

GROWTH JOURNEY CONTINUES WITH STRENGTHENED MARGIN

OCTOBER–DECEMBER 2017

- Income amounted to SEK 1,732 million (1,266), an increase of 37 percent
- Operating profit amounted to SEK 210 million (34) and the operating margin was 12.1 percent (2.7)
- Order bookings amounted to SEK 152 million (26)
- Earnings per share after dilution amounted to SEK 6.49 (1.21)
- Operating income for the contracting operations amounted to SEK 60 million (31) and operating margin to 3.5 percent (2.5)
- Cash flow from operating activities amounted to a negative SEK 138 million (52)
- Order bookings amounted to SEK 1,898 million (1,650)
- The detailed development plan for Karlstaden has gained legal force
- Managed properties have been revalued with a net increase of SEK 209 million (0)

JANUARY–DECEMBER 2017

- Income amounted to SEK 5,605 million (3,978), an increase of 41 percent
- Operating profit amounted to SEK 419 million (411) and the operating margin was 7.5 percent (10.3)
- Order bookings amounted to SEK 323 million (394)
- Earnings per share after dilution amounted to SEK 13.81 (21.22)
- The equity/assets ratio was 41.3 percent (42.7)
- Cash flow from operating activities amounted to SEK 47 million (45)
- Order bookings amounted to SEK 6,400 million (5,539)
- Order backlog amounted to SEK 7,965 million (7,041)
- The Board proposes a dividend of SEK 4 (0) for 2017

SEK million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Income	1,732	1,266	5,605	3,978
Operating profit	210	34	419	411
Operating margin, %	12.1	2.7	7.5	10.3
Profit/loss for the period	152	26	323	394
Earnings per share, SEK, before dilution	6.54	1.26	13.94	22.40
Earnings per share, SEK, after dilution	6.49	1.21	13.81	21.22
Equity per share, SEK, after dilution	77.73	62.83	77.73	62.83
Equity/assets ratio, %	41.3	42.7	41.3	42.7
Net debt	254	-37	254	-37
Net debt/equity ratio, %	13.9	-2.5	13.9	-2.5
Order bookings	1,898	1,650	6,400	5,539
Order backlog	7,965	7,041	7,965	7,041

CEO STATEMENT

Continued profitable growth and proof of the potential of our overall offering.

The Group showed growth of 37 percent in the fourth quarter. Income increased to SEK 1,732 million (1,266), with operating profit of SEK 210 million (34).

Construction continues to grow with stable profitability. Income for Construction in the fourth quarter increased by 39 percent to SEK 1,511 million (1,089), with a retained operating margin of 3.7 percent. Operating margin for the full year 2017 increased to 3.7 percent (2.7), which shows that we can, as a priority objective, continue to combine profitability and growth over the long-term. For the full year 2017, the order book for Construction has grown to SEK 7,649 million (6,753). During the period, two collaboration agreements were also entered into – with the Swedish Exhibition and Congress Centre Group, and with Akademiska Hus for the School of Business, Economics and Law at the University of Gothenburg. Both are good examples of major strategic projects for which we collaborate from start to finish with clients. These projects will be booked upon entering into contracting agreements before the start of production.

Civil Engineering has reversed a loss to now show a profit, again demonstrating that it has moved beyond a difficult construction phase to enter 2018 with good control and a stable organization. Income in the fourth quarter increased by 28 percent to SEK 208 million (162) with an operating margin of 1.9 percent (negative 5.6). The order backlog has also increased to SEK 316 million (288). We aim to increase sales while being selective in which orders we bid on, to ensure that profitability continues to develop well.

Project Development has more projects underway than previously and increased income to SEK 53 million (37). Despite a turbulent market with a great deal of focus mainly on high-priced centrally-located tenant-owner apartments, our assessment is that demand remains high, on a national level, for good housing in the right locations and at the right price. This is very much in line with how our project portfolio is structured.

Property shows why its holdings at S  ve are an important complement to the Group's offering. The initial acquisition of S  ve Flygplats included a lease on the adjacent S  ve Dep   property, which restricted possibilities for other players but also gave Serneke an exclusive opportunity to acquire S  ve Dep   at a favorable price. This type of complementary



acquisition, opening possibilities to generate value, offers a good example of the potential in our business area Property.

