2017
- Confirmation of Decision Order process
- Documentation AGM

6 MARCH

- Annual Report (decision)
- Report on sales
- Strategy discussion

4 APRIL

- Inaugural meeting following election
- Decision on Committees
- The Board of Directors' Rules of Procedure and other policies

26 APRIL

- Interim Report Q1
- Audit Report
- LTIP implementation
- People Review

decided on annual remuneration for Audit Committee work of SEK 100,000 to the Chairman and SEK 50,000 to each of the other members not employed by the company in the period until the next AGM is held. No special remuneration was paid for any other committee work.

At the meeting, it was further decided that Board members should only be able to invoice Board fees through a wholly-owned company, provided that it is clear in advance that (i) the procedure is cost neutral for the company and (ii) such invoicing is legal. If so, the invoiced fee will be increased by an amount corresponding to social security contributions by law and with value added tax. In accordance with this and subsequent decisions and statements by the tax authority regarding this issue, the Board subsequently decided that the directors fees may be invoiced by a wholly owned company, if other conditions are met, until the AGM on April 25, 2018 but not thereafter.

Evaluating the Board of Directors and the CEO

In accordance with the Board of Directors' Rules of Procedure, the Chairman of the Board evaluates the Board's work annually. The evaluation for 2017 took the form of a questionnaire presented to Board members. The Chairman also had individual contacts with Board members. The purpose of the evaluation is to gather information about the views of Board members on the Board's work and what measures can be implemented to improve its efficiency.

The intention is also to get an idea of the issues the Board of Directors considers should be given more prominence, and in which areas the Board may be in need of additional experience and competence. The results of the evaluation were presented to the Board of Directors, and the Chairman

shared the results with the Nomination Committee. In brief, the Board considered that it would be advantageous if more Germany-specific competences were added to the Board and that reporting and supporting documentation for Board discussions could be further improved going forward.

THE CEO AND SENIOR MANAGEMENT

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

The EMG meets regularly and as and when required. In 2017, the EMG met on nine occasions.

Guidelines for remuneration to senior executives

In accordance with the guidelines adopted by the AGM on 4 April 2017, Bonava offers remuneration on market terms that enable the company to recruit and retain individuals with the highest possible competence levels. The total remuneration package supports the company's long-term strategy. Remuneration to management comprises fixed and variable remuneration, long-term performance-based incentive programs, pensions and other benefits. When determining fixed salaries, individual employees' area of responsibility, experience and achieved results shall be considered. Fixed salaries are reviewed either annually or biannually. All variable remuneration is related to a maximised fixed salary, and

rewards the fulfilment of pre-determined targets, primarily of a financial nature. All variable remuneration in Bonava is designed to motivate and reward value-creating activities that support the company's long-term operational and financial objectives.

As regards pension benefits, Bonava seeks to ensure a gradual transition to defined contribution solutions, which means that the company pays premiums that constitute a specified percentage of salary.

In this context, senior executives are defined as the CEO, CFO and other members of the EMG.

For more information on remuneration to senior executives, see Note 3 on page 108.

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

Share-based incentive program

Since before 2017, Bonava has an existing share-based incentive program encompassing 25 people. The Annual General Meeting on 4 April 2017 approved the Board of Directors' proposal to introduce a share-based incentive program for the EMG and selected key executives, in total 50 individuals. Participation in the program requires an independent shareholding in Bonava. The aim of the program is to link the interests of shareholders and those of the EMG and specified key executives in order to ensure maximum long-term value creation. The AGM also resolved to authorise the Board of Directors to repurchase Class B shares to ensure the implementation of the incentive program. The Board of Directors has decided to utilise this authorisation and has carried out a share buyback program.

To Bonava's future AGMs, the Board of Directors intends to propose long-term incentive programs based on similar principles to the program implemented in 2017.

Remuneration and attendance at Board meetings 2017

Members appointed by Shareholders' Meeting	Elected year	Board	Audit Committee	Remuneration Committee ³⁾	Non-affiliated, shareholders	Non-affiliated, company and management	Total annual fees, SEK
Total number of meetings		10	5	2			
Chairman Carl Engström	2015	10	2	2	No	Yes	600,000
Viveca Ax:son Johnson	2015	10	0	2	No	Yes	270,000
Åsa Hedenberg	2015	10	5	2	Yes	Yes	320,000
Samir Kamal	2015	10	5	2	Yes	Yes	320,000
Mikael Norman	2017	7	3	2	Yes	Yes	370,000
Magnus Rosén	2015	8	0	1	Yes	Yes	270,000
Anna Wallenberg	2015	10	0	2	Yes	Yes	270,000

³⁾ In 2017, the Remuneration Committee's tasks were carried out by the Board of Directors.

AUDITOR

The company's financial accounts and accounting, as well as the management by the EMG and the board of directors, are reviewed and audited by the company's auditor. At the Annual General Meeting on April 4, 2017, the registered audit firm EY (Ernst & Young) was elected auditor for the period until the Annual General Meeting in 2018.

The Chartered Accountant, Mikael Ikonen, has been appointed auditor.

For more information about Mikael Ikonen's experience, see page 83.

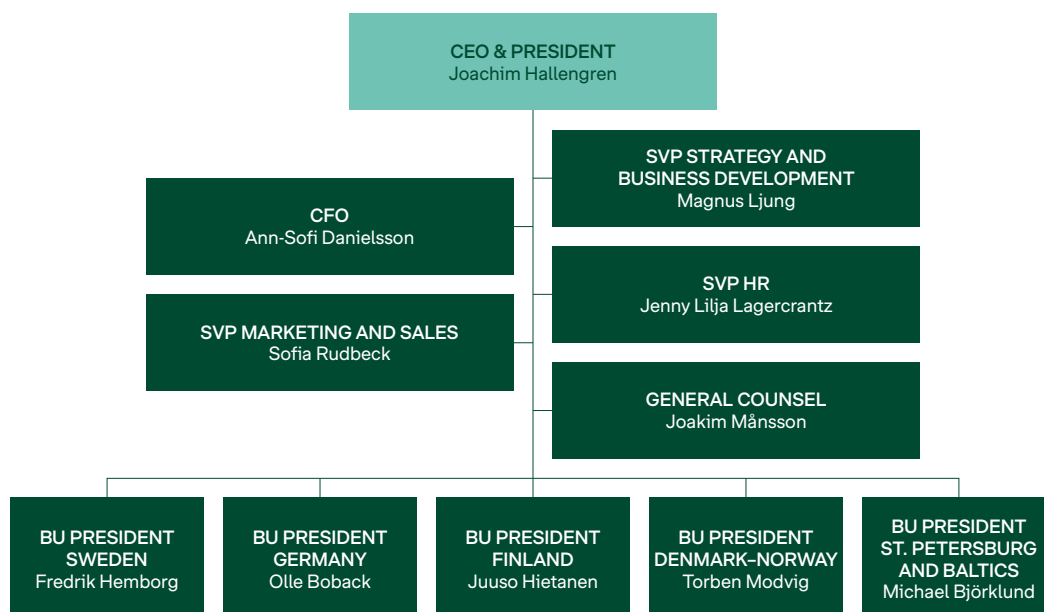
The auditor shall report to the Audit Committee on not insignificant errors in the field of accounting and where irregularities are suspected. At least once a year, usually in connection with the closing of the financial statements, the Auditor shall report to the company's Board of directors to report on their observations in the review of the company and its assessment of the company's internal control. The auditor also participates at the AGM to present the Audit Report and outline the audit work carried out and the observations made.

Audit fees in 2017**SEK M**

Audit fees to EY	6
Fees to other auditors	1
Fees for audit-related consulting services	0
Fees for tax consulting services	0
Other fees	0

Share-based long-term incentive program**LTIP 2017 LTIP 2016**

No. of employees invited to participate	51	25
No. of employees opting to participate	50	25

Organisational structure

Board of Directors



Carl Engström

Chairman since 2015

Born in 1977

Education: M.Sc. (Econ.), Stockholm School of Economics, and M.Sc. (Eng.), Royal Institute of Technology in Stockholm.

Professional status: Senior Investment Manager and member of senior management of Nordstjernan AB.

Previous experience: Management consultant at Bain & Co.

Other ongoing assignments: Chairman of Salcomp Oyj and Salcomp Holding AB.

Shareholding in Bonava AB: 1,495 Class A shares.



Viveca Ax:son Johnson

Board member since 2015

Born in 1963

Education: Social science secondary education.

Other ongoing assignments: Chairman of Nordstjernan AB, Axel and Margaret Ax:son Johnson Foundation for Public Benefit and FPG Media AB. Director of NCC AB, Rosti Group AB and Axel and Margaret Ax:son Johnson Foundation.

Shareholding in Bonava AB: 25,000 Class A shares och 123,000 Class B shares.



Åsa Hedenberg

Board member since 2015

Born in 1961

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

Professional status: CEO of Specialfastigheter Sverige AB.

Previous experience: CEO of Huga Fastigheter AB, CEO of Uppsala AB, Market Area Manager of Stockholm Kommersiellt Innerstad AP Fastigheter.

Other ongoing assignments: Director of Envac AB. Member of the Council, Stockholm Chamber of Commerce.

Shareholding in Bonava AB: 2,210 Class B shares.



Samir Kamal

Board member since 2015

Born in 1965

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

Professional status: Senior Director, Novo Holdings A/S (from april 2018).

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

Other ongoing assignments: Director of Scandi Standard AB and Rimas Holding AB.

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

The information about shareholdings in Bonava refers to shares owned directly, through related parties and companies as of 31 December 2017.



Mikael Norman

Board member since 2017

Born in 1958

Education: Bachelor of Laws, Stockholm University.

Previous experience: CFO at Nobia, Group Controller at Electrolux, tax lawyer at Price-WaterhouseCoopers and judge in the Stockholm County Court and Administrative Court of Appeal.

Other ongoing assignments: Director of Bravida Holding AB, Bygghem AB, Cloetta AB and Swedavia AB, and Chairman of the Audit Committees in Bravida Holding AB, Cloetta AB, Swedavia AB.

Shareholding in Bonava AB: 1,500 Class B shares.



Magnus Rosén

Board member since 2015

Born in 1962

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

Professional status: CEO of Nobina AB.

Previous experience: CEO of Ramirent PLC, CEO of BE-Group Sverige, CEO of Cramo Sweden and SVP of Cramo Scandinavia, Service Market Manager BT Svenska and CEO of BT Hysystem.

Other ongoing assignments: None.

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



Anna Wallenberg

Board member since 2015

Born in 1975

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

Professional status: Operating and Sales Director, Kronans Apotek.

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

Other ongoing assignments: Director of Occasion Euro Events AB.

Shareholding in Bonava AB: 400 Class B shares.

Auditor

Mikael Ikonen

EY (ERNST & YOUNG AB)

Key Audit partner.

Born in 1963.

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

The information about shareholdings in Bonava refers to shares owned directly, through related parties and companies as of 31 December 2017.

Executive Management Group



Joachim Hallengren

President and CEO

Born in 1964

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

Professional experience: CEO of NCC Housing 2012–2016 and a total of 16 years' experience of a range of positions in the NCC Group, including Business Area Manager of NCC Property Development and member of the senior management of NCC AB.

Other ongoing assignments: Director of Caverion Oy, Forenom Group Oy and Director and owner of Phlebas AB, directorships in other companies in the Phlebas Group and Chairman of Offside Press AB.

Shareholding in Bonava: 10,000 Class A shares and 52,894 Class B shares.



Ann-Sofi Danielsson

CFO

Born in 1959

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

Professional experience: CFO, Financial Director and a total of 13 years' experience as a member of NCC AB's senior management.

Other ongoing assignments: Director of Bulten AB, Vasakronan AB and Pandox AB.

Shareholding in Bonava: 14,144 Class B shares.



Magnus Ljung

SVP Strategy & Business Development

Born in 1975

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

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

Other ongoing assignments: Director and owner of Avidor AB.

Shareholding in Bonava: 4,000 Class B shares.



Sofia Rudbeck

SVP Marketing & Sales

Born in 1974

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

Professional experience: Product and Brand Director at Fagerhult Retail. Various positions within innovation, brand and marketing at Electrolux as well as Management Consultant at McKinsey & Company.

Other ongoing assignments: Chairman of Centre for the Future of Places (KTH) and Director of Nordic Modular Group AB.

Shareholding in Bonava: 3,430 Class B shares.



Jenny Lilja Lagercrantz

SVP HR

Born in 1972

Education: B.Sc. (Phil.), Stockholm University.

Professional experience: Experience from senior positions within Human Resources at Skandia and Nasdaq Stockholm.

Other ongoing assignments: None.

Shareholding in Bonava: 3,226 Class B shares.



Joakim Månsson

General Counsel

Born in 1967

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

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

Other ongoing assignments: None.

Shareholding in Bonava: 5,455 Class B shares.

The information about shareholdings in Bonava refers to shares owned directly, through related parties and companies as of 31 December 2017.



Fredrik Hemborg

BU President Sweden
Born in 1972

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

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

Other ongoing assignments: Director of Ursviks exploaterings AB.

Shareholding in Bonava: 5,637 Class B shares.



Olle Boback

BU President Germany
Born in 1953

Education: Engineer, Rudbeckskolan in Örebro.

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

Other ongoing assignments: None.

Shareholding in Bonava: 14,504 Class B shares.



Juuso Hietanen

BU President Finland
Born in 1977

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

Professional experience: A total of 12 years from various positions within NCC in Finland, St. Petersburg and Estonia-Latvia and Lithuania. Responsible for NCC Housing's operations in St. Petersburg between 2008 and 2016 and previously responsible for NCC Housing in Finland.

Other ongoing assignments: None.

Shareholding in Bonava: 4,724 Class B shares.



Torben Modvig

BU President Denmark-Norway
Born in 1973

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

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

Other ongoing assignments: None.

Shareholding in Bonava: 7,400 Class B shares.



Michael Björklund

BU President St. Petersburg and Baltics
Born in 1969

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

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

Other ongoing assignments: None.

Shareholding in Bonava: 3,626 Class B shares.

The information about shareholdings in Bonava refers to shares owned directly, through related parties and companies as of 31 December 2017.

BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL

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

Internal control of financial reporting and risk management

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

Process for risk assessment and internal control

In 2017, Bonava established a central Risk Committee and introduced a new annual process for systematic risk assessment and internal control. The Risk Committee comprises the company's CFO, General Counsel, Group Head of Finance and Business Control, Group Head of Sustainability and the Group Head of Risk and Compliance. At the beginning of the year, each segment of Bonava's operations evaluates the key risks the segment encounters in its operations. These are then discussed and analysed in more detail before the summer in an interactive process that includes the Risk Committee. Subsequently, and by no later than August, each segment evaluates internal control for a number of risk classes, focus-

ing on the primary risks identified in the risk assessment process. Once these have been discussed and analysed in meetings between the relevant functions and the Risk Committee, the Risk Committee compiles Bonava's annual report on risk and compliance on the basis of the above process, and presents it to the Audit Committee, the EMG and the Board.

Control environment

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

The Board of Directors reviews and approves the following policies annually:

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

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

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

The Board of Directors monitors and ensures the quality of the company's internal control in accordance with the Board's Rules of Procedure and instructions to the Audit Committee.

The Board of Directors has also adopted a number of fundamental guidelines that govern risk management efforts and internal control activities. These guidelines include risk assessment, demands for control activities to manage the most material risks, in accordance with the aforementioned new risk assessment and internal control process, and reporting.

Bonava's control environment is comprised of responsibilities, powers and governing documents, alongside laws and

regulations. For management, relevant named document owners have primary responsibility for ensuring compliance with the relevant governing documents. In addition, the company considers that all employees have a responsibility to ensure compliance with all governing regulations and processes. The company facilitates for employees to assume this responsibility by means of various information and training initiatives.

Risk assessment

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

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

The risks identified in each area are evaluated on the basis of the estimated probability and impact. The outcome of the risk analysis is part of the aforementioned risk assessment and internal control process and is included in the annual risk and compliance report. For more information about the Group's risks and risk management, see pages 72–74 and Note 23.

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

Control activities

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

Bonava has established several SSCs, including Bonava Business Services (BBS),

which handles most of the Nordic operations' transactions, and Human Resources Operations (HRO) which handles pay roll for the Nordic countries. Additionally, Group IT assumes central responsibility for all of Bonava's IT-systems. All these functions stipulate that processes must include control activities that manage identified risks efficiently.

In addition to the risk assessment and internal control processes described above, other control activities mainly include the following:

Quarterly Board meetings are held in each business unit, which are all incorporated as separate legal entities. The reporting on and discussion of financial forecasts and results, the business units' structured risk assessment, disputes and exposure are some of the key factors addressed at these meetings.

Bonava has also implemented a comprehensive compliance program ("Our Foundation"). The program aims to minimise risk relating to regulatory compliance and business ethics, and includes written guidelines on anti-corruption and competition legislation, central and local advisors on these issues, compulsory training in business ethics and a whistle-blower function.

Information and communication

Bonava has established an organisation to ensure correct and efficient financial reporting. The internal control documents specify the division of responsibilities, and the daily interaction between the affected individuals means that relevant information and communication reaches all the relevant parties. Guidelines, instructions and manuals of significance to financial reporting are communicated to the relevant employees through Bonava's intranet.

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

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

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

Bonava's employees are invited to participate, directly or indirectly, in the preparation of internal policies and guidelines, and have thus been part of preparing these internal governing documents.

Follow-up and improvements

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

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

Evaluation of the need for a dedicated internal audit function

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

SUSTAINABILITY

The Board of Directors has determined Bonava's sustainability agenda and overarching Group sustainability targets, and presents the Sustainability Report. The starting point for Bonava's sustainability agenda is compliance with the UN Global Compact and the OECD guidelines for multinational companies, and sustainability reporting in accordance with GRI.

The Sustainability Report forms part of Bonava's Annual Report and has been prepared in accordance with the Global Reporting Initiative's guidelines, version G4 and alternative Core. The Sustainability Report has been assured by external experts on sustainability reporting, PwC. The period of the Report is the full year 2017 and the reporting cycle is annual. Earlier information about Bonava's operations can be found in NCC's Annual Reports and Sustainability Reports up until the 2015 financial year.

Read more about Bonava's sustainability work on pages 52–62 and 136–149. The location of sustainability-related information in the Annual Report can be found in the index on page 146.

SUSTAINABILITY ORGANISATION

The Board has ultimate responsibility for Bonava's sustainability agenda and its ongoing sustainability work. Bonava's CEO delegates operational responsibility to Bonava's Head of Sustainability, who reports to the company's Head of Strategy and Business Development and coordinates sustainability work with other Heads of operations.

The Head of Sustainability leads two committees in the Group: a steering committee for the sustainability agenda and a council for preparing supporting documentation for management decisions, strategic boards and the steering committee for the sustainability agenda and implementation of such decisions. In addition to the Head of Sustainability, the steering committee includes Bonava's CEO, CFO, General Counsel, Head of HR, Head of Strategy and Business Development and Head of Marketing and Sales. The Sustainability Council includes representatives from each business unit. The Head of Sustainability is also a member of Bonava's Risk Committee.

In addition, Bonava has a Head of Health and Safety with overarching responsibility for developing group wide processes and driving the development process for sustainability relating to health and safety. The Head of Health and Safety leads Bonava's Council for Health and Safety with the aim of preparing supporting documentation for management and strategic boards, and implementing decisions. The Council for Health and Safety includes representatives from each business unit. Bonava has a Head of Risk and Compliance who is responsible for developing Bonava's processes for risk and compliance management.

The primary development work is pursued within the framework of the sustainability aspect's most relevant strategic initiatives and the relevant steering strategic board with support from Bonava's two councils: the Sustainability Council and the Health and Safety Council.

Financial Reporting

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Report of the Board of Directors

The Board of Directors and Chief Executive Officer of Bonava AB (publ.), corporate identity number 556928-0380, with its registered office in Stockholm, Sweden, hereby present the Annual Report and Consolidated Financial Statements for the financial year 2017.

OPERATIONS

Bonava develops and sells homes across 23 regions in eight countries. Bonava's selected geographical markets are Sweden, Germany, Finland, Denmark, Norway, St. Petersburg, Estonia and Latvia. Bonava focuses on major city regions with pronounced growth and with stable local labour markets, which generates demand for new housing over time. Bonava develops land into affordable and sustainable neighbourhoods, where the housing units are adapted to customers' wants and needs, as well as the unique conditions in each location. Bonava provides multi-family housing and single-family housing, and develops homes for consumers and investors, such as pension funds, alongside municipalities and other stakeholders. That is how Bonava creates new and vibrant neighbourhoods.

GROUP PERFORMANCE

Market progress

The housing market in Sweden was cautious towards the end of the year and average house prices fell across the country during 2017. House prices in Germany continued to increase, with strong consumer and investor demand. In Finland, demand was good from consumers and investors alike, and house prices continued to increase. In Denmark, house prices continued to increase in the areas where Bonava is active and demand for housing was good. In Bergen, Norway, house prices decreased slightly following several years of sharply rising prices. The housing market in St. Petersburg remained hesitant with stable prices. The investor business remained strong in Sweden, Germany, Finland and Denmark-Norway.

Net sales

Net sales amounted to SEK 14,479 M (13,492). The increase was due to more housing units for investors in Sweden, Germany, Finland and Denmark-Norway being recognised for profit. Net sales from consumers decreased as fewer housing units were recognised for profit in Finland and Denmark-Norway, while more housing units were recognised for profit in Sweden and Germany. During 2017, 4,294 (4,371) housing units for consumers were recognised for profit. The average price per housing unit for consumers was SEK 2.6 M (2.7). The number of housing units for investors recognised for profit was 1,170 (407). Exchange rate fluctuations had a positive effect of SEK 232 M on consolidated net sales compared to 2016.