Milestone reached for the Group

In December, the Group passed the 1,000-employee mark. It is with great pride and humility that I'm able to say that so many have chosen to be part of our vision of the Serneke Group. Without the hard work of all our dedicated employees, we would never have gotten to where we are today. The challenge is to continue to be a long-term sustainable employer that allows employees to develop and contribute based on their individual capabilities and circumstances. We will continue to maintain the high level of our core values and retain our unique corporate culture. Over time, this is what will attract new colleagues and is what makes us all proud to be part of the team on this journey together. Being the industry's most attractive employer is, and will continue to be, one of our primary objectives.

Milestone reached for Karlstaden

In December, the detailed development plan for our project Karlstaden gained legal force. It is extremely satisfying that we have now passed this milestone, which allows us to further develop the area for housing, offices, commerce and everything else that characterizes a living urban environment. Throughout, the process has involved a good collaboration with the City of Gothenburg and a common ambition to create a vibrant and inviting city center that is open to all. We look forward to starting construction of this unique district in 2018.

Ola Serneke, President and CEO

GROUP DEVELOPMENT

ORDER BOOKINGS AND ORDER BACKLOG

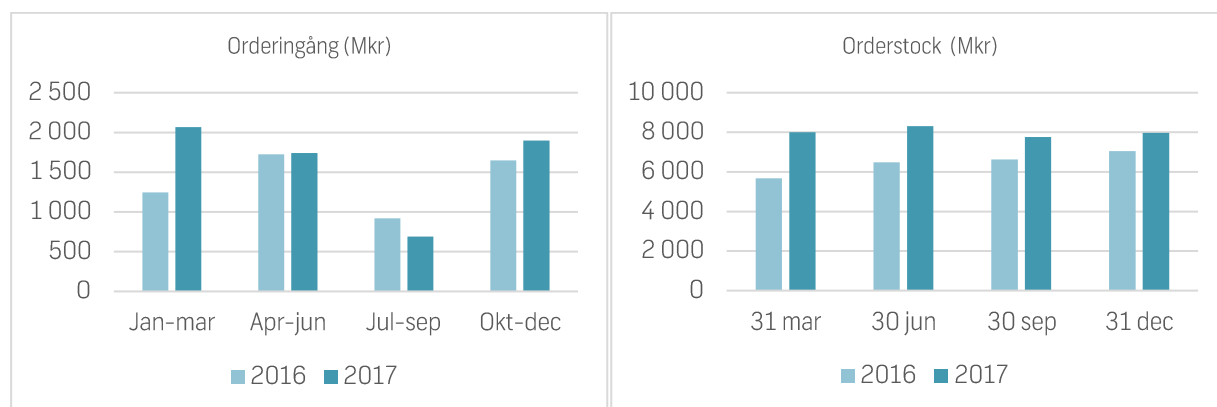
Order bookings during the fourth quarter amounted to SEK 1,898 million (1,650) and SEK 6,400 million (5,539) for the January–December period. The Group is experiencing continued high demand in the market. Order bookings during the fourth quarter consisted primarily of housing projects with public-sector clients. The metropolitan areas of Stockholm, Gothenburg and

Malmö are continuing to be the Group's most important markets.

The Group's order backlog at the end of the fourth quarter amounted to SEK 7,965 million (7,041).

Order bookings	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
SEK million	2017	2016	2017	2016
Construction	1,818	1,364	5,815	5,029
Civil Engineering	80	286	585	510
Group	1,898	1,650	6,400	5,539

Order backlog	Dec 31	Dec 31
SEK million	2017	2016
Construction	7,649	6,753
Civil Engineering	316	288
Group	7,965	7,041



NEW ASSIGNMENTS DURING THE PERIOD OCTOBER–DECEMBER 2017

Listed below are the Group's new projects for more than SEK 100 million:

Assignment	Location	Client	Order value (SEK million)	Anticipated start of construction
Rental Apartments	Halmstad	Halmstad Fastigheter AB	240	First quarter 2018
Rental Apartments	Stockholm	Stockholmshem	330	Fourth quarter 2017
Tenant-owner Apartments	Gothenburg	HSB	275	Fourth quarter 2017
Hotel	Halmstad	Magnolia	230	Second quarter 2018
Hotel	Lund	Magnolia	194	Second quarter 2018
Kulturcentrum	Falkenberg	Falkenberg Municipality	195	Second quarter 2018

INCOME AND PROFIT

The operations of the Serneke Group are organized into four business areas: Construction, Civil Engineering, Project Development and Property Management.