Operating profit

Operating profit for 2017 was SEK 1,946 M (1,562). The number of housing units recognised for profit increased at the same time as margins improved in Sweden and Germany. Profit from land sales was SEK 492 M (188), with the increase mainly attributable to Sweden. In 2016, profit was burdened with SEK -91 M relating to land sales in Latvia. Operating profit was charged with impairment losses on properties held for future development of SEK 34 M (18). Sales and administration expenses increased in order to meet the increased production. Exchange rate fluctuations had a positive

profit impact of SEK 27 M compared to 2016. Last year, consolidated profit was charged with costs of SEK 85 M for the realignment of the organisation to an independent company.

Net financial items, tax and profit for the year

Net financial items were SEK -226 M (-279). The improvement was due to lower net debt and lower rouble-denominated debt and interest rates. Profit before tax for 2017 was SEK 1,721 M (1,283). Tax on profit for the period was SEK -319 M (-278), corresponding to a tax rate of 19 (22) per cent. Profit for the year after tax was SEK 1,402 M (1,004).

FINANCIAL POSITION

Total assets

Total assets were SEK 19,713 M (16,770). The increase was primarily due to a higher volume of ongoing housing projects and higher volumes of properties held for future development.

NET DEBT

Net debt amounted to SEK 4,165 M (3,699), of which net debt in Swedish tenant-owner associations and Finnish housing companies amounted to SEK 4,333 M (3,624). Net debt was higher than at the end of 2016 mainly due to net investments in housing projects in the year. Excluding tenant-owner associations and housing companies, the Group had a net cash position of SEK 168 M at year end (net debt of SEK 75 M in the previous year).

CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED

Return on capital employed was 16.6 per cent (14.6). The improvement was due to higher operating profit in Sweden and Germany. Capital employed amounted to SEK 12,003 M (10,134) at the end of the year. Capital employed increased due to higher volumes of ongoing housing projects and properties held for future development in Germany, Finland and Denmark-Norway.

EQUITY/ASSETS AND DEBT/EQUITY RATIOS

As of 31 December 2017, the equity/assets ratio was 33.7 per cent (33.7). Bonava's equity/assets ratio is affected by seasonal fluctuations as the company's assets increase in the first three quarters of the year and then decrease in the fourth quarter, when a large number of housing units are handed over to customers and recognised for profit. The debt/equity ratio was 0.6 (0.7). The debt/equity ratio excluding tenant-owner associations and housing companies was 0.0 (0.0).

CASH FLOW

Cash flow before financing was SEK -26 M (536). Cash flow from operating activities before change in working capital increased as profit after financial items was up. This was partly offset by lower provisions. Investments in land and ongoing housing projects increased across all business areas with the exception of St. Petersburg. The number of housing units recognised for profit increased, which resulted in increased cash flow from sales of housing projects, mainly in Sweden, Germany and Finland. Cash flow from other working capital was up compared to 2016 as customer advances increased, mainly in Finland. Cash flow from investing activities improved as Bonava invested in new IT systems in 2016.

SEASONAL EFFECTS

Bonava recognises revenues and earnings from housing sales when sold and completed units are delivered to customers. Bonava's operations are affected by seasonal variations which means that a majority of housing units are delivered to customers in the fourth quarter. Accordingly, earnings are usually stronger in the fourth quarter than in other quarters.

HOUSING SALES, HOUSING STARTS AND BUILDING RIGHTS

Housing sales and housing starts

Bonava sold a total of 3,984 (4,311) housing units to consumers and 1,718 (1,922) housing units to investors in the period. The number of housing starts was 4,984 (4,041) for consumers and 1,718 (1,791) for investors.

Housing units in ongoing production

At the end of the year there were 6,844 (6,158) housing units for consumers and 3,036 (2,955) housing units for investors in production. As of 31 December 2017, the sales rate was 54 per cent (63) for housing units for consumers and 100 per cent (100) for housing units for investors. At the same date, the completion rates were 44 per cent (49) for consumers and 32 per cent (40) for investors.

Estimated completions during 2018

Compared to the end of 2016, Bonava, as per 31 December 2017, had more housing units to complete from the first quarter 2018 onwards. Of the total number of housing units not yet completed, 56 per cent (60) is expected to be completed in 2018.

Building rights

There were 31,400 (28,000) building rights, of which 16,800 (17,500) are recognised in the Balance Sheet. Bonava continues to expand on growth markets, mainly in Germany, where the number of building rights was 8,300 (6,400) at year-end.

Unsold, completed housing units at year-end

The number of unsold completed housing units at year end was 284 (180). All these housing units were for consumers, mainly in St. Petersburg and Finland.

ORGANISATION AND EMPLOYEES

The Group's average number of employees was 1,696 (1,482) in 2017. Head count was 1,807 (1,662) at the end of the year.

Legal structure

Effective 9 June 2016, NCC AB distributed all the shares in Bonava AB to shareholders. NCC AB remains a minority owner of Bonava Deutschland GmbH, but Bonava holds the option to acquire NCC AB's participations in 2021. According to a profit sharing agreement, NCC AB will waive dividend and receive an annual compensation of EUR 1.3 M until the agreement is cancelled, which may occur five years from entering the agreement at the earliest. The agreed profit sharing, representing a debt of SEK 47 M to NCC AB, has been reported at an amount corresponding to the fair value of four years' payments.

Changes to Board of Directors

The Annual General Meeting (AGM) 2017 elected Mikael Norman as a new Board member. Mikael was also appointed Chairman of the Audit Committee.

THE SHARE AND SHAREHOLDERS

Bonava has two classes of share, class A and class B. The closing price on 29 December 2017 was SEK 113.50 per class A share and SEK 114.60 per class B share, corresponding to market capitalisation of SEK 12.3 Bn.

Bonava's share capital was SEK 434 M on the reporting date, divided between 108,435,822 shares and 226,961,367 votes. As of 31 December 2017, Bonava had 13,169,505 class A shares and 95,266,317 class B shares. Each class A share carries ten votes and each class B share one vote.

Bonava had 35,299 shareholders at the end of the year. Bonava's largest shareholder was Nordstjernan AB. As of 29 December 2017, the ten largest shareholders controlled 62.7 per cent of the capital and 69.7 per cent of the votes.

NOMINATION COMMITTEE

Bonava's nomination committee for the AGM 2018 has the following members: Tomas Billing, Chairman of the Nomination Committee (Nordstjernan AB), Tomas Risbecker, (AMF—Insurance & Mutual Funds), Mats Gustafsson, (Lannebo Funds) and Carl Engström (Nordstjernan AB) as co-opted member of the Nomination Committee in his capacity as Chairman of the Board.

REMUNERATION

The Board has evaluated the application of its guidelines for determining basic and variable remuneration for the CEO and other members of management (Group Management) approved by the AGM 2017, and the applicable compensation structures and compensation levels of the company. Because of this evaluation of the overall compensation package for the company's Group Management, the Board of Directors is proposing to the AGM 2018 that the applicable guidelines should be retained for 2018. These guidelines cover the Group Management including the CEO, totalling 11(11) senior executives.

Bonava applies remuneration levels and employment terms that are necessary to enable the recruitment and retention of a management possessing high competence and the ability to achieve the targets set. The principles and structures of compensation should motivate senior managers to do their utmost to safeguard shareholders' interests. Accordingly, compensation should be on market terms and competitive. It should be straightforward, long-term and measurable. Compensation to senior managers should consist of a fixed and a variable portion.

Fixed salary

Fixed salary to senior managers should be on market terms and based on competence, responsibility and performance. Fixed remuneration is reviewed annually.

Short term variable remuneration

In 2018, the short-term variable compensation of the CEO was maximised at 50 per cent of basic salary, and for other members of Group Management, maximised at 40 or 30 per cent of basic salary. The short-term variable compensation is reviewed yearly. At maximum levels, the company's obligations to the affected individuals would cost the company an estimated maximum of SEK 11.7 M SEK excluding social security contributions.

Pension and other benefits

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

Other benefits

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

Notice periods and severance pay

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

Share-based incentive program

The AGM on 4 April 2017 approved the Board of Directors' proposal to introduce a share-based incentive program for Group Management and certain key individuals, totalling some 50 people. Participation in the program requires a shareholding in Bonava. The purpose of introducing this program is to align the interests of shareholders, Group Management and certain key individuals to ensure maximum long-term value creation. The AGM also authorised the Board of Directors to repurchase class B shares to ensure future commitments of the incentive program. The Board has decided to utilise this authorisation and has initiated a repurchase program.

The Board of Directors is proposing that the AGM authorises a long-term performance-based incentive program for senior managers and key individuals within the Bonava Group (LTI 2018). Essentially, this proposal is consistent with the long-term performance-based incentive program previously adopted for 2017. The Board of Directors' view is that incentive programs of this type benefit the company's long-term progress. LTI 2018 is proposed to address a total of some 50 participants within the Bonava Group. More detail on the proposal and previous long-term incentive programs is available at bonava.com. See also note 3.

PARENT COMPANY**Net sales and profit**

Parent company sales totalled SEK 212 M (69). Profit after financial items was SEK 284 M (24). The average number of employees was 62 (43).

ENVIRONMENTAL IMPACT

Bonava does not conduct any operations subject to permits under the Swedish Environmental Code within the parent company or subsidiaries. For more information on the environment and sustainability, see the reporting according to GRI including index on pages 146–147.

STATUTORY SUSTAINABILITY REPORT

The statutory Sustainability Report is included in separate parts of the Annual Report of Bonava, and is not a part of the formal annual accounts documentation. For information on Environment, see pages 56–57, Social conditions see pages 54–55, Personnel see pages 58–60, Respect for human rights see pages 60–61 and for Anti-corruption see page 61. For information on the Business model see page 137, Policy document for sustainability see page 136 and for Significant risks for sustainability see pages 72–74. Central key indicators for sustainability are presented on pages 136–149.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is a separate part of Bonava's Annual Report 2017 and is not part of the formal annual accounts documentation. Please refer to the corporate governance section on pages 75–87.

PROSPECTS

The market in Sweden is currently cautious, but the underlying demand for housing remains good in Sweden, both from consumers and investors. The demand for housing in Germany remains on a high level. In Denmark and Finland, demand for housing is good. The market in Norway is stable, the market in St. Petersburg has also stabilised.

PROPOSED DIVIDEND

The Board of Directors is proposing a dividend of SEK 5.20 per share, paid in two disbursements. The first payment of SEK 2.60 per share is proposed for 3 May 2018, and the second payment of SEK 2.60 per share is proposed for 31 October 2018.

AMOUNTS AND DATES

Unless otherwise stated, amounts are indicated in millions of Swedish kronor (SEK M). The relevant period is 1 January–31 December for Income Statement-related items, and 31 December for Balance Sheet-related items. Rounding errors may occur.



Consolidated Income Statement

SEK M	Note	2017	2016
	1, 10, 20		
Net sales	2	14,479	13,492
Production costs	3, 4, 8, 9, 13, 19	-11,710	-11,235
Gross profit		2,768	2,257
Selling and administrative expenses	3, 4, 5, 8, 9	-822	-610
Non-recurring costs ¹⁾			-85
Operating profit	2, 6	1,946	1,562
Financial income		11	13
Financial expenses		-236	-292
Net financial items	7	-226	-279
Profit after financial items		1,721	1,283
Tax on profit for the year	12	-319	-278
Net profit for the year		1,402	1,004
Attributable to:			
Bonava AB's shareholders		1,402	1,003
Non-controlling interest			2
Net profit for the year		1,402	1,004
Per share data before and after dilution			
Earnings per share, SEK		12.99	9.26
Cash flow from operating activities, SEK		0.79	6.54
Shareholders' equity, SEK		61.48	52.25
Number of shares at end of the year, million		107.9	108.1

¹⁾ Activities relating to Bonava becoming an independent company.

There was no dilution effect.

Consolidated Statement of Comprehensive Income

SEK M	Note	2017	2016
Net profit for the year		1,402	1,004
Translation differences during the year in translation of foreign operations		13	98
Hedging of currency risk in foreign operations			-73
Tax related to items that may be reclassified to profit or loss	12		16
Other comprehensive income for the year		13	41
Comprehensive income for the year		1,415	1,045
Attributable to:			
Bonava AB's shareholders		1,415	1,042
Non-controlling interests			4
Total comprehensive income for the year		1,415	1,045

Comments on the Consolidated Income Statement

NET SALES

Net sales amounted to SEK 14,479 M (13,492). The increase was sourced from a higher number of housing units for investors being recognised for profit in Sweden, Germany, Finland and Denmark-Norway. Net sales from consumers decreased due to fewer housing units recognised for profit in Finland and Denmark-Norway, while more housing units were recognised for profit in Sweden and Germany. 4,294 (4,371) housing units for consumers and 1,170 (407) housing units for investors were recognised for profit in the year. The average price per housing unit for consumers was SEK 2.6 M (2.7). Exchange rate fluctuations had a positive impact of SEK 232 M on consolidated net sales in year-on-year terms.

OPERATING PROFIT

Operating profit for the period was SEK 1,946 M (1,562). Housing units recognised for profit increased and margins improved in both Sweden and Germany. Profit from land sales were SEK 492 M (188), mainly due to Sweden. In the previous year, there was a SEK -91 M negative impact on operating profit from land sales in Latvia. Operating profit was charged with impairment losses of SEK 34 M (18) related to properties held for future development, and increased selling and administrative costs relating to increased production.

Exchange rate fluctuations had a positive profit impact of SEK 27 M in year-on-year terms. In the previous year, consolidated profit was negatively impacted by reorganisation costs of SEK 85 M related to becoming an independent entity.

NET FINANCIAL ITEMS

Net financial items were SEK -226 M (-279). The improvement was due to lower average net debt and a lower debt and interest rate level in roubles.

TAX

Tax on profit for the period was SEK -319 M (-278), corresponding to a tax rate of 19 (22) per cent. See also note 12.

Consolidated Balance Sheet

SEK M	Note	2017	2016
ASSETS	1, 10, 20, 21		
Fixed assets			
Goodwill	8	22	22
Other intangible assets	8	169	149
Real estate used in business operations	9	73	68
Machinery and equipment	9	147	120
Other non-current shareholdings		5	4
Non-current receivables	11	145	228
Deferred tax assets	12	144	342
Total fixed assets	23	705	933
Current assets			
Housing projects			
Properties held for future development	13	5,734	5,035
Ongoing housing projects	13	9,482	7,898
Completed housing units	13	815	733
Housing projects		16,031	13,666
Materials and inventories		7	8
Tax receivables		17	8
Accounts receivable		440	535
Pre-paid expenses and accrued income		398	351
Other receivables	11	993	651
Cash and cash equivalents	22	1,122	619
Total current assets	23	19,008	15,836
TOTAL ASSETS		19,713	16,770
SHAREHOLDERS' EQUITY			
Share capital	14	434	434
Other capital contributions		4,569	4,569
Reserves		67	55
Profit/loss brought forward incl. comprehensive income for the year		1,564	592
Shareholders' equity		6,633	5,648
Non-controlling interests		5	5
Total shareholders' equity		6,638	5,652
LIABILITIES			
Non-current liabilities			
Non-current interest-bearing liabilities	15	3,340	2,245
Other non-current liabilities	17	555	271
Deferred tax liabilities	12	19	23
Other provisions	16	640	780
Total non-current liabilities	23	4,553	3,319
Current liabilities			
Current interest-bearing liabilities	15	2,024	2,236
Accounts payable		807	861
Tax liabilities		132	196
Accrued expenses and deferred income	18	1,067	1,119
Other current liabilities	17	4,492	3,387
Total current liabilities	23	8,521	7,799
Total liabilities		13,074	11,117
TOTAL EQUITY AND LIABILITIES		19,713	16,770

Comments on the Consolidated Balance Sheet

FIXED ASSETS

Fixed assets decreased compared to the previous year due to lower deferred tax, albeit this was partly offset by investments in new IT systems and equipment for new offices.

CURRENT ASSETS

Properties held for future development

Properties held for future development increased compared to the previous year due to increased land investments, mainly in Germany.

Ongoing housing projects

The value of ongoing housing projects increased on all national markets, while the value in St. Petersburg decreased as some projects were completed in the year.

Completed housing units

The value of completed housing units increased in St. Petersburg and Finland. The number of completed housing units was 377 (373). There was a higher number of completed housing units in the year at a slightly higher average value, mainly in St. Petersburg.

Accounts receivable and other receivables

Accounts receivable decreased while other receivables increased in Sweden.

NON-CURRENT LIABILITIES

Non-current interest-bearing liabilities

Non-current interest-bearing liabilities for Swedish tenant-owner associations and Finnish housing companies increased compared to previous year. This was a result of a higher number of ongoing housing projects, see also Note 15 Interest-bearing liabilities.

Other provisions

Dissolved provisions in Finland resulted in a decrease at Group level.

CURRENT LIABILITIES

Current interest-bearing liabilities

Current interest-bearing liabilities relating to Swedish tenant-owner associations and Finnish housing companies decreased due to a higher share of completed housing units.

Other current liabilities

Other current liabilities increased due to larger advances from customers.

Consolidated Statement of Changes in Shareholders' equity

SEK M	Shareholders' equity attributable to Bonava					Non-controlling interests	Total Shareholders equity
	Share capital	Other capital contributions	Reserves	Earnings brought forward	Total		
Opening shareholders' equity, 1 January 2016		5,003	15	-346	4,672	60	4,732
Net profit				1,003	1,003	2	1,004
Other comprehensive income			39		39	2	41
Total comprehensive income	0	0	39	1,003	1,042	4	1,045
Bonus issue	434	-434			0		0
Transactions with shareholders				-12	-12		-12
Transactions with non-controlling interests				5	5	-59	-54
Performance-based incentive program				2	2		2
Dividend				-15	-15		-15
Purchases of treasury shares				-45	-45		-45
Total transactions with shareholders	434	-434	0	-65	-65	-59	-124
Closing shareholders' equity, 31 December 2016	434	4,569	55	592	5,648	5	5,652
Net profit				1,402	1,402		1,402
Other comprehensive income			13		13		13
Total comprehensive income	0	0	13	1,402	1,415	0	1,415
Performance-based incentive programs				11	11		11
Dividend				-410	-410		-410
Purchases of treasury shares				-30	-30		-30
Total transactions with shareholders	0	0	0	-429	-429	0	-429
Closing shareholders' equity, 31 December 2017	434	4,569	67	1,564	6,633	5	6,638

Specification of reserves in shareholders' equity

	2017	2016
Translation reserve		
Opening translation reserve, 1 January	55	16
Translation differences for the year on translation of foreign operations	13	96
Profit/loss on hedging of currency risk in foreign operations		-73
Tax attributable to hedging of currency risk in foreign operations		16
Closing translation reserve, 31 December	67	55
Hedging reserve		
Opening hedging reserve, 1 January	0	-1
Changes in the fair value of cash flow hedges during the year		1
Tax attributable to cash flow hedges		
Closing hedging reserves, 31 December	0	0
Total reserves		
Opening reserves, 1 January	55	15
Translation reserve	13	39
Hedging reserve		1
Closing reserves, 31 December	67	55

CHANGE IN SHAREHOLDERS' EQUITY

The change in shareholder's equity mainly consists of comprehensive income for the year, transactions attributable to the majority shareholder as part of presenting consolidated financial statements for Bonava, as well as dividends to, and contributions from, shareholders. Additionally, purchases of treasury shares and performance-based incentive programs also impacted the change in shareholders' equity.

OTHER PAID-UP CAPITAL

Shareholders' equity paid up by shareholders, less repurchases of treasury shares.

TRANSLATION RESERVE

The translation reserve includes all exchange rate differences from 1 January 2013 onwards from the translation of financial statements of foreign operations in a currency other than that used in Bonava's financial statements, SEK. The translation reserve in 2016 also included exchange rate differences from the revaluation of liabilities and currency forwards used as hedging instruments for a net investment in foreign operations. In 2017, net investments in foreign operations are no longer hedged.

HEDGING RESERVE

The hedging reserve in 2016 included the effective portion of the accumulated net change in fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet occurred. In 2017, net investments in foreign operations are no longer hedged.

RETAINED EARNINGS INCLUDING COMPREHENSIVE INCOME FOR THE YEAR

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

Consolidated Cash Flow Statement

SEK M	Note	2017	2016
OPERATING ACTIVITIES			
Profit after financial items		1,721	1,283
Adjustments for items not included in cash flow:			
- Depreciation and amortisation	4	58	40
- Impairment and reversed impairment	8, 13	58	25
- Exchange rate differences		-49	-139
- Changes in provisions		-147	75
- Other		28	2
Total items not included in cash flow		-52	2
Tax paid		-206	-197
Cash flow from operating activities before changes in working capital		1,462	1,087
Cash flow from changes in working capital			
Sales of housing projects	13	11,940	10,807
Investments in housing projects	13	-14,210	-11,538
Other changes in working capital		893	352
Cash flow from changes in working capital		-1,377	-379
CASH FLOW FROM OPERATING ACTIVITIES		85	708
INVESTING ACTIVITIES			
Acquisitions of buildings and land		-27	-5
Sales of buildings and land		22	
Acquisitions of property, plant and equipment and intangible assets		-113	-170
Sales of property, plant and equipment and intangible assets		8	1
Cash flow from investing activities		-111	-173
Cash flow before financing		-26	536
FINANCING ACTIVITIES			
Capital contribution from NCC			5,051
Repayment of loan to NCC			-6,012
Borrowing			2,059
Dividend paid		-410	-15
Purchase of treasury shares		-30	-45
Increase in interest-bearing financial liabilities		3,247	3,077
Decrease in interest-bearing financial liabilities		-2,387	-4,802
Increase (-)/decrease (+) in non-current interest-bearing receivables		92	52
Increase (-)/decrease (+) in current interest-bearing receivables		17	108
Cash flow from financing activities		528	-525
Cash flow for the year		502	10
Cash and cash equivalents at beginning of year	22	619	585
Exchange rate difference in cash and cash equivalents		1	23
Cash and cash equivalents at end of year	22	1,122	619

Comments on the Consolidated Cash Flow Statement

Cash flow before financing was SEK -26 M (536).