GROUP				
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
SEK million	2017	2016	2017	2016
Income	1,732	1,266	5,605	3,978
Operating profit	210	34	419	411
Net financial items	-4	-5	-18	-17
Earnings after financial items	206	29	401	394
Profit/loss for the period	152	26	323	394

OCTOBER–DECEMBER 2017

Consolidated income amounted to SEK 1,732 million (1,266), an increase of 37 percent compared with the corresponding quarter the previous year. All business areas increased their sales during the quarter. Activities for the contracting operations continued at a high level, and sales increased by 37 percent.

Operating profit amounted to SEK 210 million (34). The contracting operations showed a significantly improved operating profit of SEK 60 million (31), an increase of 94 percent. Profitability was strengthened further and operating margin amounted to 3.5 percent (2.5) for the contracting operations. During the fourth quarter, operating profit amounted to SEK 209 million (0), and share in profit of associated companies and joint ventures amounted to a loss of SEK 26 million (profit 4).

Net financial items amounted to negative SEK 4 million (5) and the Group reported a tax expense of SEK 54 million (3), mainly due to changes in deferred tax attributable to loss carryforwards.

Profit after tax amounted to SEK 152 million (26) and earnings per share for the quarter were SEK 6.54 (1.26).

income amounted to SEK 5,542 million (3,684), an increase of 50 percent compared with the corresponding quarter the previous year.

Operating profit amounted to SEK 419 million (411), of which contracting activities amounted to SEK 184 million (50), an increase of 268 percent. During the period, changes in value of investment properties had a positive impact on operating profit of SEK 238 million (42), and share in profit of associated companies and joint ventures amounted to SEK 26 million (0).

During the second quarter of 2016, the company carried out its largest transaction so far as 50 percent of Karlstaden project was divested, which generated income of SEK 318 million and operating profit of SEK 444 million, affecting comparative figures.

Net financial items amounted to negative SEK 18 million (17) and the Group reported a tax expense of SEK 78 million (0), mainly due to changes in deferred tax attributable to loss carryforwards.

Profit after tax amounted to SEK 323 million (394) and earnings per share for the period were SEK 13.94 (22.40).

JANUARY–DECEMBER 2017

Consolidated income amounted to SEK 5,605 million (3,978), an increase of 41 percent compared with the corresponding period the previous year. Consolidated

SALES

	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
SEK million	2017	2016	2017	2016
Construction	1,511	1,089	4,919	3,229
Civil Engineering	208	162	623	455
Project Development	53	37	212	373
Property Management	18	8	51	15
<i>Group-wide</i>	<i>37</i>	<i>27</i>	<i>108</i>	<i>99</i>
<i>Eliminations</i>	<i>-95</i>	<i>-57</i>	<i>-308</i>	<i>-193</i>
Total	1,732	1,266	5,605	3,978

OPERATING PROFIT

	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
SEK million	2017	2016	2017	2016
Construction	56	40	183	86
Civil Engineering	4	-9	1	-36
Project Development	15	5	65	334
Property Management	182	10	213	37
<i>Group-wide*</i>	<i>-47</i>	<i>-12</i>	<i>-43</i>	<i>-10</i>
Total	210	34	419	411
Net financial items	-4	-5	-18	-17
Profit after financial items	206	29	401	394

* Group-wide: Other operations are reported under Group-wide – and consist of key companies, Group functions and elimination of intra-Group profit. In the fourth quarter, a Group-wide provision has also been made.