Cash flow from operating activities was SEK 1,462 M (1,087). Improved profit resulted in increased cash flow from operating activities before changes in working capital.

Cash flow from changes in working capital amounted to SEK -1,377 M (-379). Investments in land and ongoing housing projects increased on all markets, with the exception of St. Petersburg. Total number of housing units recognised for profit increased, which resulted in higher sales from housing projects, mainly in Sweden, Germany and Finland. Cash flow from other changes in working capital improved due to a greater advances from customers, mainly in Finland.

Cash flow from investing activities amounted to SEK -111 M (-173) and improved due to investments in new IT systems in the previous year.

Cash flow from financing activities improved, amounting to SEK 528 M (-525). In the previous year, Bonava received a capital contribution from NCC and repaid all its borrowings to NCC Treasury AB.

NET DEBT

Net debt amounted to SEK 4,165 M (3,699), of which the net debt in Swedish tenant-owner associations and Finnish housing companies amounted to SEK 4,333 M (3,624). Net debt was higher than at the end of 2016 due to negative cash flow. Excluding Swedish tenant-owner associations and Finnish housing companies, consolidated net cash was SEK 168 M at the end of the year (net debt was SEK 75 M in the previous year).

Other changes in working capital, SEK M	2017	2016
Increase (-)/decrease (+) in inventories	2	-2
Increase (-)/decrease (+) in receivables	-285	250
Increase in liabilities	1,176	104
Other changes in working capital	893	352

Net debt, SEK M	2017	2016
Non-current interest-bearing receivables	10	79
Current interest-bearing receivables	68	84
Cash and cash equivalents	1,122	619
Total	1,200	782
Non-current interest-bearing liabilities	3,340	2,245
Current interest-bearing liabilities	2,024	2,236
Total	5,364	4,481
Net debt	4,165	3,699

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

Interest-bearing liabilities	4,411	3 677
Cash and cash equivalents	78	53
Net debt	4,333	3,624
Net cash (-)/Net debt (+), excl. tenant-owner associations/housing companies	-168	75

	2016	Cash flow	Non-cash items		2017
			Exchange rate change	New leases	
Non-current interest-bearing liabilities	2,235	1,090	1		3,326
Financial leasing liabilities	16			5	21
Current interest-bearing liabilities	2,231	-230	17		2,017
Total interest-bearing liabilities	4,481	860	18	5	5,364

Notes for the Group

NOTE 1 Significant accounting policies

Bonava's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations made by the IFRS Interpretations Committee (IFRIC), as adopted by the EU, the Annual Accounts Act (1995:1554), RFR 1 Supplementary Accounting principles for Groups and its associated interpretations, which were published by the Swedish Financial Reporting Board.

The Annual Report and Consolidated Financial Statements were adopted by the Board of Directors on 16 March 2018. The Consolidated Income Statement and Balance Sheet and Parent Company Income Statement and Balance Sheet will be subject to approval by the Annual General Meeting on 25 April 2018.

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

There were no changes in IFRS that had an effect on Bonava's financial reporting in 2017. A number of standards and interpretations enter into force for financial years beginning after 31 December 2017 and have not been applied in the preparation of these financial statements. An assessment of the effects of those standards regarded as relevant for Bonava is presented below:

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

IFRS 15 "Revenue from Contracts with Customers" must be applied from 1 January 2018 and regulates how to recognise revenues. The principles that IFRS 15 is based on should provide users of financial statements with more usable information on the company's revenues. The expanded disclosure obligation means that information on types of revenues, settlement dates, uncertainties concerning revenue recognition and cash flow attributable to the company's contracts with customers must be provided. According to IFRS 15, revenue should be recognised when the customer gains control over the good or service sold and has the ability to use and receive the benefit from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts, as well as their associated SIC and IFRIC interpretations. Bonava has carried out an analysis that indicated that Bonava will retain support for recognising revenue from housing projects for consumers and investors, and land sales, at the time that significant risks and rewards are transferred to the buyer, which normally occurs when the buyer occupies the property. Accordingly, IFRS 15 will not impact Bonava's financial statements, although some additional information will be presented. For this reason, Bonava will not convert the comparative figures for 2017.

IFRS 16 "Leases" is a new leasing standard that replaces IAS 17 Leases and its associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard applies from 1 January 2019 and regulates reporting of leasing commitments. Present value is calculated for all leasing costs, and reported as a fixed asset in the Balance Sheet, with the corresponding interest-bearing liability. In the Income Statement, leasing costs are replaced by depreciation and interest expenses. According to current accounting standards, only financial leases are reported in this manner. In connection with the transition to IFRS 16, total assets, capital employed, net debt and operating profit will increase, which will influence various key ratios. Profit after net financial items will not be affected. Bonava has started work to quantify the effects of the new leasing standard.

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

CONSOLIDATED FINANCIAL STATEMENTS

Acquisition method

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

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

Subsidiaries

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

Joint arrangements

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

Non-controlling interests

In companies that are not wholly owned subsidiaries, non-controlling interests are recognised as the share of the subsidiaries' equity held by external shareholders. This item is recognised as part of Bonava's shareholders' equity. Non-controlling interests are recognised for profit or loss. Information about the share of profit attributable to non-controlling interests is disclosed in conjunction

NOTE 1 *Significant accounting policies, cont.*

with the income statement. The effects of transactions with non-controlling interests are recognised in shareholders' equity if they do not give rise to a change in controlling influence.

Foreign subsidiaries and joint arrangements

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

Elimination of intra-Group transactions

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

REVENUE

Bonava recognises revenues in profit or loss when significant risks and benefits associated with the ownership of the housing unit have been transferred to the buyer. Bonava's net revenues primarily comprise three income streams: housing unit sold to consumers, sales of housing projects to investors and, to a lesser extent, divestment of land.

IFRIC 15 Agreements for the Construction of Real Estate is applied for the recognition of revenues and costs when a company undertakes to build properties. IFRIC 15 addresses both whether an agreement to construct a property should be recognised according to IAS 11 "Construction Contracts" using the percentage-of-completion method or according to IAS 18 "Revenue", as well as when to recognise income from construction. According to IFRIC 15, IAS 11 should be applied when a buyer is able to specify structural elements of the design of the property before construction begins, or specify major changes during construction. In other cases, IAS 18 must be applied.

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

Housing projects for consumers

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

Bonava's business model for sales of housing units with ownership rights is that Bonava enters into an agreement to build a housing unit with each respective owner. During the construction of the housing unit, accrued costs are recognised in the asset class "Housing projects". Income is recognised when the housing units are completed and the customer has begun occupancy of the home.

In Sweden and Finland, Bonava also develops housing projects by entering into construction contracts with a tenant owner association as the client in Sweden or a housing company in Finland. In Sweden, the end customer purchases a share in the association corresponding to an individual apartment. In Finland, the customer purchases shares in the company corresponding to an individual apartment. Bonava's business model entails that material risks and rewards are transferred to the customer who acquires the housing unit when the customer takes possession of the housing unit. Since Bonava exercises control over both the tenant owner association and the housing company during construction up until the sale to the end customer,

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

Housing projects for investors

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

In all countries, transactions with investors are recognised as income on the date of occupancy.

Sales of land

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

Divestment of land that has not undergone project development is normally recognised for profit or loss on the customer's date of taking possession of the land.

For all revenue flows, estimated losses are recognised in their entirety in the income statement for the period.

DEPRECIATION/AMORTISATION

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

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

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

IMPAIRMENT LOSSES

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

LEASING

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

Financial leasing

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

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

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

TAXES

Income taxes comprise current tax and deferred tax. Tax is recognised for profit or loss, except when the underlying transaction is recognised in other comprehensive income or in equity, in which case the associated tax is recognised in other comprehensive income or in equity. Current tax is tax that is to be paid or received in the relevant year. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is recognised on the basis of temporary differences between recognised and taxable values of assets and liabilities. For information on tax on 2017 profit and deferred tax assets and liabilities, refer to Note 12.

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

REPORTING OF OPERATING SEGMENTS

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

INTANGIBLE ASSETS

Intangible assets are recognised at acquisition costs less accumulated impairment losses and amortisation. Goodwill arises from acquisitions of companies and operations. Goodwill is not amortised but is instead impairment tested on an annual basis. For more information, see Note 8.

PROPERTY, PLANT AND EQUIPMENT**Real estate used in business operations**

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

Machinery and equipment

Machinery and equipment is recognised at acquisition value less accumulated depreciation and any impairment losses. For more information, see Note 9.

FINANCIAL FIXED ASSETS

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

CURRENT ASSETS**Housing projects**

Bonava's property holdings that are designated as housing projects are measured as current assets as the intention is to sell the properties and transfer them to the customer after completion. Property

projects are measured at the lower of acquisition value (cost) and net realisable value. Housing projects are defined as completed housing units, ongoing housing projects, undeveloped land and land held for future development.

Housing projects in Bonava are divided between:

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

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

Properties held for future development

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

Properties held for future development are valued taking into consideration whether the properties will be developed or sold. The valuation of land and building rights for future development is based on a capital investment appraisal. This appraisal is updated with regard to the established sales price and cost trend when the market and other circumstances so require. In those cases when a positive contribution margin from the development cannot be obtained taking into consideration normal contract profit, an impairment loss is recognised. Development expenditure is capitalised when it pertains to land or properties owned by Bonava or over which it has control.

Ongoing housing projects

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

Completed housing units

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

FINANCIAL INSTRUMENTS

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

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

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

Financial instruments are classified in the following categories for measurement: financial assets measured at fair value through profit

NOTE 1 *Significant accounting policies, cont.*

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

Cash and cash equivalents comprise cash funds and immediately available balances at banks and equivalent institutions, as well as current investments with a maturity of less than three months at the date of acquisition and that are exposed to only a minor risk of value fluctuation.

Financial assets measured at fair value through profit or loss

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

Loans and accounts receivable

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

Financial liabilities measured at fair value through profit or loss

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

Other financial liabilities

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

Receivables and liabilities in foreign currencies

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

REMUNERATION TO EMPLOYEES**Share-based remuneration**

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

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

When shareholders' rights are to be settled, social security charges are paid for the value of employee benefits. These vary

between the national markets where Bonava operates. In the period when services are rendered, provisions are made for these estimated social security charges based on the fair value of the shareholders' rights at the reporting date.

To fulfil Bonava AB's commitments pursuant to the long-term incentive program, Bonava AB has repurchased class B shares. These shares are recognised in treasury as a reduction in shareholders' equity. For a description of the Bonava Group's share-based payment program, see page 80 and Note 3.

Post-employment remuneration

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

Bonava primarily has defined contribution plans.

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

For salaried employees in Sweden, the ITP 2 plan's defined benefit pension obligations for retirement and family pensions are secured through insurance in Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Recognition of ITP2 Pension Plan financed through insurance in Alecta, this constitutes a multi-employer defined benefit plan. For the 2017 financial year, the company did not have access to information required for reporting its proportional share of the plan's commitment, plan assets and expenses, which made it impossible to report the plan as a defined benefit plan. The ITP 2 Pension Plan that is secured through insurance in Alecta is therefore recognised as a defined contribution plan. The premium for the defined benefit retirement and family pension is calculated on an individual basis and depends on factors such as salary, previously vested pension and anticipated remaining term of employment. Anticipated fees during the next accounting period for ITP 2 insurance taken out with Alecta amount to SEK 23 M.

The collective solvency rate consists of the market value of Alecta's assets as a percentage of its insurance obligations, calculated in accordance with Alecta's actuarial accounting methods and assumptions, which do not comply with IAS 19. The collective solvency rate is normally allowed to vary between 125 and 155 per cent. If Alecta's collective solvency rate falls below 125 per cent or exceeds 155 per cent, measures must be taken to create conditions for returning the solvency rate to the normal interval. In the event of low solvency, one measure can be to raise the agreed price for new subscriptions and increase existing benefits. In the event of high solvency, one measure can be to introduce premium reductions. At the end of 2017, Alecta's surplus in the form of its collective solvency rate was 154 per cent (149).

Remuneration on termination of employment

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

NOTE 1 Significant accounting policies, cont.**PROVISIONS**

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

Guarantee commitments

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

BORROWING COSTS

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

PLEGGED ASSETS

Bonava recognises collateral provided by the company or the Group as pledged assets for liabilities and/or obligations. These may be liabilities, provisions included in the balance sheet or obligations not recognised in the balance sheet. The collateral may be tied to assets in the balance sheet or mortgages. Assets are recognised at the carrying amount and mortgages at nominal value. For type of collateral, see Note 21.

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

CRITICAL ESTIMATES AND JUDGMENTS

The consolidated financial statements include certain assessments and assumptions about the future. These are based in part on historical experience and in part on expectations concerning future events and thus may, at a later date, be changed because of, for example, changes in factors in the business environment. Particular attention must be paid to this at times of economic conditions characterised by major uncertainty in terms of both the construction

market and the global financial market. The assessments that are most critical to Bonava are described below.

Valuation of housing projects

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

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

MSEK	Book value at year-end, properties held for future development ¹⁾	Impairment during the year
2017	5,734	34
2016	5,035	18

¹⁾ See note 13.

Guarantee commitments

At year-end, guarantee provisions amounted to SEK 326 M (357), see Note 16. Provisions for future expenditure arising due to guarantee commitments are recognised at the estimated amounts required to settle the commitment on the Balance Sheet date. This estimate is based on calculations, assessments by company management and experience gained from past transactions.

Surety and guarantee obligations, legal disputes, etc.

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

Sensitivity and risk analysis

Bonava reports revenue and profit from sales of housing units when the sold and completed units are handed over to the customer. Bonava's operations are affected by seasonal fluctuations as a result of a cyclical production year and cold weather, and the fact that a large proportion of annual production is completed and handed over to customers in the fourth quarter. Accordingly, fourth quarter profit is usually stronger than the other quarters. The assessment is based on values at year end and is made on the basis of all other factors remaining unchanged.

	Change	Profit effect after net financial items, SEK M (annualised)	Equity/assets ratio	Effect on return on capital employed (%-units)
Net profit	-/+ 5%	94	0.3	0.7
Operating margin	-/+ 1%	144	0.5	1.0
Interest rate change	-/+ 1%	35	0.0	
Cash flow before financing	SEK -500 M	-5	-0.8	-0.7

NOTE 2 Reporting by operating segment

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

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

NOTE 2 Reporting by operating segment, cont.

2017	Sweden	Germany	Finland	Denmark– Norway	St. Petersburg	Other and eliminations	Total
Net sales	5,699	5,049	1,290	1,454	727	259	14,479
Depreciation/amortisation		-22	-3	-1	-3	-34	-63
Impairment losses					-34	-25	-59
Operating profit	1,230	668	1	141	104	-197	1,946
Net financial items							-226
Profit/loss after financial items							1,721
Capital employed ¹⁾	4,986	3,057	1,284	857	1,108	711	12,003
2016	Sweden	Germany	Finland	Denmark– Norway	St. Petersburg	Other and eliminations	Total
Net sales	5,040	3,907	1,516	1,931	915	182	13,492
Depreciation/amortisation		-19	-1		-2	-22	-44
Impairment losses					-18	-6	-25
Operating profit	920	477	92	194	178	-298	1,562
Net financial items							-279
Profit/loss after financial items							1,283
Capital employed ¹⁾	4,350	2,163	1,092	736	1,277	515	10,134

	2017		2016	
Other and eliminations	Net sales	Operating profit	Net sales	Operating profit
Bonava's head office ²⁾	212	-214	69	-227
Operations in Estonia and Latvia	273	17	176	20
Sales of Latvian property portfolio			4	-91
Adjustments and eliminations	-226		-67	
Total	259	-197	182	-298

¹⁾ Capital employed is defined on page 135.

²⁾ The establishment of an independent Bonava generated costs of SEK 85 M (of which Head office accounted for SEK 55 M) in 2016. No such costs were reported in 2017.

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

Average number of employees	2017		2016		Percentage women, %	2017	2016
	No. of employees	Of which men	No. of employees	Of which men			
Sweden	229	106	184	81	Distribution of management by gender		
Germany	886	644	809	600			
Finland	146	63	104	35	Total		
Denmark	63	46	44	30	Board of Directors		
Norway	16	3	9	7	Senior executives		
St. Petersburg	266	153	276	168	Senior executives are defined as the individuals who, together with the CEO, constitute the Executive Management Group.		
Estonia	34	19	25	15			
Latvia	56	39	31	21			
Total	1,696	1,073	1,482	957			

Senior executives are defined as the individuals who, together with the CEO, constitute the Executive Management Group.

SALARIES AND OTHER REMUNERATION ALLOCATED BETWEEN THE BOARD AND SENIOR EXECUTIVES, AND OTHER EMPLOYEES

	2017			2016		
	Board of Directors and senior executives	Other employees	Total	Board of Directors and senior executives	Other employees	Total
Salaries and other remunerations	42	851	893	39	676	715
Social security expenses			257			218
– of which pension costs	7		77	5		64

TERMS AND REMUNERATION FOR SENIOR EXECUTIVES

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

Remuneration of the CEO is proposed by the Chairman of the Board and decided by the Board of Directors. Remuneration of

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

Remuneration for the CEO and other senior executives consists of a fixed salary, variable remuneration, share-based remuneration, other benefits and pensions. At the end of 2017, the number of senior executives was eleven. Of these, seven were employed by the parent company and four by subsidiaries.

NOTE 3 *Number of employees, personnel expenses and remuneration of senior executives, cont.***VARIABLE REMUNERATION**

The variable remuneration payable to CEO Joachim Hallengren was capped at 50 per cent of fixed salary in 2017. The variable remuneration was based on financial targets established by the Board of Directors. Remuneration for the 2017 financial year was SEK 1.3 M (1.8).

PENSION TERMS FOR THE CEO

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

PENSION TERMS FOR OTHER SENIOR EXECUTIVES

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

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

REMUNERATION, PROVISIONS AND OTHER BENEFITS IN 2017

SEK 000	Total salary, remuneration and benefits ^{1) 3)}	of which benefits	of which variable remuneration ²⁾	of which provisions for share-based remuneration	Pension cost
CEO Joachim Hallengren	7,221	83	1,260	1,355	1,336
Chairman Carl Engström	582				
Director Åsa Hedenberg	309				
Director Magnus Rosén	271				
Director Anna Wallenberg	271				
Director Viveca Ax:son Johnson	271				
Director Samir Kamal	309				
Director Mikael Norman	279				
Other senior executives, Group (ten individuals)	32,886	781	4,788	5,277	5,642
Total senior executives	42,399	864	6,048	6,632	6,978

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

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

³⁾ Directors fees have been allocated from the date of the Annual General Meeting 2017. Mikael Norman was appointed as Board member at the AGM on 4 April 2017. Audit Committee remuneration was paid to Mikael Norman (Chairman), Åsa Hedenberg and Samir Kamal.

REMUNERATION, PROVISIONS AND OTHER BENEFITS IN 2016

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

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

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

³⁾ Board fees have been allocated to periods from the date of the AGM 2016 onwards.

SEVERANCE PAY

The period of notice for Joachim Hallengren is six months. The period of notice from the company's perspective is twelve months. Severance pay amounts to twelve months. Other senior executives are subject to between nine and twelve months' notice from the company, or six months' notice if the senior executive resigns of his/her own accord. Severance pay for between nine and twelve months is payable if employment is terminated by the company. The severance pay will be reduced by an amount corresponding to any remuneration received from a new employer or own business.

During the period of notice, senior executives may not take up a new position with another employer or conduct their own business activities without the company's written consent. Should the senior executive resign on his/her own accord, severance pay is not payable. When employment ends, the senior executive becomes subject to a prohibition on competing against or recruiting employees for a period of twelve and nine months, respectively.

NOTE 3 *Number of employees, personnel expenses and remuneration of senior executives, cont.***LONG-TERM INCENTIVE PROGRAM**

Bonava has two outstanding long-term performance-based share programs for senior executives and key personnel in the Bonava Group (LTIP2016 and LTIP 2017). The purpose of the program is to link the shareholders' and Group management's interests to ensure maximum long-term value creation, to ensure a long-term Group-wide focus on profit performance and to facilitate the recruitment and retention of members of Group management and other key executives.

LTIP 2017

LTIP 2017 encompasses 50 senior executives and key personnel in the Bonava Group. LTIP 2017 is a three-year performance-based program that implies that participants received no-cost warrants that confer the right to class B shares. To participate in LTIP 2017 participants are required to invest in proprietary shares in Bonava AB, termed investment shares, that are allocated to LTIP 2017. The participants are divided into four categories; (1) CEO, (2) CFO and Heads of Business Units, (3) rest of Group management and other key personnel and (4) key personnel with responsibility for functions. The allocation value per investment share for category (1) is 6 warrants, 5 warrants for category (2) and 4 and 3 for category (3) and (4).