Seasonal variations

Serneke's operations largely lack clear seasonal effects. The contracting operations (Business Areas Construction and Civil Engineering) normally experience lower activity in the first quarter of the year due to fewer production

days and, to a greater extent than normal, the effects of weather during the winter months. Profits are also affected by public holidays falling within a certain interim period, leading to fewer production days.

FINANCIAL POSITION

SEK million	Dec 31 2017	Dec 31 2016
Total assets	4,404	3,437
Total equity	1,821	1,469
Net debt	254	-37
Cash and cash equivalents	431	571
Equity/assets ratio, %	41.3	42.7

The consolidated balance sheet total amounted to SEK 4,404 million (3,437) as at December 31, and the equity/assets ratio was 41.3 percent (42.7). At the end of the period, the Group's cash and cash equivalents, including unutilized credit facilities, amounted to SEK 631 million (771).

Shareholders' equity increased during the period and amounted to SEK 821 million (1,469) as at December 31.

CASH FLOW

OCTOBER–DECEMBER 2017

Cash flow from operating activities amounted to negative SEK 138 million (52). The change is mainly due to increased tied-up capital compared with the corresponding quarter the previous year. Cash flow from investments amounted to negative SEK 168 million (11), of which acquisition of investment properties amounted to negative SEK 150 million (-). Cash flow from financing activities amounted to SEK 86 million (423) and mainly relates to newly raised borrowings. The previous year, cash flow was affected by SEK 598 million, due to financing activities for the new share issue in connection with the IPO. Cash flow for the period amounted to negative SEK 220 million (positive 360).

EMPLOYEES

The average number of employees was 1,001 individuals during the period October–December 2017, compared

Net debt amounted to SEK 254 million (37) as at December 31, 2017. The net debt/equity ratio was 13.9 percent (negative 2.5) and the average interest rate was 3.94 percent (4.49). Unutilized committed credit facilities amounted to SEK 200 million (200) at year-end. The bank overdraft with Nordea carries a covenant, which means that the Group shall have an equity/assets ratio of 25 percent.

with 847 people in the corresponding period the previous year.

JANUARY – DECEMBER 2017

Cash flow from operating activities amounted to SEK 47 million (45). Cash flow from the underlying operating profit has improved, but at the same time an increase in tied-up capital has reduced cash flow. This has resulted in cash flow from operating activities in line with the previous year.

Cash flow from investments amounted to negative SEK 319 million (201). This is mainly due to acquisition of investment properties but also changes in investment activities.

Cash flow from financing activities amounted to SEK 132 million (716) and mainly relates to changes in borrowing. Cash flow for the period amounted to negative SEK 140 million (positive 560).

BUSINESS AREA CONSTRUCTION

All of the Group's construction-related operations are conducted within Business Area Construction. The business area performs works for both external customers, as well as with Business Areas Project Development and Property Management.

SEK million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Income	1,511	1,089	4,919	3,229
Operating profit	56	40	183	86
Operating margin, %	3.7	3.7	3.7	2.7
Order bookings	1,818	1,364	5,815	5,029
Order backlog	7,649	6,753	7,649	6,753
Average number of employees	734	646	696	593

OCTOBER – DECEMBER 2017

Income amounted to SEK 1,511 million (1,089), an increase of 39 percent and operating profit amounted to SEK 56 million (40), which corresponds to an increase of 40 percent. The operating margin was 3.7 percent (3.7). The increase in earnings compared with the corresponding quarter of 2016 is mainly due to more and larger projects in full production.

Order bookings amounted to SEK 1,818 million (1,364). The Construction business area sees continued good demand in the market and is continuing with its strategic plan to compete with market leaders for major projects. During the period, important project planning agreements were entered into, which are expected to be included in the order backlog upon first being transferred to a production phase. New assignments during the quarter were mainly within the housing sector with public-sector clients, but two agreements were entered into for building hotels in Halmstad and Lund.

JANUARY – DECEMBER 2017

Income amounted to SEK 4,919 million (3,229), an increase of 52 percent, and operating profit amounted to SEK 183 million (86), which corresponds to an increase of 113 percent.