Performance-based targets

Allocation of class B shares is dependent on the extent to which specific predetermined targets are met during the performance term. 70 per cent of the targets for LTIP 2017 relate to Bonava's Earnings per share (EPS) and 30 per cent to Bonava's average return on capital (ROCE). In the event that the total return on the company's Class B shares is negative in the period between the introduction of the programs and the day including the day of publication of Bonava's Interim Report for the third quarter 2020, allocation of Class B shares will be reduced to half.

Scope and cost of the program

Given full satisfaction of the performance-based targets and maximum participation and maximum investment, the value of the warrants amounts to some SEK 28 M including social security expenses.

Buy-back of treasury shares

In order to cover its undertaking in relation to LTIP 2017 for the delivery of class B shares, including social security expenses, Bonava AB has bought back 194,800 class B shares at a total value of SEK 30 M.

LTIP 2016

LTIP 2016 encompasses 25 senior executives and key personnel in the Bonava Group. LTIP 2016 is a three-year performance-based program that implies that participants received free of charge warrants that confer the right to subscribe for Class B share. To participate in LTIP 2016 participants are required to invest in proprietary shares in Bonava AB, termed investment shares, that are allocated to LTIP 2016. The participants are divided into three categories; (1) CEO, (2) CFO and Heads of Business Units, (3) rest of Group management and other key personnel. The allocation value per investment share for category (1) is 6 warrants, 5 warrants for category (2) and 4 for category (3).

Performance-based targets

70 per cent of the targets for LTIP 2016 relate to Bonava's operating profit (EBIT) and 30 per cent to Bonava's average return on capital employed (ROCE). In the event that the total return on the company's Class B shares is negative in the period between the introduction of the programs and the day including the day of publication of Bonava's Interim Report for the third quarter 2019, allocation of Class B shares will be reduced to half.

Scope and cost of the program

Given full satisfaction of the performance-based targets and maximum participation and maximum investment, the value of the warrants amounts to some SEK 40 M including social security expenses.

Buy-back of treasury shares

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

Warrants	Group	Parent Company
Outstanding at the beginning of the period	304,274	136,852
Allocated in the period	162,559	57,017
Forfeited in the period	-10,356	
Outstanding at the end of the period	456,477	193,869

FAIR VALUE AND ASSUMPTIONS

LTIP 2016	2017		2016	
	Group	Parent Company	Group	Parent Company
Fair value at valuation date, SEK 000	8,578	3,994	820	369
Share price, SEK	107.76	107.76	107.76	107.76
Exercise price, SEK	0	0	0	0
Term of the warrants, years	1.75	1.75	2.75	2.75

LTIP 2017	2017	
	Group	Parent Company
Fair value at valuation date, SEK 000	3,349	1,175
Share price, SEK	140.47	140.47
Exercise price, SEK	0	0
Term of the warrants, years	2.5	2.5

Personnel expenses for share-related remuneration	2017		2016	
	Group	Parent Company	Group	Parent Company
Warrants	11	5	1	
Social security expenses	2	2		
Total personnel cost for share-based remuneration	13	6	1	1

NOTE 4 Depreciation/amortisation

	2017	2016
Intangible assets	-34	-18
Real estate used in business operations	-4	-4
Machinery and equipment	-25	-22
Total depreciation/amortisation	-63	-44

NOTE 5 Remunerations and fees to audit firms

	2017	2016
Audit firms		
<i>EY</i>		
Auditing assignments	6	7
<i>Other audit firms</i>		
Auditing assignments	1	
Total remuneration and cost compensation to auditors and audit firms	7	7

Auditing assignments are defined as the statutory audit of the annual accounts and the consolidated financial statements and of the book-keeping as well as of the administration of the Board of Directors and the CEO, and also audit and other examinations conducted pursuant to agreement or contract. This includes other duties that the company's auditors are obliged to conduct and advice or other assistance required due to observations made during such reviews or during the performance of such other duties. All other work is defined as other assignments.

NOTE 6 Operating expenses distributed by cost type

	2017	2016
Production-related goods and services, plus raw materials and supplies	11,259	10,933
Change in inventories	1	-2
Personnel costs	1,151	929
Depreciation/amortisation	63	44
Impairment losses	58	25
Total cost of production and selling and administrative costs	12,532	11,930

NOTE 7 Net financial items

	2017	2016
Financial income	11	13
Interest expense on financial liabilities measured at amortised cost	-88	-171
Interest expense on financial liabilities held for trading purposes	-83	-72
Net exchange-rate changes	1	-6
Other financial expenses	-67	-44
Financial expenses	-236	-292
Net financial items	-226	-279

NOTE 8 Intangible assets

2017	Goodwill	Other
Recognised cost on 1 January	67	179
Investments		77
Recognised cost on 31 December	67	256
Accumulated amortisation on 1 January		-25
Amortisation according to plan during the year		-31
Accumulated amortisation on 31 December		-56
Accumulated impairment losses on 1 January	-45	-6
Impairment losses during the year		-25
Translation differences during the year		
Accumulated impairment losses on 31 December	-45	-31
Residual value on 1 January	22	149
Residual value on 31 December	22	169

2016	Goodwill	Other
Recognised cost on 1 January	67	86
Investments		111
Divestments and scrappage		-1
Reclassification		-18
Translation differences during the year	2	1
Recognised cost on 31 December	69	179
Accumulated amortisation on 1 January		-24
Reclassification		18
Amortisation according to plan during the year		-18
Accumulated amortisation on 31 December	0	-25
Accumulated impairment losses on 1 January	-45	0
Impairment losses during the year		-6
Translation differences during the year	-3	
Accumulated impairment losses on 31 December	-47	-6
Residual value on 1 January	22	62
Residual value on 31 December	22	149

Impairment testing of goodwill has not been included for reasons of materiality. The "Other" item mainly relates to capitalised development expenses for IT systems.

NOTE 8 *Intangible assets, cont.***AMORTISATION IS INCLUDED IN THE FOLLOWING LINES IN THE INCOME STATEMENT**

	2017	2016
Production costs		-1
Selling and administrative costs	-34	-17
Total	-34	-18

NOTE 9 **Property, plant and equipment**

	Real estate used in business operations	Machinery and equipment	Total
2017			
Recognised cost on 1 January	92	269	361
Investments	16	64	80
Divestment and scrappage	-9	-12	-21
Reclassification		7	7
Translation differences during the year	2	3	5
Recognised cost on 31 December	101	331	432
Accumulated impairment losses and depreciation on 1 January	-24	-149	-173
Reclassification		-15	-15
Divestment and scrappage		6	6
Depreciation during the year	-4	-25	-29
Accumulated impairment losses and depreciation on 31 December	-28	-184	-211
Residual value on 1 January	68	120	187
Residual value on 31 December	73	147	221

	Real estate used in business operations	Machinery and equipment	Total
2016			
Recognised cost on 1 January	70	182	252
Investments	5	87	92
Sales and obsolescence		-9	-9
Reclassification	12	-1	11
Translation differences during the year	6	9	15
Recognised cost on 31 December	92	269	361
Accumulated impairment losses and depreciation on 1 January	-19	-121	-140
Translation differences during the year	-2	-6	-8
Depreciation during the year	-4	-22	-26
Accumulated impairment losses and depreciation on 31 December	-24	-149	-173
Residual value on 1 January	50	61	111
Residual value on 31 December	68	120	187

NOTE 10 **Participations in joint operations**

Bonava's financial statements include the following items that constitute interests in the joint operations' net sales, costs, assets and liabilities.

	2017	2016
Revenue	255	63
Expenses	-237	-64
Profit/loss	18	-1
Fixed assets	31	20
Current assets	399	455
Total assets	430	475
Long-term liabilities	70	228
Current liabilities	271	165
Total liabilities	341	393
Net assets	89	82

Specification of joint operations	Shareholding, %
Tipton Brown AB	33
NVB Beckomberga KB	25
Stora Ursvik KB	50
Ursvik Exploaterings AB	50
KB Öhusen	50
AB Broutsikten	50
Sigtuna Stadsängar Exploaterings AB	53
NVB Sköndalsbyggarna II AB	33
NVB Sköndalsbyggarna II KB	33

NOTE 11 **Non-current receivables and other receivables**

	2017	2016
Non-current receivables		
Receivables from joint ventures	10	81
Receivables from sold housing projects		66
Other non-current receivables	135	82
Non-current receivables	145	228
Other receivables classified as current assets		
Receivables from joint ventures	59	57
Receivables from sold housing projects	85	161
Advance payments to suppliers		2
Other current receivables	849	431
Other receivables classified as current assets	993	651

NOTE 12 Tax on profit for the year, deferred tax assets and deferred tax liabilities

	2017	2016
Tax on profit/loss for the year		
Current tax cost	-129	-242
Deferred tax revenue/cost	-189	-36
Total recognised tax on profit/loss for the year	-319	-278

Effective tax	2017		2016	
	Tax, %	Profit	Tax, %	Profit
Profit before tax		1,721		1,283
Tax according to company's current tax rate	-22	-379	-22	-282
Effect of other tax rates for non-Swedish companies	-3	-53	-2	-31
Amended tax rates in Norway 2017 and 2016		-2		
Non-tax-deductible costs	-3	-45	-3	-39
Non-taxable revenues	8	144	6	78
Tax effect resulting from non-capitalised tax loss carry-forwards		-1	-2	-20
Tax effect resulting from previous non-capitalised tax loss carry-forwards		5	4	51
Tax effect of revaluation of loss carry-forwards	-1	12	3	38
Tax attributable to previous years		2	-5	-6
Other		-2	-1	-8
Average tax rate/recognised tax	-19	-319	-22	-278

Current tax has been calculated based on the nominal tax prevailing in the country concerned.
When the tax rate for future years has been amended, that rate is used for calculating deferred tax.

TAX ITEMS RECOGNISED DIRECTLY IN OTHER COMPREHENSIVE INCOME

	2017	2016
Current tax on hedging instruments		16
Total	0	16

CHANGE IN DEFERRED TAX IN TEMPORARY DIFFERENCES AND TAX LOSS CARRY-FORWARDS

	2017	2016
Opening carrying amount	319	338
Acquisitions/divestments of subsidiaries	-5	4
Recognised tax on profit/loss for the year	-189	-36
Translation differences	-1	14
Closing carrying amount	125	319

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Ongoing housing projects	8	100			8	100
Properties held for future development		12	-7		-7	12
Untaxed reserves				-24	0	-24
Provisions	24	13			24	13
Tax loss carry-forwards	90	207			90	207
Other	17	26	-7	-17	10	10
Deferred tax asset/tax liability	139	360	-14	-41	125	319

Capitalised tax loss carry-forwards are expected to be used within a five-year period.
Bonava has tax loss carry-forwards and interest deductions of some SEK 54 M (90) not included in the Balance Sheet.

NOTE 13 Housing projects

2017	Properties held for future development	Ongoing housing projects	Completed housing units	Total
Recognised cost on 1 January	5,226	7,935	739	13,900
Investments ¹⁾	4,030	10,080	100	14,210
Divestments	-553	-9,492	-1,895	-11,940
Reclassification	-2,791	905	1,886	0
Translation differences for the year	47	95	-4	139
Recognised cost on 31 December	5,958	9,523	826	16,307
Accumulated impairment losses on 1 January	-192	-38	-6	-236
Impairment losses for the year	-34			-34
Divestments		-4	-5	-9
Translation differences for the year	1			1
Accumulated impairment losses at year end	-225	-42	-11	-278
Residual value on 1 January	5,035	7,898	733	13,666
Residual value on 31 December	5,734	9,482	815	16,031

¹⁾ Investments pertain to investments in land held for future development, ongoing housing production and acquisitions of housing units that have been completed but that have not yet been handed over or sold.

2016	Properties held for future development	Ongoing housing projects	Completed housing units	Total
Recognised cost on 1 January	4,953	7,059	607	12,619
Investments ¹⁾	2,459	9,000	54	11,513
Divestments	-584	-7,715	-2,076	-10,375
Decrease through divestments	-269	-267		-536
Reclassification	-1,669	-430	2,087	-12
Translation differences for the year	336	290	67	693
Recognised cost on 31 December	5,226	7,935	739	13,900
Accumulated impairment losses on 1 January	-216	-16	-8	-240
Divestments		7		7
Reclassifications	28	-28	2	2
Translation differences for the year	-4	-1		-5
Accumulated impairment losses on 31 December	-192	-38	-6	-236
Residual value on 1 January	4,737	7,043	599	12,378
Residual value on 31 December	5,035	7,898	733	13,666

¹⁾ Investments pertain to investments in land held for future development, ongoing housing production and acquisitions of housing units that have been completed but that have not yet been handed over or sold.

NOTE 14 Share capital

Changes in share capital	No. of shares	Share capital, SEK 000s
Number of shares, 1 January 2017	108,435,822	433,743
Number of shares, 31 December 2017	108,435,822	433,743

The shares are divided between 13,169,505 Class A shares and 95,266,317 Class B shares. Class A shares confer the right to ten votes each and Class B shares confer the right to one vote each. The quotient value per share is SEK 4.

In order to meet its commitments under the long-term incentive program, Bonava has repurchased 549,200 (354,000) Class B shares.

NOTE 15 Interest-bearing liabilities

	2017	2016
Long-term liabilities		
Liabilities to credit institutions and investors	590	588
Financial lease liabilities	14	11
Liabilities pertaining to Swedish tenant-owner associations and Finnish housing companies	2,674	1,517
Liabilities to joint ventures	16	85
Other long-term loans	46	45
Total	3,340	2,245
Current liabilities		
Current portion of liabilities to credit institutions and investors	200	
Liabilities pertaining to Swedish tenant-owner associations and Finnish housing companies	1,737	2,160
Liabilities to joint ventures	58	57
Financial leasing, current portion	7	5
Other current liabilities	22	15
Total	2,024	2,236
Total interest-bearing liabilities	5,364	4,481

For repayment schedules and terms and conditions, see Note 23.

NOTE 16 Provisions

2017	Guarantees	Other	Total
On 1 January	357	423	780
Provisions during the year	83	10	93
Reclassification			
Amount utilised during the year	-66	-116	-182
Reversed, unutilised provisions	-52	-4	-56
Reclassification	-1	1	0
Translation differences	5		5
On 31 December	326	313	640
2016	Guarantees	Other	Total
On 1 January	242	115	357
Provisions during the year	111	105	216
Reclassification	3		2
Amount utilised during the year	-74	-102	-176
Reversed, unutilised provisions	-1	-14	-14
Reclassification ¹⁾	62	316	378
Translation differences	12	4	17
On 31 December	357	423	780

¹⁾ Reclassification in 2016 pertains to commitments in sold projects in Bonava Sweden, that has been reclassified from long term liabilities.

GUARANTEE

Guarantee provisions pertain to assessed future costs. To estimate a future guarantee cost, individual assessments are made per project. Standard percentage rates are used for the calculation of the size of the future cost, whereby the standard percentage is varied depending on the nature of the project. The guarantee cost is posted individually for each project. The longest maturity for a guarantee provision is ten years, while most of them have maturities of approximately two to three years.

OTHER

Bonava is also involved in other disputes, legal processes and tax audits that have arisen as part of the regular business operations. The assessment is that any liability to pay damages and other expenses in connection with such legal proceedings will not have a material impact on Bonava's business operations or financial position.

NOTE 17 Other liabilities

	2017	2016
Other long-term liabilities		
Liabilities to joint ventures		2
Liabilities, property acquisitions	509	237
Other long-term liabilities	45	32
Total	555	271
Other current liabilities		
Advances from customers	3,958	2,828
Liabilities, property acquisitions	206	333
Current liabilities, other	327	226
Total	4,492	3,387

NOTE 18 Accrued expenses and prepaid income

	2017	2016
Payroll-related costs	148	142
Project-related costs	749	827
Administrative costs	128	147
Interest expenses	31	
Other expenses	10	3
Total	1,067	1,119

NOTE 19 Leasing

The company has framework agreements for operational leases on vehicles, equipment and premises. The agreements are based on variable interest rates. A separate agreement is required for the acquisition of leased items and the extension of lease arrangements.

OPERATING LEASES	2017	2016
Operating lessee		
Future minimum leasing fees – lessee		
<i>Leasing contracts that expire:</i>		
Within one year	96	73
Within one year but earlier than five years	273	175
Later than five years	456	15
Cost for operating leases for the year	80	63

NOTE 20 Transactions with related parties

Transactions with NCC and other NCC companies are shown in the table below. Ahead of 2016, Bonava entered into agreements with NCC AB regarding certain administrative and IT-related services.

Transactions with related parties also include services performed within ongoing housing production (construction contracts) and transactions related to the financing operations.

The Nordstjernan group, companies in the Axel Johnson group and joint ventures and joint arrangements are also categorised as related parties. The transactions with the aforementioned parties were not material and are not specified below.

For Bonava's senior executives, see Note 3 Number of employees, personnel expenses and remuneration of senior executives.

	2017	2016
Transactions with NCC		
Sales	4	19
Purchases	2,583	3,314
Financial expenses		87
Current receivables		1
Long-term interest-bearing liabilities	35	45
Current interest-bearing liabilities	12	12
Accounts payable	60	258
Contingent liabilities	221	76

NOTE 21 Pledged assets and contingent liabilities

	2017	2016
Assets pledged		
<i>For proprietary liabilities:</i>		
Property mortgages	2,603	1,699
Restricted bank funds	11	22
Total assets pledged	2,614	1,722
Contingent liabilities		
<i>Proprietary contingent liabilities:</i>		
Deposits and concession fees ¹⁾	1,204	600
Other guarantees and contingent liabilities	105	118
<i>Held jointly with other companies:</i>		
Liabilities in consortiums, trading companies and limited partnerships		23
Total guarantees and guarantee obligations	1,309	741

¹⁾ Deposit guarantees constitute collateral for investments and concession fees paid to tenant-owner associations formed by Bonava Sverige AB. Such guarantees are to be relinquished as soon as one year has passed after the final acquisition cost for the tenant-owner association's building has been established.

Rental guarantees are of minor amounts.

NOTE 22 Cash Flow Statement, cash and cash equivalents

	2017	2016
Cash and cash equivalents		
Cash and bank balances	1,122	619
Total according to Balance Sheet and Cash Flow Statement	1,122	619

Current investments have been classified as cash and cash equivalents based on the following considerations:

- They are subject to an insignificant risk of value fluctuation.
- They can easily be converted into cash funds.
- They have a maturity of not more than three months from the date of acquisition.

INFORMATION ABOUT INTEREST PAID

Interest received during the year amounted to SEK 11 M (13). Interest paid during the year amounted to SEK 170 M (242).

NOTE 23 Financial instruments and financial risk management**FINANCE POLICY (PRINCIPLES FOR RISK MANAGEMENT)**

Bonava is exposed to financial risks through its business operations. These financial risks are defined as refinancing, liquidity, interest rate, exchange rate, credit, counterparty and guarantee capacity risks. Bonava AB's Treasury Department assumes responsibility for compliance with the Finance Policy. Bonava's Finance Policy for managing financial risks has been decided by Bonava's Board of Directors and provides a framework of guidelines and regulations in the form of risk mandates and limits for the finance operations.

Within Bonava's decentralised organisation, the finance operations are centralised in the Group's Treasury Department, in part to monitor the Group's overall financial risk position but also to achieve cost efficiency, economies of scale, accumulate competence and protect Group-wide interests. The Treasury Department handles Bonava's interest rate, currency, credit, refinancing, counterparty and liquidity risk. Customer credit risk is managed by the relevant business area.

REFINANCING RISK

Refinancing risk is defined as the risk that Bonava will not be able to obtain financing at a given time or that creditors will have difficulty in fulfilling their commitments. According to its Finance Policy, Bonava will strive to spread its risks among various sources of financing to secure its long-term access to borrowed capital.

Bonava's policy is that the company's debt portfolio has a maturity structure that minimises exposure from the perspective of the refinancing risk. The debt portfolio consists of project financing and corporate debt. Project financing relates to construction by Finnish housing companies and Swedish tenant-owner associations and must be linked to individual housing projects and the term must reflect the projects' completion dates. The maturity periods of the rest of the debt portfolio must be well-diversified over time and the weighted average remaining maturity must be at least 18 months.

In relation to the financing of construction of Finnish housing companies and Swedish tenant-owner associations totalling SEK 4,411 M (3,677), capital tied up is linked to individual housing projects totalling 18 (19) months. As of 31 December 2017, capital tied up was 23 (33) months for the rest of the company's debt portfolio. Capital tied up for total interest-bearing liabilities was 19 (22) months.

NOTE 23 *Financial instruments and financial risk management, cont.***MATURITY STRUCTURE OF CAPITAL MATURITIES 2017, SEK M**

Matures	Interest-bearing liabilities	
	Amount	Proportion, %
2018	2,022	38
2019	2,485	46
2020	504	9
2021	353	7
2022		
2023		
2024–		
Total	5,364	100

LIQUIDITY RISKS

To achieve adequate flexibility and cost-effectiveness, while ensuring that future financing requirements are satisfied, Bonava's Financial Policy states that access to funds must correspond to at least 10 per cent of annual sales, and that unutilised committed credit facilities must amount to at least SEK 800 M. Payment capacity is defined as cash and cash equivalents, short-term investments and unutilised committed credit facilities. Available cash and cash equivalents are to be invested in banks or in interest-bearing instruments with good credit ratings, and a liquid secondary market.