The operating margin for the period was 3.7 percent (2.7). The improvement in profit and margin over the corresponding period in 2016 is mainly explained by more and larger projects in full production with a better operating margin.

Order bookings amounted to SEK 5,815 million (5,029) and at the end of the period, total order backlog amounted to SEK 7,649 million (6,753), an increase of 13 percent.



Serneke will, on behalf of Stockholmshem, build 160 residences in Årsta in southern Stockholm. In addition to housing, the project includes a preschool, a garage and a number of complementary buildings. Planning will commence in December 2017 and the project will continue until the second quarter of 2021.

BUSINESS AREA CIVIL ENGINEERING

All of the Group's civil engineering and infrastructure-related operations are conducted within Business Area Civil Engineering. The business area operates in local markets with both national and regional infrastructure projects and maintenance services. The business area performs works for both external customers, as well as the Group's other business areas.

SEK million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Income	208	162	623	455
Operating profit	4	-9	1	-36
Operating margin, %	1.9	-5.6	0.2	-7.9
Order bookings	80	286	585	510
Order backlog	316	288	316	288
Average number of employees	151	117	141	118

OCTOBER – DECEMBER 2017

Income amounted to SEK 208 million (162), an increase of 28 percent over the fourth quarter of 2016. Operating profit amounted to SEK 4 million (negative 9) and the operating margin was 1.9 percent (negative 5.6). The business area has made major changes with the aim of gradually improving profitability. This has had a major impact, and we are able to show a positive operating profit for the second quarter in a row.

Order bookings amounted to SEK 80 million (286) and at the end of the period, total order backlog amounted to SEK 316 million (288).

JANUARY – DECEMBER 2017

Income amounted to SEK 623 million (455), an increase of 37 percent and operating profit amounted to SEK 1 million (negative 36). The operating margin was 0.2 percent (negative 7.9).

Order bookings amounted to SEK 585 million (510) and at the end of the period, total order backlog amounted to SEK 316 million (288), an increase of 10 percent.

BUSINESS AREA PROJECT DEVELOPMENT

Business Area Project Development includes Serneke's development of housing and commercial properties. Project development is performed through wholly owned projects or in collaboration with third parties through associates.

SEK million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Income	53	37	212	373
Share in profit of associates and joint ventures	1	-	38	-
Operating profit	15	5	65	334
Average number of employees	41	24	34	20

OCTOBER – DECEMBER 2017

Income amounted to SEK 53 million (37), an increase of 43 percent. The increase in income is explained by the fact that there are more projects underway than in the corresponding period the previous year.

Operating profit amounted to SEK 15 million (5), which was partly due to positive results in ongoing projects but also realized profits as a result of the detailed development plan for the Karlstaden project gaining legal force in December.

Share in profit/loss of associated companies and joint ventures affected earnings by SEK 1 million (-).

JANUARY – DECEMBER 2017

Income during the period amounted to SEK 212 million (373) and was mainly attributable to project income from housing projects and the sale of the Mälardalen University project. Operating profit amounted to SEK 65 million (334), of which SEK 70 million was attributable to the Mälardalen University project, SEK 38 million of which was reported as share in profit of associated companies and joint ventures.

During the second quarter of 2016, the company carried out its largest transaction so far as 50 percent of Karlstaden project was divested, which generated income of SEK 318 million and operating profit of SEK 444 million, affecting comparative figures.

JV Karlastaden

Serneke is a partner in a joint venture with NREP, in which the parties each own 50 percent. Serneke recognizes its holdings as a participation in joint ventures in the consolidated balance sheet.

Karlastaden is a project that will accommodate approximately 2,000 homes and 70,000 square meters of commercial space. The area will also be the site of the Nordic region's tallest residential building, Karlatornet. The estimated project value is approximately SEK 13 billion over a five-year period. Through the joint venture company, sales of tenant-owner homes will begin in the autumn 2018.

In December 2017, the detailed development plan for Karlastaden gained legal force, clearing the way for determining an official construction start for the Karlatornet tower, the first and largest building in the district. Currently, extensive ground improvement is being carried out for foundation reinforcement for Karlatornet, which is scheduled for completion in summer 2018. After that, the ambition is to begin the work of erecting what will be the tallest building in the Nordic region. The intention is for Karlatornet to be ready by 2021.