At 31 December 2017, Bonava's cash and cash equivalents, including short-term investments, amounted to SEK 1,122 M (619).

As of 31 December 2017, Bonava's payment capacity was 26 per cent (27) including available cash and cash equivalents of SEK 1,044 M (566) and unutilised committed credit facilities of SEK 2,782 M 3,093.

The following table shows Bonava's financial assets and liabilities (including interest payments) and net settled derivative instruments classified as financial assets and liabilities. For financial instruments carrying variable interest rates, the interest rate pertaining on the balance-sheet date has been used. The amounts in the tables are the contractual undiscounted cash flows.

ANALYSIS OF MATURITIES (AMOUNTS INCLUDING INTEREST) NET OF SETTLED DERIVATIVES, SEK M

2017	Total	<3 months	3 months –1 year	1–3 years	3–5 years	>5 years
Interest bearing receivables	172	156		12		4
Accounts receivable	440	440				
Cash and cash equivalents	1,122	1,122				
Total financial assets	1,734	1,718	0	12	0	4
Derivatives	11	4	1	6		
TOTAL	1,745	1,722	1	18	0	4
Interest-bearing liabilities	983	203	95	332	353	
Interest-bearing liabilities in Finnish housing companies and Swedish tenant-owner associations ¹⁾	4,488	445	1,345	2,698		
Derivatives (net)	82	72	7		3	
Accounts payable	807	807				
TOTAL	6,360	1,527	1,447	3,030	356	0
2016	Total	<3 months	3 months –1 year	1–3 years	3–5 years	>5 years
Interest bearing receivables	396	245		147		4
Accounts receivable	535	535				
Cash and cash equivalents	619	619				
Total financial assets	1,550	1,399	0	147	0	4
Derivatives	55	49	6			
TOTAL	1,605	1,448	6	147	0	4
Interest-bearing liabilities	846	4	154	47	641	
Interest-bearing liabilities in Finnish housing companies and Swedish tenant-owner associations ¹⁾	3,755	76	2,019	1,542	5	113
Derivatives (net)	102	52	13	37		
Accounts payable	861	861				
TOTAL	5,564	993	2,186	1,626	646	113

¹⁾ The due date for interest-bearing liabilities in unsold completed projects in Finnish housing companies is defined as the due date for the long-term loan agreements. However, the loans will be redeemed at a pace with sales of the housing units.

NOTE 23 *Financial instruments and financial risk management, cont.*

The following table shows Bonava's gross settled derivatives. The amounts in the table are the contractual undiscounted cash flows. The currency forward contracts expire within 0 (3) months.

SEK M	2017	2016
Currency forward contracts		
- outflow		-1,162
- inflow		1,178
Net flow from gross settled derivatives	0	16

INTEREST-RATE RISK

The interest-rate risk is the risk that changes in market rates will adversely affect Bonava's cash flow or the fair value of financial assets and liabilities. Bonava's main financing sources are shareholders' equity, cash flow from operating activities and borrowing.

Interest-bearing borrowing exposes Bonava to interest-rate risk.

According to Bonava's Finance Policy for managing the interest rate risk, the weighted average remaining fixed-rate term for liabilities concerning construction projects by Finnish housing companies and Swedish tenant-owner associations must not exceed the scheduled completion date for the project. For the company's remaining debt portfolio, the fixed-rate term must be between 1 and 18 months.

The fixed interest term for project-related debt of SEK 4,411 M (3,677) was 1 (1) month. Interest bearing liabilities for the rest of the company's debt portfolio were SEK 954 M (804), and the average fixed interest term was 2 (4) month. As of 31 December 2017, Bonava's total interest-bearing gross debt was SEK 5,364 M (4,481) and the average fixed interest term was 1 (1) month.

The interest fixing period for project-related financing and the rest of the company's debt portfolio follows the adopted Finance Policy.

There were no interest rate swaps outstanding as of 31 December 2017 or 2016.

An increase in interest rates by one percentage point would result in a change of SEK -35 M (-22) in net profit/loss for the year, assuming the interest-bearing assets and liabilities that existed on the Balance Sheet date.

INTEREST RATE SENSITIVITY, SEK M

Interest rate sensitivity, profit	2017	2016
	Effect on profit	Effect on profit
Market interest rate +/- 1 %	35	22
Interest rate sensitivity, fair value	2017	2016
	Effect on profit	Effect on profit
Market interest rate +/- 1 %	4	6
	2017	2016
	Effect on Other comprehensive income	Effect on Other comprehensive income
Market interest rate +/- 1 %	0	1

MATURITY STRUCTURE INTEREST TERM 2017, SEK M

Matures	Interest-bearing liabilities incl. interest-rate swaps	
	Amount	Proportion, %
2018	5,364	100
Total	5,364	100

EXCHANGE-RATE RISKS

The exchange-rate risk is the risk that fluctuations in exchange rates will adversely affect the consolidated Income Statement, Balance Sheet or Cash Flow Statement.

TRANSACTION EXPOSURE

In accordance with Bonava's Finance Policy, transaction exposure must be eliminated as soon as it becomes known. Contractual and probable forecast flows are to be hedged.

Because Bonava's business units receive and make payments in local currency, the extent of transaction exposure is limited. There were no outstanding derivatives to hedge transaction exposure as of 31 December 2017.

The following table shows Bonava's financing in various currencies.

INTEREST-BEARING LIABILITIES 2017, SEK M

Counter-value in SEK M	Amount	Proportion, %
EUR	1,307	24
SEK	4,057	76
Total	5,364	100

NOTE 23 *Financial instruments and financial risk management, cont.***Translation exposure**

Translation exposure in foreign net assets was, until 2016, hedged at a maximum of 90 per cent disregarding tax effects. In January 2017, Bonava stopped using hedge accounting for net investment hedges with a profit of SEK 2 M. The profit has been recognised in the Income Statement.

The table below shows Bonava's net investments and hedging positions per currency, plus the hedged portion both with and without taking tax effects into account.

COUNTER-VALUE IN SEK M

Currency	Net investment	2017			
		Hedge position before tax	Hedged portion before tax, %	Hedge position after tax	Hedged portion after tax, %
DKK	347				
EUR	1,529				
NOK	510				
RUB	461				
Total	2,847	0	0	0	0

Currency	Net investment	2016			
		Hedge position before tax	Hedged portion before tax, %	Hedge position after tax	Hedged portion after tax, %
DKK	407	322	79	251	62
EUR	1,614	1,254	78	978	61
NOK	44	42	95	33	74
RUB	482	118	24	92	19
Total	2,547	1,736	68	1,354	53

Net assets are hedged through both the raising of loans and through currency forward contracts. The carrying amount of loans and currency forward contracts (including underlying capital amounts) used as hedging instruments for net assets as per 31 December 2017 was SEK 0 M (1,736), of which loans was SEK 0 M (574) and currency forwards SEK 0 M (1,162). Hedge accounting was applied in 2016 when the criteria for hedge accounting were met. An exchange rate difference of SEK 0 M (73) before tax has been recognised in other comprehensive income. The hedges fulfilled effectiveness requirements in 2016, meaning that all changes resulting from changed exchange rates are recognised in other comprehensive income. As of 31 December 2017, a 5 per cent depreciation of the SEK in relation to other currencies would result in a change of SEK 142 M (41).

CREDIT RISKS**Credit and counterparty risks in financial operations**

Bonava's investment regulations for financial credit risks are revised continuously and characterised by caution. Transactions are only entered into with creditworthy counterparties with credit ratings of at least A- (Standard & Poor's) or the equivalent international rating, as well as local banks with a minimum rating equal to the creditworthiness of the country in which Bonava conducts operations. ISDA's

(International Swaps and Derivatives Association) framework agreement on netting is used with all external counterparties with respect to derivative trading. The investment regulations specify maximum credit exposures and maturities for various counterparties.

The total counterparty exposure to derivative trading, calculated as net receivables per counterparty, amounted to SEK 0 M (58) at the end of 2017. Net receivables per counterparty is calculated in accordance with the market valuation method, i.e. the market value of the derivative plus a supplement for the change in risk (1 per cent of the nominal amount). Calculated gross exposure to counterparty risks pertaining to cash and cash equivalents and short-term investments amounted to SEK 1,122 M (619).

Credit risks in accounts receivable

The risk that Bonava's customers will not fulfil their obligations, meaning that payment is not received from the customers, is a credit risk. The credit rating of the Group's customers is checked, whereby information on the customers' financial position is obtained from various credit information companies. For major accounts receivable, the risk of credit losses is limited through various types of collateral, such as bank guarantees, blocks on construction credits, parent company guarantees and other payment guarantees.

NOTE 23 *Financial instruments and financial risk management, cont.***AGE ANALYSIS OF ACCOUNTS RECEIVABLE INCLUDING RECEIVABLES FOR DIVESTED HOUSING PROJECTS, SEK M**

	2017		2016	
	Gross	Provision for doubtful receivables	Gross	Provision for doubtful receivables
Not due accounts receivable	428		652	
Past-due accounts receivable 1–30 days	72		58	
Past-due accounts receivable 31–60 days	15		19	
Past-due accounts receivable 61–180 days			16	
Past-due accounts receivable > 180 days	47	36	49	33
Total	562	36	794	33

Collateral for accounts receivable was received at an amount of SEK 0 M (0).

PROVISION FOR DOUBTFUL RECEIVABLES, SEK M

	2017	2016
On 1 January	33	33
Provisions for the year	5	1
Reversal of previously posted impairment losses	–3	–3
Translation differences	1	1
On 31 December	36	33

CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and the fair value of financial instruments are presented in the following table.

The measurement at fair value of currency-forward contracts is based on published forward rates on an active market.

For financial instruments recognised at amortised cost, accounts receivables, other receivables and cash and cash equivalents, accounts payable and other interest-free and interest-bearing liabilities, the fair value is deemed to agree with the carrying amount.

No reclassification of financial assets and liabilities among the categories below was effected during the year.

CLASSIFICATION OF FINANCIAL INSTRUMENTS, SEK M

	Financial assets valued at fair value In Other Comprehensive income	Financial assets valued at fair value in the Income Statement	Financial assets valued at accrued cost	Financial assets held for sale	Financial liabilities valued at fair value in the Income Statement	Other financial liabilities	Total
2017							
Other long-term securities holdings				4			4
Long-term receivables			12				12
Accounts receivable			440				440
Other receivables			155				155
Cash and cash equivalents			1,122				1,122
Derivatives		11					11
Total assets		11	1,729	4			1,744
Long-term interest-bearing liabilities						3,340	3,340
Other long-term liabilities						555	555
Current interest-bearing liabilities						2,024	2,024
Accounts payable						807	807
Other current liabilities						206	206
Derivatives					82		82
Total liabilities					82	6,932	7,014

NOTE 23 *Financial instruments and financial risk management, cont.***CONT., CLASSIFICATION OF FINANCIAL INSTRUMENTS, SEK M**

2016	Financial assets valued at fair value In Other Comprehensive income	Financial assets valued at fair value in the Income Statement	Financial assets valued at accrued cost	Financial assets held for sale	Financial liabilities valued at fair value in the Income Statement	Other financial liabilities	Total
Other long-term securities holdings				4			4
Long-term receivables			147				147
Accounts receivable			534				534
Other receivables	17		245				262
Cash and cash equivalents			619				619
Derivatives		38					38
Total assets	17	38	1,545	4			1,604
Long-term interest-bearing liabilities						2,245	2,245
Other long-term liabilities						271	271
Current interest-bearing liabilities						2,236	2,236
Accounts payable						861	861
Other current liabilities						334	334
Derivatives					102		102
Total liabilities					102	5,947	6,049

In the following tables, disclosures are made concerning how fair value has been determined for the financial instruments that are continuously measured at fair value and the financial instruments not recognised at fair value in Bonava's Balance Sheet. When determining fair value, a division is made into three levels. No transfers have been made between the levels during the period and no significant changes were made with respect to measurement methods, used data or assumptions.

Level 1: in accordance with prices quoted on an active market for the same instruments. This category does not apply to Bonava.

Level 2: according to the method for Level 2, fair value is based on models that use observable data for the asset or liability other than the quoted prices included in Level 1. For Bonava, this data means market interest rates and yield curves used to calculate fair value.

Level 3: on the basis of input data that is not observable on the market. This category is not relevant for Bonava.

	2017		2016	
	Level 2	Total	Level 2	Total
Financial assets measured at fair value				
Derivative instruments used for hedge accounting		0	17	17
Financial assets held for sale	4	4	4	4
Total financial assets	4	4	21	21
Financial liabilities not recognised at fair value				
Other liabilities (interest-bearing liabilities)	5,364	5,364	4,481	4,481
Total financial liabilities	5,364	5,364	4,481	4,481

OFFSETTING FINANCIAL INSTRUMENTS

Bonava's derivatives pertain to holdings with external counterparties, which are offsettable.

	2017		2016	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognised gross amount ¹⁾			17	
Net amount after netting agreement	0	0	17	0

¹⁾ The recognised gross amount of financial assets includes SEK 0 M (17) for derivatives used in hedge accounting under other receivables.



Parent Company Income Statement

SEK M	Note	2017	2016
Net sales		212	69
Gross profit		212	69
Administrative costs		-407	-295
Operating profit	2, 3, 4	-195	-226
Profit/loss from financial items			
Profit/loss from participations in Group companies	5	432	291
Other interest income etc.		176	148
Interest expenses etc.	6	-128	-188
Profit/loss after financial items	12	284	24
Appropriations			
Group contributions received		141	
Group contributions paid			-5
Profit/loss before tax		425	19
Tax on profit/loss for the year	9	3	27
Profit/loss for the year		428	45

Comments on the Parent Company Income Statement and Balance Sheet

COMMENTS ON THE PARENT COMPANY INCOME STATEMENT

The Parent Company consists of Group-wide services for Finance, Treasury and IT, Marketing, Human Resources, Legal and Strategy.

Parent Company revenue largely comprises invoicing to subsidiaries for services provided. Net sales were SEK 212 M (69). The increase was due to higher administrative expenses compared to the previous year due to a larger organisation.

Profit/loss from participations in Group companies comprises dividends and impairment losses on shares in subsidiaries. Otherwise, financial items mainly comprise interest income and expenses from the centralised Treasury function.

COMMENTS ON THE PARENT COMPANY BALANCE SHEET

During 2017, Bonava AB acquired Januki SIA from its subsidiary Bonava East Holding AB. Bonava AB made shareholder contributions to subsidiaries in the year.

Bonava AB established a centralised Treasury Department in 2016 in order to monitor the Group's overall risk exposure and ensure cost efficiency and economies of scale. Group company receivables comprise the Treasury Departments receivables from subsidiaries.

In 2016, Parent Company share capital increased due to new share and bonus issues.

Parent Company Balance Sheet

SEK M	Note	2017	2016
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalised expenditure for development work etc.	7	159	142
<i>Tangible fixed assets</i>			
Equipment		11	15
<i>Financial fixed assets</i>			
Shares in Group companies	8	2,276	1,740
Deferred tax asset	9	63	58
Other long-term receivables		2	1
Total financial fixed assets		2,340	1,799
Total fixed assets		2,509	1,955
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		2,812	3,739
Prepaid expenses and accrued income		25	32
Other receivables		983	360
Total current receivables		3,820	4,131
<i>Cash and bank balances</i>			
Cash and bank balances			120
TOTAL ASSETS	12	6,330	6,207
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
<i>Restricted equity</i>			
Share capital		434	434
Fund for development expenses		98	83
Total restricted equity		532	517
<i>Non-restricted equity</i>			
Earnings/loss brought forward		4,249	4,648
Profit/loss for the year		428	45
Total non-restricted equity	15	4,677	4,693
Total shareholders' equity		5,208	5,210
<i>Provisions</i>			
Other provisions		2	1
Total provisions		2	1
<i>Long-term liabilities</i>			
Other liabilities to credit institutions	10	590	574
Liabilities to Group companies			34
Other liabilities		2	
Total long-term liabilities		592	609
<i>Current liabilities</i>			
Accounts payable		36	43
Liabilities to Group companies		178	219
Current tax liability			1
Other liabilities	10	207	2
Accrued expenses and deferred income	11	107	122
Total current liabilities		528	387
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	12	6,330	6,207

Parent Company Changes in Shareholders' Equity

SEK M	Restricted equity		Non-restricted equity		Total equity
	Share capital	Fund for development expenses	Earnings brought forward	Profit/loss for the year	
Opening balance, 1 January 2016	0	0	5,003	-145	4,858
Appropriation of profit			-145	145	0
Bonus issue	433		-433		0
Capital contribution received			349		349
Transfer to fund for development expenses		83	-83		0
Performance-based incentive program			3		3
Repurchases of treasury shares			-45		-45
Net profit/loss for the year				45	45
Closing balance, 31 December 2016	434	83	4,648	45	5,210
Appropriation of profit			45	-45	0
Transfer to fund for development expenses		15	-15		0
Performance-based incentive program			11		11
Repurchases of treasury shares			-30		-30
Dividend			-410		-410
Net profit/loss for the year				428	428
Closing balance, 31 December 2017	434	98	4,249	428	5,208

Parent Company Cash Flow Statement

SEK M	2017	2016
Operating activities		
Profit/loss after financial items	284	24
Adjustments for items not included in cash flow:		
Anticipated dividend	-294	-337
Depreciation/amortisation	33	17
Impairment losses	56	176
Changes in provisions	1	-2
Other	42	
Total items not included in cash flow	-162	-145
Tax paid	-17	-46
Cash flow from operating activities before change in working capital	106	-167
Increase (-)/decrease (+) in receivables	-79	-504
Increase (+)/decrease (-) in liabilities	96	129
Cash flow from change in working capital	18	-375
Cash flow from operating activities	123	-542
Investment activities		
Investments in shares in subsidiaries	-567	-496
Investments in equipment		-15
Investments in intangible assets	-71	-107
Cash flow from investment activities	-638	-619
Financing activities		
Repurchases of treasury shares	-30	-45
Capital contribution received		5,051
Dividend	-410	
Increase (-)/decrease (+) in interest-bearing assets	347	
Increase (+)/decrease (-) in interest-bearing liabilities	-3	-3,766
Cash flow from financing activities	-95	1,240
Cash flow for the year	-610	79
Cash and cash equivalents on 1 January	120	41
Cash and cash equivalents on 31 December	-490	120

Cash and cash equivalents of SEK -490 M at year end 2017 relate to funds held in Group accounts by Bonava's Treasury Department, and were recognised as Group company receivables in the Balance Sheet.

Comments on the Parent Company Cash Flow Statement

Cash flow from operating activities was SEK 123 M (-542). A decrease in non-current interest free receivables meant that cash flow from working capital was positive compared to previous year.

Cash flow from investment activities was lower than in the previous year due to capital contributions from Bonava AB to two of its subsidiaries.

Cash flow from financing activities was negative compared to the previous year due to capital contributions from NCC AB to Bonava AB in 2016, when Bonava also repaid its loans to NCC Treasury.

During the year, interest received amounted to SEK 176 M (148) and interest payable was SEK 17 M (145).

Changes in interest-bearing liabilities	2016	Cash flow	2017
Current interest-bearing liabilities	219	-19	200
Non-current interest-bearing liabilities	574	16	590
Total interest-bearing liabilities	793	-3	790

Parent Company Notes

NOTE 1 Accounting policies

The Parent Company's Annual Report has been prepared in accordance with the Annual Accounts Act (1995:1554) and recommendation RFR2 Accounting for legal entities and statements from the Swedish Financial Reporting Board.

The Parent Company's accounting policies differ from the Group's in the following ways:

Subsidiaries

For the parent company, shares in subsidiaries are reported at cost less any impairment losses. Impairment losses for these shares and participations arise if the recoverable value is lower than book value. Received and anticipated dividends are recognised as revenue.

Leasing

In the Parent Company, all lease arrangements are reported in accordance with regulations governing operating leases. Leasing fees paid are reported in the Income Statement.

Group contributions

Group contributions received and paid are reported as appropriations in the Parent Company Income Statement, in accordance with the alternative rule in RFR2.

Cost of borrowing

The Parent Company posts total borrowing costs to the period in which they arise.

NOTE 2 Number of employees, salaries and their remunerations

The average number of employees was 62 (43) in the year. 38 of the employees are women and 24 are men.

GENDER DIVISION

	Percentage women, %	
	2017	2016
Board of Directors	43	50
Senior executives	43	43

SALARY AND OTHER REMUNERATION, AND SOCIAL SECURITY EXPENSES INCLUDING PENSION COSTS

SEK M	2017	2016
Salary and remuneration	68	46
Social security expenses	45	31
of which pension costs	14	17

Salary and remuneration refers exclusively to personnel in Sweden. See also note 3 for the Group, Number of employees, personnel expenses and remuneration to senior executives.

SALARY AND OTHER REMUNERATION DIVIDED BETWEEN BOARD MEMBERS ETC. AND OTHER EMPLOYEES

SEK M	2017		2016	
	The Board and CEO	Other employees	The Board and CEO	Other employees
Salaries and other remuneration	10	58	9	42
(of which bonuses etc.)	(1)	(3)	(2)	(5)

NOTE 3 Depreciation/amortisation

SEK M	2017	2016
Intangible assets	-30	-17
Tangible assets	-3	
Total depreciation/amortisation	-33	-17

NOTE 4 Remuneration and fees to audit firms

	2017	2016
Audit firms		
EY		
Auditing assignment	2	2
Total remunerations and fees to audit firms	2	2

Auditing assignments are defined as the statutory audit of the annual accounts and the Consolidated Financial Statements and accounting, as well as the administration of the Board of Directors and CEO, and also Auditing and other reviews conducted pursuant to agreement or contract. This includes other tasks carried out by the company's Auditors, and advisory services or other assistance generated by observations in such a review or during other duties. All other work is defined as other assignments.