The Group's share of JV Karlastaden

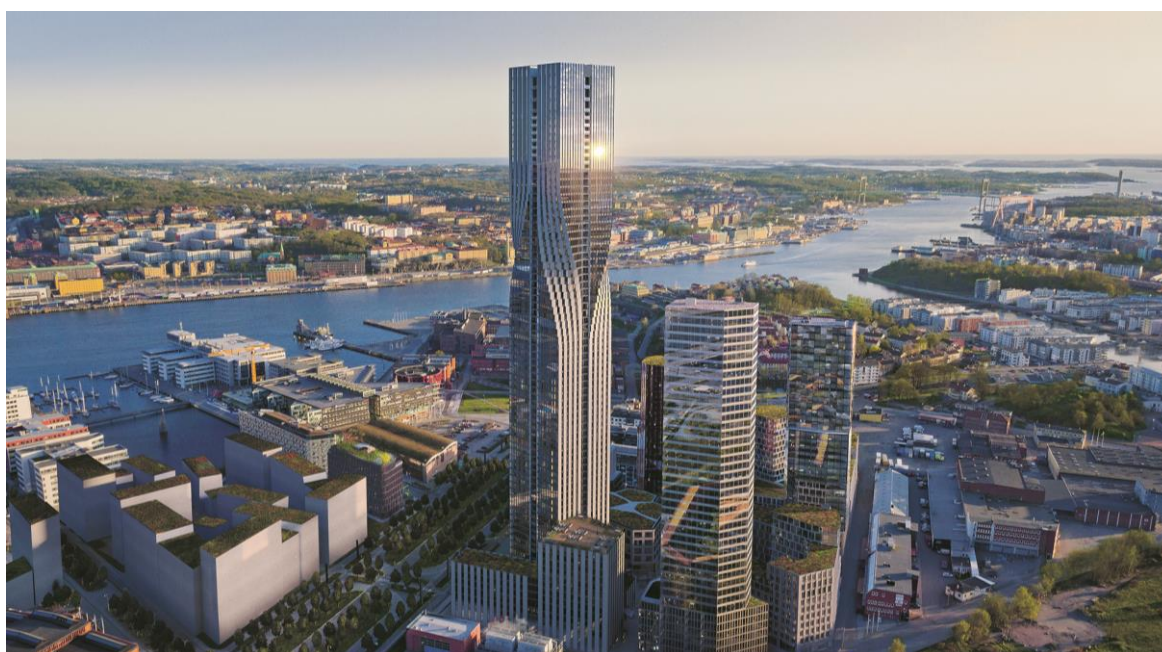
	Dec 31	Dec 31
SEK million	2017	2016
Ownership share %	50	50
Share of equity	356	323
Share in profit	-1	0

Income statement JV

	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
SEK million	2017	2016	2017	2016
Income	0	1	2	2
Profit for the year	4	0	-2	0

Balance sheet JV

SEK million	Dec 31	Dec 31
	2017	2016
ASSETS		
Properties	688	333
Other assets	95	19
Total assets	783	352
EQUITY AND LIABILITIES		
Shareholders' equity	106	10
Interest-bearing liabilities	523	302
Other liabilities	154	40
Total equity and liabilities	783	352



Karlastaden and the Karlatornet tower at Lindholmen in Gothenburg.