NOTE 5 Result from shares in Group companies

SEK M	2017	2016
Dividend	463	461
Impairment losses	-31	-170
Total	432	291

NOTE 6 Interest expenses and similar items

SEK M	2017	2016
Interest expenses, Group companies		-2
Interest expenses, credit institutions	-99	-104
Other financial expense	-29	-82
Total	-128	-188

NOTE 7 Intangible assets

	2017	2016
Acquired intangible assets		
Recognised cost on 1 January	170	63
Investments	72	107
Recognised cost on 31 December	242	170
Accumulated amortisation on 1 January	-22	-5
Amortisation according to plan during the year	-30	-17
Accumulated amortisation on 31 December	-52	-22
Accumulated impairment losses on 1 January	-6	
Impairment losses for the year	-25	-6
Accumulated impairment losses on 31 December	-31	-6
Residual value on 1 January	142	59
Residual value on 31 December	159	142

NOTE 8 Participations in Group companies

			Carrying amount	
SEK M	Proportion, %	No. of shares	2017	2016
Name, Corp. ID no., Reg. office				
Bonava East Holding AB, 556495-9079, Stockholm	100	1,000		
Bonava Sverige AB, 556726-4121, Stockholm	100	1,000	51	49
Bonava Latvija SIA, 40003941615, Latvia	100	10,294,477	78	78
Januki SIA, 40003835266, Latvia	100	3,357,977	98	
Bonava Eesti OÜ, 11398856, Estonia	100	1	41	36
LLC Bonava Saint-Petersburg, INN7841322136 Russia	100		381	115
LLC Bonava Development, INN7842398917, Russia	100			266
LLC Petro Center, INN7841457408, Russia	99		11	22
Bonava Norge AS, 980 390 020, Norway	100	7,501	481	44
Bonava Danmark A/S, 32 65 55 05, Denmark	100	5,000	457	456
Bonava Holding GmbH, HRB 16608 FF, Germany	100	19,976	375	373
Bonava Wohnbau GmbH, HRB 15662 FF, Germany	10	2,500	1	1
Bonava Suomi Oy, 2726714-3, Finland	100	10,000	302	300
Total shares in Group companies			2,276	1,740

NOTE 9 Tax on profit for the year, deferred tax assets and deferred tax liabilities

	2017	2016
Tax on profit for the year		
Current tax cost	-2	-34
Deferred tax revenue/cost	4	61
Total reported tax on profit for the year	3	27

	Results	
	2017	2016
Effective tax		
Profit before tax	425	19
Tax according to company's current tax rate	-93	-4
Non-tax-deductible costs	-7	-38
Non-taxable revenues	102	101
Tax effect related to previous non-capitalised tax loss carry forwards	3	
Tax attributable to prior years	-2	-29
Other		-4
Recognised tax	3	27
Effective tax	1%	141%

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Tax loss carry-forwards	63	58			63	58
Other	63	58			63	58

NOTE 10 Interest-bearing liabilities

SEK M	2017	2016
Long-term liabilities		
Liabilities to credit institutions and investors	590	574
Total	590	574
Current liabilities		
Current portion of liabilities to credit institutions and investors	200	
Group companies		219
Total	200	219
Total interest-bearing liabilities	790	793

For repayment schedules and terms and conditions, see Note 23 for the Group, Financial instruments and financial risk management.

NOTE 11 Accrued expenses and prepaid income

SEK M	2017	2016
Payroll-related costs	21	24
Administrative costs	53	98
Interest costs	31	
Other costs	2	
Total	107	122

NOTE 12 Transactions with related parties

Bonava has had multiple transactions with other NCC companies and the pricing has followed the transfer pricing policy in place in the NCC-Group.

Transactions with the NCC Group are shown in the table below. Ahead of 2016, Bonava entered into agreements with NCC AB regarding specific administrative and IT-related services.

Bonava AB's sales to subsidiaries totalled SEK 211 M (68) and purchases totalled SEK 31 M (3).

The Nordstjernan group, companies in the Axel Johnson group and joint ventures and joint arrangements are also categorised as related parties. The transactions with the aforementioned parties were not material and are not specified below.

For Bonava AB's senior executives, see Note 3 for the Group, Number of employees, personnel expenses and remuneration of senior executives.

SEK M	2017	2016
Transactions with the NCC group		
Sales		2
Purchases	3	21
Financial expenses		14
Accounts payable		2

NOTE 13 Pledged assets and contingent liabilities

SEK M	2017	2016
Guarantees	17,740	15,485

The Parent Company's guarantees are on behalf of subsidiaries.

NOTE 14 Information about the Parent Company

Bonava AB, corp. ID no 556928-0380, is a registered limited company with its registered office in Stockholm, Sweden. Bonava AB's shares are listed on the Stockholm Stock Exchange (Nasdaq Stockholm/ Large Caps).

The address of the head office is Bonava AB, Lindhagensgatan 72, Stockholm, Sweden.

The Consolidated Financial Statements for 2017 consist of the Parent Company and its subsidiaries, jointly termed the Group. The Group also includes shares in holdings in associated companies.

NOTE 15 Appropriation of profits

The Board of Directors proposes that distributable earnings of SEK	4,676,849,392
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Be appropriated as follows:

Ordinary dividend to shareholders SEK 5.20 per share	561,010,434
Carried forward	4,115,838,958
Total SEK	4,676,849,392

Shares repurchased by Bonava AB do not confer the right to receive dividends. The total amount of proposed dividend is calculated on the basis of the number of outstanding shares as of 16 March 2018.

Appropriation of profit

The Board of Directors proposes that distributable earnings	4,676,849,392
Be appropriated as follows:	
Ordinary dividend to shareholders SEK 5.20 per share ¹⁾	561,010,434
Carried forward	4,115,838,958
Total, SEK	4,676,849,392

¹⁾ Shares repurchased by Bonava AB do not confer the right to receive dividends. The total amount of proposed dividend is calculated on the basis of the number of outstanding shares as of 16 March 2018.

The Board of Directors and the Chief Executive Officer hereby give their assurance that the annual accounts and the consolidated accounts have been prepared in compliance with the European Parliament's and Council of Europe's Regulation (EC) No. 1606/2002 dated July 19, 2002 regarding the application of international accounting standards and generally accepted accounting practice, and thus give a true and fair view of the financial position and results of operations of the Group and the Parent Company. The Report of the Board of Directors for the Group and Parent Company accurately review the Group's and the Parent Company's operations, financial position and results of operations and describe the significant risks and uncertainties facing the Parent Company and the Group.

The annual accounts and the consolidated accounts were approved for publication by the Board of Directors on 16 March 2018. The Consolidated Income Statement and Balance Sheet and the Parent Company's Income Statement and Balance Sheet will be presented to the Annual General Meeting for adoption on 25 April 2018.

Stockholm, Sweden, 16 March 2018

Carl Engström
Chairman

Viveca Ax:son Johnson
Director

Åsa Hedenberg
Director

Samir Kamal
Director

Mikael Norman
Director

Magnus Rosén
Director

Anna Wallenberg
Director

Joachim Hallengren
CEO

Our Audit Report was submitted on 16 March 2018
Ernst & Young AB

Mikael Ikonen
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Bonava AB, corporate identity number 556928-0380

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Bonava AB (publ) except for the corporate governance statement on pages 75–87 for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 90–131 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 75–87. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of Housing Projects

Description

As of 31 December 2017, the value of Housing Projects amount to SEK 16,031M corresponding to 81 per cent of the consolidated balance sheet as at 31 December 2017. Housing projects are recognized at the lower of cost of acquisition and net realizable value. The assessment of net realizable value is inherently associated with assumptions, and a change in these assumptions could have a significant impact on reported amounts. A description of Housing projects can be found in Note 13 Housing projects and Note 1 Significant accounting principles section Critical assumptions.

How our audit addressed this key audit matter

We have in our audit reviewed and evaluated the management's processes relating to project accounting, including a review of project calculations and the reasonableness of project margins. We have, with support of our valuation specialists, evaluated the reasonableness of the assumptions made regarding sales prices and production costs.

We have evaluated and examined the processes for purchasing and production costs and key controls identified have been tested.

We have also reviewed the disclosures in the Annual Report.

Guarantee Commitments

Description

Provisions for guarantee commitments amount to SEK 326 M as of 31 December 2017, and amount to significant amounts in the consolidated balance sheet. Provisions for future guarantee commitments are accounted at the estimated amount required to settle the commitment on the balance sheet date. The estimate is based on calculations, management's assessments and experience from prior disposals of Housing projects.

A description of provisions for guarantee commitments can be found in Note 16 Provisions and Note 1 Significant accounting principles section Critical assumptions.

How our audit addressed this key audit matter

We have evaluated the processes relating to provisions for guarantee commitments in our audit, including an evaluation on the method applied. We have reviewed project calculations and assumptions used to determine guarantee provisions on a sample basis.

We have also reviewed the disclosures in the Annual Report.

Implementation of new accounting system

Description

Bonava has in 2017 implemented a new accounting system for the main part of the group. Changing accounting system is complex which could have an impact on Bonava's financial reporting. We have therefore considered the change of the accounting system as a key audit matter.

How our audit addressed this key audit matter

Our audit included but was not limited to the following procedures: We have reviewed the process for the transition to the new accounting system. We have reviewed the company's way of testing the new accounting system and the handling of deviations identified during the testing. We have reviewed the company's procedures for verifying the transfer of information and data from the old to the new accounting system and we have reviewed the authorization structure and allocation of responsibilities in the new accounting system.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–74 and 135–152. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable

assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Bonava AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this,

is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 75–87 as been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

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

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Bonava AB by the general meeting of the shareholders on the 4 April 2017 and has been the company's auditor since the 22 April 2016.

Stockholm 16 March, 2018

Ernst & Young AB

Mikael Ikonen
Authorized Public Accountant

Definitions

Bonava uses measurements including the alternative key performance indicators return on capital employed, net debt and equity/assets ratio. The Group considers that these key figures provide complementary information to readers of its financial reports that contribute to assessing the Group's capacity to pay dividends, make strategic investments, meet its financial commitments and to evaluate its profitability. Calculations and more information about the alternative key performance indicators are available at bonava.com. The Group defines the key figures as indicated below. The definitions are unchanged on earlier periods.

SECTOR-RELATED DEFINITIONS

Building right

Estimated possibility of developing a site. With respect to housing units, a building right corresponds to an apartment or a semi-detached or detached house. Either ownership of a site or an option on ownership of the site is a prerequisite for being granted access to a building right.

Completed housing units

Refers to housing units for which inspection documents have been received, but the unit has not yet been sold; alternatively has been sold but not handed over to the customer.

Completion rate

Recognised expenses in relation to the calculated total expenses of ongoing housing projects.

Housing units in production

Refers to the period from production start to completion of a building. A housing unit is considered complete on receipt of inspection documentation.

Housing units recognised for profit

Number of housing units sold that have been occupied by the purchaser. Once the purchaser has taken over occupancy, the purchase consideration is recognised as net sales, and expenses incurred for the housing unit are recognised as production costs.

Housing units sold

Number of housing units for which binding sales agreements have been signed with the customer and production of the housing unit has started.

Production start

The time when Bonava starts production of a building. At this time, capitalised expenditure in properties held for future development is recognised as ongoing production.

Properties held for future development

Refers to Bonava's holdings of land and building rights for future residential development and capitalised properties held for future development.

Reservation rate

The number of reserved housing units in production in relation to the total number of housing units in production.

Sales rate

Number of housing units sold in production in relation to the total number of housing units in production.

KEY PERFORMANCE INDICATORS

Average equity

Average reported equity as of the last five quarters.

Average capital employed

Average capital employed as of the five last quarters.

Average fixed-interest term

Remaining fixed-interest term weighted by interest-bearing liabilities.

Average interest rate

Nominal interest rate weighted by interest-bearing liabilities outstanding on the Balance Sheet date.

Capital employed

Total assets less interest-free liabilities including deferred tax liabilities.

Capital turnover rate

Net sales on a rolling 12-month basis divided by average capital employed.

Debt/equity ratio

Net debt divided by shareholders' equity.

Dividend yield

Dividend as a percentage of the share price at year-end.

Equity/assets ratio

Total equity as a percentage of total assets.

Interest coverage ratio

Profit/loss after financial items plus financial expense divided by financial expense, calculated on a rolling 12-month basis.

Net debt

Interest-bearing liabilities and provisions less financial assets including cash and cash equivalents.

Net sales

Net sales are recognised when the housing unit is handed over to the end customer. Property sales are recognised on the date when significant risks and rewards are transferred to the buyer, which normally coincides with transfer of ownership. Net income is subject to the same definition.

Operating margin

Operating profit as a percentage of net sales.

Production costs

Costs incurred for land, such as development expenses for architects and other contractor-related costs, utility connection fees and construction.

Return on capital employed

Profit after financial items on a rolling 12-month basis following the reversal of interest expense as a percentage of average capital employed.

Share of risk-bearing capital

Total shareholders' equity and deferred tax liabilities as a percentage of total assets.

Total assets

Total assets, or liabilities and shareholders' equity.

SHARE-RELATED KEY FIGURES

Earnings per share

Net profit/loss for the period attributable to Bonava's shareholders divided by the weighted average number of shares in the year.

Sustainability – information and GRI

ABOUT THE SUSTAINABILITY REPORT

This is Bonava's second annual Sustainability Report. The Sustainability Report is included in Bonava's Annual Report and has been prepared in accordance with the Global Reporting Initiative's (GRI) guidelines, version G4 and alternative Core. The period covered by the report is the full year 2017. There are no significant changes compared to previous year. Reported indicators refer to all Bonava's units and the full year unless otherwise indicated.

Prior to this, information on Bonava was included in NCC's Annual and Sustainability Reports up until the financial year 2015. The Sustainability Report has been reviewed and authorised by a sustainability auditor, see page 149.

The index on page 146 indicates where further information on sustainability can be found in the Annual Report.

ORGANISATION FOR SUSTAINABILITY

Bonava's organisation and responsibility for the sustainability agenda is described in the Corporate Governance Report on pages 75–87.

Bonava's progress in its sustainability work is mainly driven within the framework of the company's strategic initiatives. Each sustainability aspect on the agenda is associated with a strategic initiative. The strategic initiatives are led by the respective Strategic Boards. Collaboration is frequently required for Bonava to achieve the correct results.

STEERING DOCUMENTS

The key steering document for Bonava's sustainability work is the Code of Conduct, where the principles for Bonava's compliance with UN Global Compact and the sustainability agenda are clarified. The Code of Conduct aligns with Bonava's Sustainability Policy including Bonava's social and environmental responsibility, and Bonava's Health and safety policy and HR policy

including its commitment to diversity and against discrimination. The Code of Conduct and all policies are authorised by the Board. Bonava's supplier requirements apply to all suppliers.

More information about the aforementioned policies and Bonava's supplier requirements can be found at Bonava.com.

In addition, group-wide compulsory routines and internal regulations govern areas such as tax, travel, motor vehicles, sponsorship, alcohol and drugs, and the minimum standard for the environment and health and safety management in all business units.

MEMBERSHIPS AND ORGANISATIONS

Bonava is a financially supporting member of UN Global Compact. In Sweden, Bonava is a member of the Sweden Green Building Council. In Denmark, Bonava is a member of the Danish Green Building Council and in St. Petersburg of the Russian Green Building Council. Bonava is also a member of The Swedish Safety Culture Network (SÄKU). Bonava in Sweden is a partner of the organisation Mitt Liv, a community-driven company that works for a more inclusive society and a labour market that values diversity.

Bonava's Group Head of Marketing and Sales is Chairman of the steering committee for the Centre for the Future of Places (CFP) at The Royal Institute of Technology (KTH) in Stockholm. CFP is an international hub for research relating to places of the future and has been established to promote sustainable urban development. The centre focuses on city planning and design in order to meet the challenges of today and tomorrow.

Bonava's Group Head of Health and Safety is Chairman of the SIS committee responsible for management systems for Occupational Health and Safety OHSAS 18001/ISO 45001 and serves in expert capacity in the international organisation for developing ISO Health and Safety standard 45001.

MATERIALITY ANALYSIS

In Bonava's first year as an independent company, the company completed an extensive materiality analysis aimed at identifying Bonava's key sustainability aspects. The process started with far-reaching analysis of external factors and anticipated regulatory progress globally, in the EU and locally. External specialists and key staff in Bonava were then interviewed to identify expected consequences for Bonava. A wide range of specific sustainability aspects were ranked with the help of an internal survey. Relevant Heads of key functions and representatives from all business units identified the most significant aspects in a joint workshop. The design of the sustainability agenda and the grouping of aspects into four focus areas was prepared by Bonava's steering committee for the sustainability agenda, validated by the Executive management group and finally authorised by the Board.

The materiality analysis can be summarised into four focus areas:

- **Happy Neighbourhoods** – demographic and societal changes on Bonava's markets mean that more affordable housing units are needed in socially and environmentally well-functioning neighbourhoods in order to develop *sustainable cities and societies*. Contributing to this development is a major business opportunity for Bonava.
- **Protecting our planet** – the over-utilisation of natural resources and the effects of environmental destruction in combination with a strong trend towards urbanisation require alignment towards more efficient utilisation of resources, lower emissions and land use that increase climate change resilience. These are critical to achieving *sustainable consumption and production and climate action*. For Bonava, this trend represents both a risk and an opportunity to make a positive contribution and is a prerequisite for obtaining permits for developing land and to cost-efficiently produce homes that our customers want to live in.
- **Passionate workplace** – Bonava is active in a sector with too high an incidence of accidents that is also characterised by limited diversity. Accordingly, Bonava is dependent on committed employees that are willing to drive change in order to achieve *decent work and economic growth*. This kind of change is a pre-requisite for Bonava's success and simultaneously creates the opportunity to contribute to progress outside of Bonava's direct control.
- **Reliable business** – partly as an effect of digitalisation and the emerging information society, stakeholders' expectations on transparency and information about how businesses assume their societal responsibility increases. Openly reporting on Bonava's work contributes to compliance with the universal principles through *partnerships for the goals*, relating to the global sustainability goals determined by the UN. This is key to being a credible business partner.

Strategic initiative	Sustainability agenda
Differentiation	• Areas for happy neighbourhoods • Community development for sense of belonging
Geographical presence	• Sustainable use of land
Design and production	• Affordable housing • Circular production model • Efficient buildings
Procurement	• Sustainable and non-hazardous materials • Responsible supply chain management
Beneficial business model	• Compliance
Processes and systems	• Transparency • Tax
Winning culture and employee focus	• Labour conditions supporting our values • Health and safety • Diversity

In 2017, Bonava analysed stakeholder preferences to verify that Bonava's sustainability agenda is taking us in the right direction.

BUSINESS MODEL AND SUSTAINABILITY IMPACT

Land acquisitions

The land used and its location in relation to infrastructure and amenities have a significant impact on social and environmental aspects, directly in connection with production and indirectly through the impact on inhabitants's ability to live sustainably. Bonava examines the conditions applying to the land it purchases and analyses its potential for long-term sustainability prior to making acquisitions.

Design and planning

The design and planning phase is key to Bonava's long-term indirect social and environmental impact. In collaboration with public authorities and other operators, through dialogue with the local community and Bonava's customers, Bonava designs to create happy neighbourhoods for the many. Bonava's Code of Conduct and compliance program Our Foundation offer support and guidance for correct contacts with public authorities, including to minimise the risk of corruption. Design and decisions about materials choices determine whether housing units belong in the affordable segment, the indoor environment they will provide and the environmental impact during production and for the remainder of the buildings' and neighbourhood's life cycle.

Project execution

Bonava's main direct impact on sustainability occurs during the project execution. Production of housing units involves ground work that can affect the water table and

surrounding areas. Remediation of earlier contamination may also be necessary. Transport to and from the construction site, energy for production, materials used and waste have a direct and indirect environmental impact. How the work is carried out has an impact on working conditions including health and safety for the people that spend time on the construction site. Noise, dust and light pollution can directly disrupt the lives of neighbours. Indirectly, Bonava can affect human rights, working conditions, the environment and anti-corruption considerations outside its own operations through demands on and control of suppliers and subcontractors.

Customer service

After completion, Bonava's impact is largely indirect. Final inspection, remedial measures and finetuning of installations and maintenance instructions are key factors. Collaboration agreements or providing contacts may also imply a significant indirect impact on sustainability in areas such as supporting residents in their choice of supplier for service and maintenance and power supply, for example. By providing information and support that help Bonava's customers to use the buildings and the surrounding area for sustainable lives, and by facilitating collaboration between residents, Bonava can have a further indirect social and environmental impact.

STAKEHOLDERS

Bonava's key stakeholders are:

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

Bonava collaborates with the customers mainly in connection with the housing projects. Bonava also carries out regular customer surveys.

Bonava has regular contact with investors and analysts through Interim Reporting, shareholders' meetings, capital markets days and meetings and presentations.

The most important dialogue with employees takes place in day-to-day activities and regular meetings regarding developing and performance planning. Bonava's employee surveys enable the employees to anonymously voice their opinions about Bonava as a workplace.

Bonava has close contact with its suppliers, including through dedicated supplier meetings. Finally, Bonava works in close collaboration with public authorities, mainly within the framework of development projects and in connection with public consultations for comments.

STAKEHOLDER DIALOGUE OF THE YEAR

The customer survey Happy Quest provided a key analysis of stakeholder preferences in the year. Happy Quest examines what makes people happy where they live. Members of the public in eight countries answered the same questions and a total 8,000 individuals participated, which provided us with sufficient statistics to compile Bonava's Happy index.

The Happy index measures how successfully Bonava's projects are in creating happy neighbourhoods.

The results of Bonava's Happy Quest correlate closely with the earlier materiality analysis. For example, Happy Quest confirms that sustainable use of land contributes to creating happy neighbourhoods. The survey clearly illustrates that plants, lush greenery and borders in the neighbourhood are factors that people in all national

Bonava's value chain



➤ Read more about Bonava's value chain on pages 34–35.

markets consider to be important for well-being in their neighbourhoods. This is one of the variables that correlates most closely with the Happy index, Bonava's index for measuring the degree of happiness in residential areas. Happy Quest also shows that an average of 36 per cent of people consider it to be very important to be able to influence how a neighbourhood develops. The importance of participating increases with rising age and income. It is also clear that this is especially important for families with young children, a key target group for Bonava.

During the year, Bonava carried out extensive work to clarify what Bonava demands and offers as an employer. Bonava's employer promise was defined with the help of a number focus groups and employees on all markets. Read more about Bonava's employer brand on page 49–51.

Another important stakeholder group comprises indirect stakeholders who evaluate Bonava's reported sustainability information and collate information about Bonava's operations from other sources, on assignment by third parties or as part of sustainability indices. During the year, these indirect stakeholders confirmed that Bonava has identified the right focus areas and priorities for the sustainability agenda and development work, including from an investor perspective.

The overall analysis in the year confirmed that the sustainability agenda is guiding Bonava in the right direction, and has made a contribution to decision-making data about group-wide sustainability goals for Protecting our planet.

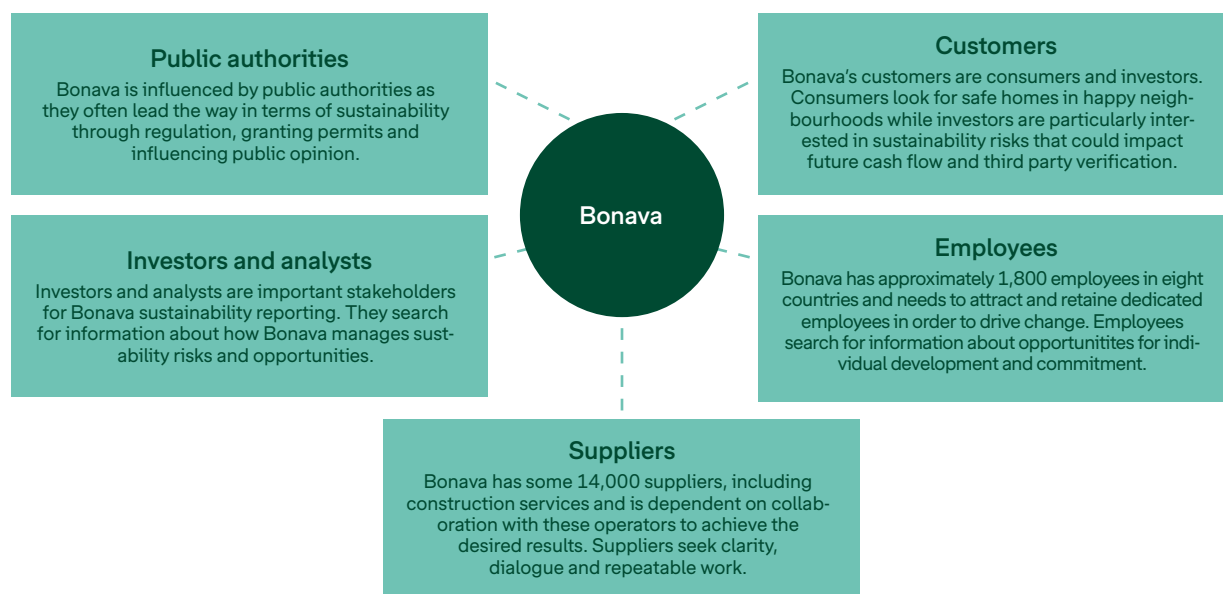
LIMITATIONS

From the perspective of the entire value chain, Bonava's main impact on people and the environment mainly lies outside the organisation. Aspects that primarily influence the organisation internally include working conditions that support Bonava's values and compliance. A circular production model, health and safety and diversity have a significant impact within the organisation itself and in the surrounding world.

CONTACT

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

Bonava's key stakeholders



Results 2017

UN Sustainable Development Goals	Bonava's focus areas	Bonava's group targets, determined by the Board	Outcome 2017	Outcome 2016
Sustainable cities and communities	Happy neighbourhoods for the many	By 2020, 50 per cent of Bonava's production starts shall be in the affordable segment.	40%	46%
Responsible consumption and production	Protecting our planet	By 2020, 50 per cent of Bonava's production starts on markets where the Nordic Swan eco-label or Green Zoom apply should be labelled or certified.	42%	32%
Climate action	Protecting our planet	By 2020, Bonava shall fight climate change through science-based targets.	Grade D in the Carbon Disclosure Project	N/A
Decent work conditions and economic growth	Passionate workplace	Zero Harm	83% fulfilment Bonava's Zero Harm plan sub-targets	N/A
Partnerships for the goals	Reliable business	Publish annual sustainability reports in accordance with GRI's guidelines and report progress to UN Global Compact.	Externally reviewed and authorised Sustainability Report	Bonava's first Sustainability Report

Happy neighbourhoods for the many

AFFORDABLE HOUSING

Comments on the results

The share of production starts in the affordable segment is lower than in 2016 due to the fact that a number of major projects started production in 2016, but also due to improved routines for internal reporting. For 2017, reporting of the segments for all homes aggregated in a single system, which previously was not possible.

Affordable housing in the respective segments

Segment	2017				2016			
	Afford-able	Core	High-end	Information N/A	Afford-able	Core	High-end	Information N/A
Production starts, %	40	53	7	0	46	36	6	12
Completed homes, %	45	48	7	0	43	42	2	13

AREAS FOR HAPPY NEIGHBOURHOODS AND COMMUNITY DEVELOPMENT FOR SENSE OF BELONGING

Surveys of new customers

During 2017 Bonava gradually added its various markets to the customer satisfaction program, and all new customers on Bonava's markets will be part of the program from January 2018.

Surveys of existing customers

The survey is sent out as an online survey by email to all customers registered in Bonava's customer database who have lived in a Bonava home for at least 12 months. To ensure the credibility of responses, customers have the option of completing the survey anonymously.

People no longer living in a Bonava home are detected through control questions and are excluded from the survey. Currently, Bonava is not notified when a home is resold and hence has no contact details for the second-hand market. This means that it is not possible to determine the target group size or the reply frequency.

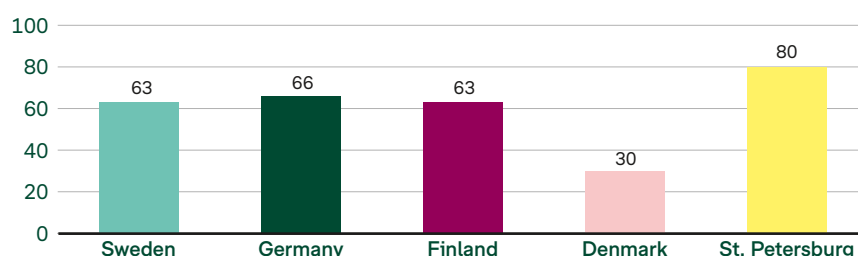
Both surveys focus on capturing positive feedback and opportunities for improvement in the neighbourhood, home or the relationship with Bonava.

When analysing the results, it is important to bear in mind that the development of a neighbourhood is a lengthy process and the results mainly reflect the construction process and the relationship with Bonava prior to launching our customer insight and feedback program. Before our program was launched, each respective market managed their own insights and feedback.

Additional information regarding areas for happy neighbourhoods and community development for sense of belonging

Bonava measures NPS, Net Promoter score, (customer willingness to recommend Bonava) for all markets from 1 January 2018. This score will be reported from that date onwards.

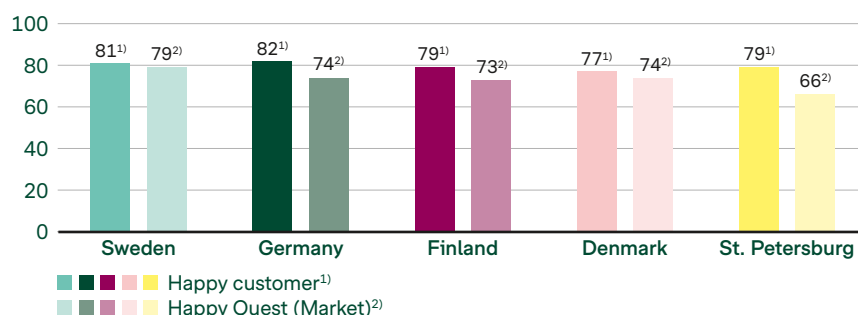
NKI (Happy Customer Index) for existing customers



Comments on the results

Bonava delivered exceptionally good results in St. Petersburg and results in line with the sector in Sweden, Germany and Finland. The lower result in Denmark is explained by unsatisfactory quality in delivery that was not rectified promptly. Additional resources have now been put in place to ensure speedy handling. No results were provided for Norway, Estonia and Latvia due to low base numbers.

Happy index for existing customers



Comments on the results

The Happy index reports higher ratings on all Bonava's markets compared to a representative sample of the population for each country. The results show a significantly higher Happy index for Bonava's customers in Germany, Finland and St. Petersburg compared to the general population. No results are given for Norway, Estonia and Latvia due to low base numbers.

Protecting our planet

CIRCULAR PRODUCTION MODEL Materials usage in Germany

Usage of building materials	2013	2014	2015	2016	2017
Concrete m ³ /home	52.5	43.1	42.3	48.5	37.0
Prefabricated concrete-elements m ² /home	170.1	134.2	136.8	161.4	123.1
Steel ton/home	3.7	3.0	3.0	3.5	2.7
Insulation m ³ /home	34.8	29.6	30.4	40.7	31.1

Comments on the results

The 2016 figure for Germany showed an increase in materials used, but this has now returned to a declining trend. The increase in 2016 was due to a concentration of several major deliveries at the end of the year. For this reason a year-on-year comparison is unrepresentative. The trend needs to be viewed over several years.

Materials usage in St. Petersburg

Usage of building materials	2017	2016
Concrete m ³ /home	30.6	24.7
Prefabricated concrete-elements m ² /home	68.2	50.2
Steel ton/home	2.8	2.3
Insulation m ³ /home	4.8	7.5

Additional information regarding circular production model

During 2017 Bonava mapped and identified significant materials flows to facilitate coordinated follow-ups of usage of materials on all markets in the future.

SUSTAINABLE USE OF LAND

Projects where production starts have been approved

Key ratios	2017	2016
Share, previously exploited (%)	55	46
Share, previously unexploited land (%)	45	54
Land decontamination (ha)	12	40
Share of projects with significant initiatives aimed at preserving ecological values (%)	25	24
Number of protected species affected	3	N/A

N/A = Not Applicable / Not Available

Additional information regarding sustainable use of land

The protected species Bonava has encountered include flying squirrels (*Pteromys volans*), frogs (*Pelophylax lessonae*) and lizards (*Lacerta agilis*). These species have the following IUCN-code: least concern. Bonava has adapted its projects and protected these species alongside the relevant authorities.

EFFICIENT BUILDINGS

Different countries define energy performance differently, which is why the data is not comparable between markets. The margin applying to more energy efficient homes than building regulations require also varies between markets. Accordingly, Bonava follows up its building's energy performance in relation to current requirements in each country.

Production starts

	Bonava's energy performance, kWh/m ²		Required energy performance, kWh/m ²		Better than requirement, %	
	2017	2016	2017	2016	2017	2016
Sweden	64	64	83	88	23	27
Germany	34	N/A	47	N/A	27	N/A
Finland	122	126	131	133	6	6
Denmark	27	39	30	49	9	20
Norway	47	N/A	60	95	22	N/A
St. Petersburg	47	52	113	113	58	55
Estonia	125	138	150	150	17	8
Latvia	41	46	66	70	38	34

N/A = Not Applicable / Not Available

Completed homes

	Bonava's energy performance, kWh/m ²		Required energy performance, kWh/m ²		Better than requirement, %	
	2017	2016	2017	2016	2017	2016
Sweden	67	64	91	91	27	30
Germany	44	N/A	61	N/A	28	N/A
Finland	124	117	135	130	8	10
Denmark	43	30	43	55	1	42
Norway	15	N/A	30	95	50	N/A
St. Petersburg	49	58	113	102	57	44
Estonia	139	108	150	150	7	28
Latvia	46	N/A	63	N/A	26	N/A

N/A = Not Applicable / Not Available

Comments on the results

The results are in line with the targets for each market.

SUSTAINABLE AND NON-HAZARDOUS MATERIALS

The tables show Bonava's implementation of eco-labelling and certification on markets where Nordic Swan eco-labelling or Green Zoom certification may be used. Bonava Sweden is in a transitional phase, changing from the Sweden Green Building certification to Nordic Swan eco-labelling. Due to varying production times between different markets and types of home, Bonava's eco-labelling goals are based on production starts in the year.

Production starts

	Eco labelled/ certified homes		Share of total number of homes, %	
	2017	2016	2017	2016
Sweden	681	1084	65	70
Finland	0	0	0	0
Denmark	135	72	48	28
Norway	0	0	0	0
St. Petersburg	813	72	100	9
Total	1,629	1,228	42¹⁾	32¹⁾

¹⁾ Share of total number of homes on markets where Nordic Swan eco-labelling or Green Zoom apply.

Completed homes

	Eco labelled/ certified homes		Share of total number of homes, %	
	2017	2016	2017	2016
Sweden	995	734	68	56
Finland	0	0	0	0
Denmark	38	64	14	100
Norway	101	0	55	0
St. Petersburg	72	562	9	26
Total	1,206	1,360	36¹⁾	29¹⁾

¹⁾ Share of total number of homes on markets where Nordic Swan eco-labelling or Green Zoom apply

Comments on the results

In Sweden, the transition from Sweden Green Building to Nordic Swan eco-labelling increases the share of homes without certification compared to previously stated targets. To offset this, more Nordic Swan eco-labelled homes started production in Denmark compared to target. From 2018 onwards, all production starts in Sweden will be Nordic Swan eco-labelled, and homes in St. Petersburg will be Green Zoom certified.

Passionate workplace

Employees by professional category, head count by year-end

		Total		Salaried employees				Skilled workers			
				Women		Men		Women		Men	
Period		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Sweden	Permanent	250	209	130	112	120	97	0	0	0	0
	Temporary	4	2	3	2	1	0	0	0	0	0
	Line consultants	17	4	13	4	4	0	N/A	N/A	N/A	N/A
Germany	Permanent	824	768	228	203	392	365	0	0	204	200
	Temporary	53	32	14	8	37	23	0	0	2	1
	Line consultants	0	0	0	0	0	0	N/A	N/A	N/A	N/A
Finland	Permanent	175	114	93	71	82	43	0	0	0	0
	Temporary	5	2	3	2	2	0	0	0	0	0
	Line consultants	4	9	3	7	1	2	N/A	N/A	N/A	N/A
Denmark-Norway	Permanent	92	63	22	19	70	44	0	0	0	0
	Temporary	3	2	1	0	2	2	0	0	0	0
	Line consultants	1	1	1	1	0	0	N/A	N/A	N/A	N/A
St. Petersburg	Permanent	195	251	72	79	78	91	5	6	40	75
	Temporary	55	41	15	11	7	5	8	6	25	19
	Line consultants	21	14	16	12	5	2	N/A	N/A	N/A	N/A
Baltics	Permanent	85	51	35	22	49	28	1	1	0	0
	Temporary	9	25	1	1	2	1	0	2	6	21
	Line consultants	3	5	1	1	2	4	N/A	N/A	N/A	N/A
Total	Permanent	1,621	1,456	580	506	791	668	6	7	244	275
	Temporary	129	104	37	24	51	31	8	8	33	41
	Line consultants	46	33	34	25	12	8	N/A	N/A	N/A	N/A

N/A = Not Applicable

Employees by professional category, full year

		Salaried employees		Skilled workers	
Period		2017	2016	2017	2016
Sweden	Permanent	248.7	207.7	0.0	0.0
	Temporary	4.0	2.0	0.0	0.0
	Line consultants	16.8	4.0	N/A	N/A
	Sub-contractor ¹⁾	N/A	N/A	209.1	i.u.
Germany ²⁾	Permanent	611.6	557.4	204.0	200.0
	Temporary	46.9	29.8	2.0	1.0
	Line consultants	0.0	0.0	N/A	N/A
	Sub-contractor	N/A	N/A	2000.0	i.u.
Finland	Permanent	174.6	113.6	0.0	0.0
	Temporary	5.0	2.0	0.0	0.0
	Line consultants	4.0	9.0	N/A	N/A
	Sub-contractor	N/A	N/A	547.2	i.u.
Denmark-Norway	Permanent	92.0	63.0	0.0	0.0
	Temporary	2.1	1.1	0.0	0.0
	Line consultants	1	1	N/A	N/A
	Sub-contractor	N/A	N/A	212.3	i.u.
St. Petersburg	Permanent	149.0	169.5	45.0	80.5
	Temporary	22.0	16.0	33.0	25.0
	Line consultants	18.8	11.5	N/A	N/A
	Sub-contractor	N/A	N/A	1018.8	i.u.
Estland & Lettland	Permanent	83.5	49.5	0.2	0.2
	Temporary	3.0	1.5	6.0	23.0
	Line consultants	3.0	5.0	N/A	N/A
	Sub-contractor	N/A	N/A	149.9	N/A

¹⁾ Contractors under Bonava's site management, working hours recalculated to full year work force, assuming 40-hour week.²⁾ Due to previous system limitations, the full year 2016 work force data includes assumptions regarding the number of employees in Germany being equivalent to the full year workforce.

N/A = Not Applicable

Personnel turnover

Period		Number		% of total workforce	
		2017	2016	2017	2016
Sweden	New employees	103	49	41	23
	Terminations	39	12	15	6
Germany	New employees	131	125	15	16
	Terminations	57	N/A	7	N/A
Finland	New employees	87	55	48	47
	Terminations	23	12	13	10
Denmark–Norway	New employees	53	29	56	45
	Terminations	17	7	18	11
St. Petersburg	New employees	66	57	27	20
	Terminations	96	N/A	39	N/A
Estonia & Latvia	New employees	61	49	66	66
	Terminations	42	N/A	45	N/A
Total	New employees	501	364	29	24
	Terminations	274	N/A	16	N/A

N/A = Not Applicable / Not Available

Comments on the results

Due to a change of IT systems and varying HR definitions, information about terminations on markets outside the Nordics was not included for 2016.

Commitment and loyalty

Results from Passionate Workplace employee survey	Bonava	Industry average
Commitment index	83	77
eNPS ¹⁾	35	8

¹⁾ eNPS = Employee Net Promoter Score, likelihood of recommending employer.

Comments on the results

The commitment index and eNPS are Bonava's most important employee-related KPIs. These represent partial results of the annual Passionate Workplace employee survey. This year's results of 83 and 35 are both well above the sector average.

Additional information regarding labour conditions supporting our values

A total of 66 (2016: 68) per cent of our employees are covered by collective agreements. All employees in Sweden, 93 (2016: 93) per cent of employees in Germany and 48 (2016: 43) per cent in Finland are covered by collective agreements. In the remaining countries, collective agreements do not apply.

Bonava employees on all markets, except for Germany, have access to a Group-common system that supports individual performance and career development. 65 per cent of these employees use the system and of those 85 per cent had their goals and development plans approved. This means that Bonava's process for evaluation and feedback on performance and career development was used.

Health and Safety

	Sickness absenteeism, % ¹⁾		Fatalities ²⁾		Work-related injuries ³⁾			Work-related injuries, frequency ⁴⁾		
	2017	2016	2017	2016	2017 ⁵⁾	2017 ⁶⁾	2016 ⁶⁾	2017 ⁵⁾	2017 ⁶⁾	2016 ⁶⁾
Sweden	1.9	1.8	0	0	7	2	1	10.6	4.6	2.3
Germany	6.8	7.9	0	0	22	8	17	6.3	5.9	13.7
Finland	1.5	1.1	0	0	8	0	0	9.1	0.0	0.0
Denmark–Norway	1.6	2.8	0	0	7	0	0	18.1	0.0	0.0
St. Petersburg	0.4	N/A	0	0	3	1	1	2.0	2.5	2.0
Baltics	1.1	0.2	0	0	2	0	0	6.8	0.0	0.0
Total	4.0	5.0	0	0	49	11	19	6.8	4.0	7.0

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

²⁾ Work-related injuries on Bonava's construction sites leading to fatalities for employees or sub-contractors with or without Bonava's site management.

³⁾ Work-related injuries leading to sickness absenteeism.

⁴⁾ Number of work-related injuries per million hours worked.

⁵⁾ Employees and contractors under Bonava's site management.

⁶⁾ Bonava's employees.

N/A = Not Applicable / Not Available

Comments on the results

Bonava works intensively to improve its preventative health and safety work. A major priority is ensuring that sub-contractors' employees accept and comply with Bonava's routines and internal regulations. The work is starting to yield results. The frequency of work-related injuries, including sub-contractors,

decreased during the year. The average work injury frequency leading to sick leave in the Swedish construction industry was year 2016, 6 injuries per million working hours, or 10.9 injuries per thousand employees (Source: Swedish Work Environment Authority). Bonava's total work injury frequency leading to sick leave, including

sub-contractors under Bonava's site management, for all eight markets was therefore close to the industry average in Sweden in 2017. Bonava has a high proportion of salaried employees compared to other companies in the construction industry, which partly explains the low frequency of work related injuries.

Diversity (gender distribution)

Period	Total		Women				Men			
	Number		Number		% of professional category		Number		% of professional category	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Board (no.)	7	6	3	3	43	50	4	3	57	50
EMG, Executive Management Group (no.)	11	11	3	3	27	27	8	8	73	73
Salaried employees ¹⁾	1,431	1,202	602	514	42	43	829	688	58	57
Skilled workers ¹⁾	290	330	13	14	5	4	277	316	95	96
Line consultants ¹⁾	44	31	32	24	74	77	11	7	26	23
Total²⁾	1,776	1,573	651	555	37	35	1,126	1,018	63	65

¹⁾ Full year workforce. Due to previous system limitations, the full year 2016 work force data includes assumptions regarding the number of employees in Germany being equivalent to the full year workforce.

²⁾ Total includes everyone except the Board.

Comments on the results

The category that stands out as being negatively skewed is the female skilled workers

category, even if the gender imbalance is decreasing in this category. Considering that Bonava's sector is well known for having

an uneven gender distribution, it is encouraging that the gender gap is beginning to decrease, albeit slowly.

Diversity (Age distribution)

	< Age 30							
	Women				Men			
	Number		% of professional category		Number		% of professional category	
	2017	2016	2017	2016	2017	2016	2017	2016
Board (no.)	0	0	0	0	0	0	0	0
EMG, Executive Management Group (no.)	0	0	0	0	0	0	0	0
Salaried employees ¹⁾	123	92	9	8	111	84	8	7
Skilled workers ¹⁾	1	0	0	0	18	24	6	7
Line consultants ¹⁾	13	13	30	43	3	2	6	5

¹⁾ Full year workforce. Due to previous system limitations, the full year 2016 work force data includes assumptions regarding the number of employees in Germany being equivalent to the full year workforce.

	Age 30–50								> age 50							
	Women				Men				Women				Men			
	Number		% of professional category		Number		% of professional category		Number		% of professional category		Number		% of professional category	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Board (no.)	1	1	14	17	1	1	14	17	2	2	29	33	3	2	43	33
EMG, Executive Management Group (no.)	2	2	18	18	5	6	45	55	1	1	9	9	3	2	27	18
Salaried employees ¹⁾	372	317	26	26	507	399	35	33	107	105	7	9	211	205	15	17
Skilled workers ¹⁾	6	9	2	3	141	161	49	49	6	5	2	2	118	131	41	40
Line consultants ¹⁾	15	9	34	28	9	6	19	18	4	2	9	7	0	0	0	0

¹⁾ Full year workforce. Due to previous system limitations, the full year 2016 work force data includes assumptions regarding the number of employees in Germany being equivalent to the full year workforce.

Additional information regarding diversity

Questions about equal opportunities were included in the Passionate Workplace employee survey. 83 per cent stated that they believe that equal opportunities and obligations apply in Bonava, while 9 per cent state that they do not apply, and 8 per cent are indifferent as to whether equal opportu-

nities apply or not. There are no differences in the responses between the salaried employees and skilled workers categories, however there is a higher share of women stating that equal opportunities are not implemented. The survey was completed early in 2017 and actions aimed at making Bonava a more equal and inclusive work-

place have since intensified. The actions focus on the Winning Culture and Personnel Focus initiative.

Reliable business

COMPLIANCE

Reported grievances	Number	Comment
Bonava SpeakUp	1	
Other reported grievances	3	
Of which, significant divergence	2	Divergence from internal Code of Conduct, grounds for giving notice and termination of contracts
Of which, found to be groundless following investigation	2	
Legal action against competition-restricting practices or significant sanctions for breaches of current laws and regulations	0	

Comments on the results

It is reasonable to assume that a degree of under-reporting takes place, specifically of less serious breaches and risk observations. In 2017, Bonava initiated measures to increase internal awareness of the possibility of reporting breaches anonymously through Bonava Speak Up, with the aim of increasing the willingness to report grievances.

Additional information about compliance

In 2017, all new salaried employees were offered an e-learning module under Bonava's compliance program Our Foundation. All Bonava's employees completed this course in 2016, and currently 91 per cent of all salaried employees have completed the course.

During the year, 32 in-person workshops with 667 employees were held on all Bonava's eight markets, with the aim of discussing and presenting information about the company's ethical guidelines.

A Group-wide system for risk management and reporting divergences regarding the environment and health and safety was implemented gradually throughout 2017 in order to improve transparency and preventive measures.

Eleven environmental reports were presented in the year: three minor incidents, two sanctions, two risk observations and four changes to routines.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

	2017	2016
Audit of new suppliers, Nordics	1,600	260
Number of qualified suppliers, Nordics	150	0
Number of disqualified suppliers, Nordics	400	0
Number of suppliers for further audit, Nordics	1,050	260

Additional information regarding responsible supply chain management

We aim to increase control of the procurement process by establishing direct collaborations with suppliers. The company holds central negotiations for significant procurement relating to building materials and products, and also tenders for construction contracts on the Nordic markets.

In this context, new suppliers are audited regarding compliance with the universal principles of UN Global Compact, systematic environmental efforts, the working environment, quality and financial stability.

Bonava has approximately 14,000 suppliers. Once the new procurement system has been implemented, Bonava will present an exact figure.

TAX

Bonava's taxes borne

SEK M	Total	Sweden	Germany	Finland	Denmark-Norway	St. Petersburg	Baltics
Income tax	178	48	63	18	29	21	0
Property tax	27	3	4	7	8	4	1
Transfer tax	112	9	87	8	7	0	1
Social security charges ¹⁾	177	76	80	1	2	12	6
Other taxes ²⁾	39	0	0	0	4	34	0
Total tax borne	533	136	234	34	50	71	8

¹⁾ Not paid as tax to the authorities in Germany, but as a fee to an insurance company.

²⁾ Consists of non-deductible value added tax in Norway and tax deducted at source for dividends in St. Petersburg.

Collected Tax

SEK M	Total	Sweden	Germany	Finland	Denmark-Norway	St. Petersburg	Baltics
Value added tax	851	589	7	200	35	7	13
Pay roll taxes	242	81	88	28	31	7	6
Total collected tax	1,093	670	96	228	67	13	19

Additional information regarding tax

This is the first year Bonava presents an overview of its total tax contributions. Next year's Annual Report will include comparative figures.

GRI-index

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UN GLOBAL COMPACT

Human rights

Principle 1 (s. 8–9, 61) Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2 (s. 61, 145) ensure that they are not complicit in human rights abuses.

Working conditions

Principle 3 (s. 143) Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4 (s. 61, 145) the elimination of all forms of forced and compulsory labour;

Principle 5 (s. 61, 145) the effective abolition of child labour; and

Principle 6 (s. 60) the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7 (s. 53, 57, 72–74) Businesses should support a precautionary approach to environmental challenges;

Principle 8 (s. 56–57, 136) undertake initiatives to promote greater environmental responsibility; and

Principle 9 (s. 136) encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10 (s. 61, 145) Businesses should work against corruption in all its forms, including extortion and bribery.

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Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of Bonava AB (publ), corporate identity number 556928-0380.

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2017 on pages 52–62, 72–74 and 136–149 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevU 12 The auditor's opinion regarding the

statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A statutory sustainability statement has been prepared.

Stockholm March 16, 2018
Ernst & Young AB

Mikael Ikonen
Authorized Public Accountant

Information for statutory Sustainability Report	Pages
Environment	56–57
Social conditions	54–55
Employees	58–60
Respect for human rights	60–61
Anti-corruption	61
Business model	137
Policies for sustainability	136
Significant sustainability risks	72–74
Central sustainability performance indicators	52–53, 136–149

Independent Auditor's Limited Assurance Report on the Sustainability Report

To Bonava AB (publ)

INTRODUCTION

We have been engaged by the Group Management of Bonava AB (publ) to undertake an examination of Bonava's Sustainability Report for the year 2017. The Sustainability Report is defined as the pages in the annual report referenced in the GRI index on pages 146–147.

RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board of Directors and the Group Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 138, and are the parts of the *GRI Sustainability Reporting Standards* which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

RESPONSIBILITIES OF THE AUDITOR

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by IAASB. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

The audit firm applies ISQC 1 (*International Standard on Quality Control*) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

CONCLUSION

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

Stockholm, 16 March 2018
PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant

Fredrik Ljungdahl
Expert Member of FAR

Key financial ratios

OVERVIEW OF KEY FINANCIAL RATIOS¹⁾

Unless otherwise stated, the table below contains certain financial and operational key ratios that are not defined according to IFRS. The information below referring to the financial years 2013–2017 is of material value to investors since it enables a better evaluation of Bonava's financial position and earnings. The key ratios for 2013–2015 below are unaudited but have been calculated on the basis of the figures in the Audited Combined Financial Statements 2013–2015, which have been audited by the Company's auditor. For definitions of key ratios, see "Definitions" in the section Key performance indicators.

SEK M unless otherwise stated	2013	2014	2015	2016	2017
Profitability ratios					
Return on capital employed, % ²⁾	6.0	8.4	12.5	14.6	16.6
Financial ratios at period-end					
Interest-coverage ratio, times ²⁾	1.7	2.4	3.9	5.4	8.3
Equity/assets ratio, %	3.7	2.1	30.5	33.7	33.7
Interest-bearing liabilities/total assets, %	63.6	65.8	32.8	26.7	27.2
Net debt	8,826	9,600	4,216	3,699	4,165
Net debt, excl. tenant-owner associations and housing companies	7,036	7,422	1,039	75	-168
Debt/equity ratio, times	16.2	28.4	0.9	0.7	0.6
Capital employed at period end	9,978	10,688	9,811	10,134	12,003
Capital employed, average	10,300	10,885	10,882	10,412	11,419
Capital turnover rate, times ²⁾	0.9	0.9	1.2	1.3	1.3
Share of risk-bearing capital, %	3.7	2.1	30.5	33.8	33.8
Average interest rate, at period end, % ³⁾	3.48	3.26	3.06	3.75	2.86
Average period of fixed interest, year ³⁾	0.3	0.2	0.2	0.3	0.2
Average interest rate, at period end, % ⁴⁾	2.65	1.76	1.26	1.35	1.40
Average period of fixed interest, year ⁴⁾	0.1	0.1	0.1	0.1	0.1
Per share data before and after dilution					
Profit after tax, SEK	1.78	4.15	7.36	9.26	12.99
Cash flow from operating activities, SEK	3.03	-0.86	13.37	6.54	0.79
Dividend, SEK ⁵⁾	0	0	0	3.80	5.20
Shareholders' equity, SEK	4.76	2.71	43.08	52.25	61.48
Number of shares in million, average	108.4	108.4	108.4	108.4	108.0

¹⁾ The historical financial key ratios are affected by Bonava's historical capital structure, since it, as a business area within the NCC group, has not reflected the capital structure of an independent, publicly traded company. Accordingly, a shareholders' contribution of approximately SEK 5 billion was provided in late 2015 via a receivable from NCC. This transaction is presented in other capital contributions in Bonava.

²⁾ Calculations are made on the basis of a 12-month average.

³⁾ Excluding loans in Swedish tenant owner associations and Finnish housing companies. For more information, see the heading "Indebtedness pertaining to tenant owner associations and housing companies" in the section "Capital structure and other financial information".

⁴⁾ Pertains to loans in Swedish tenant owner associations and Finnish housing companies. For more information, see the heading "Indebtedness pertaining to tenant owner associations and housing companies" in the section "Capital structure and other financial information".

⁵⁾ Dividend for 2017 is the Board of Director's proposal to the Annual General Meeting.

Key ratios housing units

Bonava (no. of housing units unless otherwise indicated)	2013	2014	2015	2016	2017
Building rights, at period end	33,200	31,300	29,100	28,000	31,400
Of which, off-balance sheet building rights	13,200	9,800	11,000	10,500	14,600
Housing development for consumers					
Profit-recognised housing units during the period	2,951	3,661	3,968	4,371	4,294
Production starts during the period	3,715	4,503	4,452	4,041	4,984
Housing units sold during the period	3,747	4,575	4,542	4,311	3,984
Housing units in ongoing production, at period end	4,831	5,952	6,432	6,158	6,844
Sales rate, ongoing production, at period end, %	47	58	60	63	54
Reservation rate, ongoing production, at period end, %	9	12	6	6	3
Completion rate, ongoing production, at period end, %	49	45	46	49	44
Completed housing units, not profit-recognised, at period end	717	438	429	373	377
Housing units for sale (ongoing and completed), at period end	2,884	2,812	2,713	2,440	3,443
Completed unsold housing units	342	314	156	180	284
Housing development for investors					
Profit-recognised housing units during the period	903	1,393	1,768	407	1,170
Production starts during the period	1,095	1,445	1,904	1,791	1,718
Housing units sold during the period	1,129	1,472	1,773	1,922	1,718
Housing units in ongoing production, at period end	1,552	1,735	2,346	2,955	3,036
Sales rate, ongoing production, at period end, %	98	100	94	100	100
Completion rate, ongoing production, at period end, %	38	65	69	40	32
Completed housing units, not profit-recognised, at period end					
Housing units for sale (ongoing and completed), at period end	27		131		

Housing development for consumers	2013	2014	2015	2016	2017
Housing units in ongoing production, at period start	4,391	4,831	5,952	6,432	6,158
Changed evaluation of number of housing units in production at period start			-13		
Production starts during the period	3,715	4,503	4,452	4,041	4,984
Profit-recognised housing units during the period	-2,951	-3,661	-3,968	-4,371	-4,294
Decrease (+)/increase (-) in completed housing units, not profit-recognised at period end	-324	279	9	56	-4
Housing units in ongoing production, at period end	4,831	5,952	6,432	6,158	6,844
Housing development for investors					
Housing units in ongoing production, at period start	1,377	1,552	1,735	2,346	2,955
Production starts during the period	1,095	1,445	1,904	1,791	1,718
Profit-recognised housing units during the period	-903	-1,393	-1,768	-407	-1,170
Time offset between completion and profit-recognition in Bonava Finland ¹⁾	-17	131	475	-775	-467
Housing units in ongoing production, at period end	1,552	1,735	2,346	2,955	3,036

¹⁾ Up until 2015, Bonava Finland profit-recognised housing units for investors at the time of production start. Thus, there has been a time offset between years regarding profit-recognition and completion of housing units for investors. From 2016, profit-recognition of housing units to investors in Bonava Finland is made at the time of completion.

Annual General Meeting 2018

The Annual General Meeting will be held on Wednesday 25 April 2018 at 3 p.m. at Hotel Rival, Mariatorget 3 in Stockholm, Sweden.

PARTICIPATION

Shareholders wishing to participate at the AGM must

- be included in the share register kept by Euroclear Sweden AB by no later than Thursday 19 April 2018
- notify the company of their intention to participate by no later than Thursday 19 April 2018

REGISTRATION

To register

- go to Bonava's website, bonava.com/en/general-meeting/annual-general-meeting-2018
- on tel +46 (0)8 402 92 26 weekdays between 9 a.m. and 4 p.m
- by mail at
Bonava AB, c/o Euroclear Sweden AB
P.O. Box 191
101 23 Stockholm
Sweden

When registering their intention to attend, shareholders should provide their name, personal or corporate identity number, address, telephone number and the number of assistants. If participation is through Power of Attorney, the documentation should be submitted in good time before the AGM.

A template Power of Attorney is available for download on our website, bonava.com

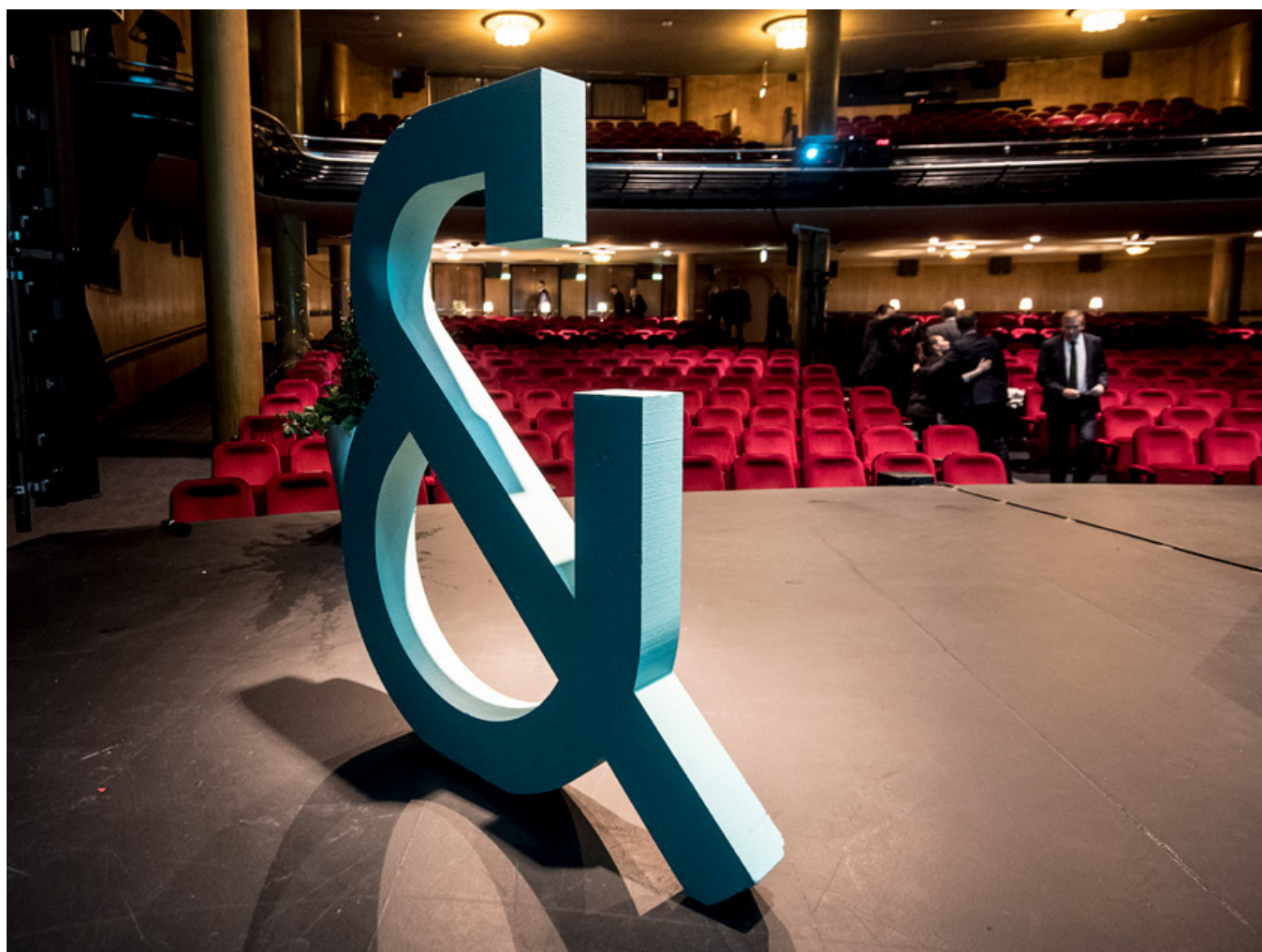
NOMINEE-REGISTERED HOLDINGS

In addition to registering their participation in the AGM with the company, shareholders with nominee-registered holdings must temporarily re-register their share in their own name in the share register (voting right registration) to be entitled to participate in the AGM. In order for such registration to be complete by Thursday 19 April 2018, shareholders should contact their bank or fund manager in good time before that date.

PROPOSED DIVIDEND

The Board of Directors proposes a dividend of SEK 5.20 SEK per share, divided into two payments. The first payment of SEK 2.60 per share is proposed for 3 May 2018, and the second payment of SEK 2.60 per share is proposed for 31 October 2018.

For more information: ir@bonava.com, bonava.com





Production: Bonava in partnership with Hallvarsson & Halvarsson.

Photograph/Photo Agency: Anders Lindén, cover page, 11, 12, 19, 27, 31, 33, 48, 53, 60, 93, 122. Erik Mårtensson, p. 7. Sylvia Heyn (Bonava), p. 7. Pontus Orre, p. 8, 63, 70, 71, 76, 82, 83, 84, 85, 152. Miodrag Gajic, p. 13. Karolina Grabowska, p. 14. Nicho S^dling, p. 15. EVE Images, p. 17, 29, 40. Steffen Höft, p. 17. Bonava, p. 23, 25, 43, 45, 47, 51. Anders Bergstedt, p. 28. Dalibor Sandic, p. 30. Lappset Group Ltd, p. 30. Diakrit, p. 38, 54, 55. Tim Deussen/Rainer Rehfeld, p. 41. Sylvia Heyn (Bonava), p. 41. JKMM & Vismo, p. 45. Denisov Denis p. 56.

Print: TMG Stockholm 2018.

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