SUMMARY OF PROJECT PORTFOLIO AS AT DECEMBER 31, 2017

Estimated areas are explained by new detailed development plans not yet adopted

Project	Municipality	Estimated area (m2 GFA)	Type	Planning phase	Type of asset	Proportion of capital (%)
Utby 20:1 (part)	Ale	8,130	Housing	Planning in progress	Agreed development rights not yet taken into possession	100
Ingared 5:274 and 5:240 (part)	Alingsås	561	Housing	Detailed development plan	Development rights on own balance sheet	100
Jägaren 10	Alingsås	2,499	Housing	Planning in progress	Development rights on own balance sheet	100
Björnflokan 5	Borås	24,500	Residential/commercial	Planning in progress	Development rights on own balance sheet	100
Karlstaden	Gothenburg	239,788	Residential/commercial	Planning in progress	joint venture	50
Gårdsten 7:1, 45:1 (part) and 10:10 (part)	Gothenburg	26,500	Residential/commercial	Planning in progress	Agreed development rights not yet taken into possession	100
Gårdsten 45:24	Gothenburg	82,100	Industry/warehousing	Detailed development plan	Development rights on own balance sheet	100
Lorensberg 706:32	Gothenburg	25,000	Residential/commercial	Pre-planning	Agreed development rights not yet taken into possession	100
Oceanhamnen, Kvarter 3A	Helsingborg	4,750	Housing	Detailed development plan	Agreed development rights not yet taken into possession	100
Jäntan 2	Landskrona	19,700	Residential/commercial	Planning in progress	Agreed development rights not yet taken into possession	100
Tomaten 1 (part)	Landskrona	8,000	Housing	Detailed development plan	Agreed development rights not yet taken into possession	100
Sege Park	MALMÖ	10,000	Housing	Planning in progress	Agreed development rights not yet taken into possession	100
Vägeröd 1:69	Lysekil	20,000	Housing	Planning in progress	Agreed development rights not yet taken into possession	100
Törnskogen 4:14 and Törnskogen 4:15	Sollentuna	8,396	Housing	Planning in progress	Development rights on own balance sheet	100
Fjällbacka 136:2 and 136:3	Tanum	2,500	Housing	Planning in progress	Agreed development rights not yet taken into possession	6
Koholmen 1:89	Tjörn	300	Housing	Detailed development plan	Development rights on own balance sheet	100
Järfälla Idrottsstad	Järfälla	123,738	Residential/commercial	Pre-planning	Agreed development rights not yet taken into possession	100
Fotkvarnen	Trollhättan	3,000	Housing	Planning in progress	Development rights on own balance sheet	100
Gullön 8	Trollhättan	2,000	Housing	Detailed development plan	Development rights on own balance sheet	100
Gullön 10	Trollhättan	3,000	Housing	Planning in progress	Agreed development rights not yet taken into possession	100
Nabbensberg	Vänersborg	3,300	Housing	Detailed development plan	Development rights on own balance sheet	100
Offerhällsparken park	Trollhättan	1,800	Housing	Detailed development plan appealed	Agreed development rights not yet taken into possession	100
Sadelmakaren	Strömstad	4,000	Housing	Detailed development plan	Development rights on own balance sheet	100
Kv Haren	Vänersborg	4,400	Housing	Detailed development plan appealed	Agreed development rights not yet taken into possession	100
Onsjö	Vänersborg	9,000	Housing	Detailed development plan	Agreed development rights not yet taken into possession	100
636,962						

The total book value of the project development portfolio amounted to SEK 283 million as at December 31, 2017 and is reported as project and development properties in

the balance sheet. Holdings in the Karlstaden project are reported as a joint venture under participations in associated companies and joint ventures in the balance

sheet, at a value of SEK 356 million as at December 31, 2017.

Serneke's estimates the value of the project portfolio at approximately SEK 1,814 million, based on an external valuation made in the fourth quarter of 2017.

Of the assessed value of the project portfolio of SEK 1,814 million, SEK 205 million represents the value of development rights on the Company's own balance sheet, agreed development rights of which the Company has yet to take possession are estimated at about SEK 704 million and development rights held through joint ventures or associates are estimated at approximately SEK 905 million.

Of the total project development portfolio of an estimated 636,962 square meters of gross floor area, options on development rights, that is, agreed development rights of which the Company has yet to take possession, accounted for 41 percent. The options pertain to properties located in different parts of the country, and agreements have been signed with various parties. The options can be utilized when the detailed development plan for each property gains legal force or building permit is granted. Only then is access gained and payment made.



In May, the municipal council in Järfälla decided to proceed with the plans to develop a whole new district in Veddasta together with Serneke. In addition to housing, schools, shops and hotels, a central part of the plan are sports facilities including an indoor ski circuit.

BUSINESS AREA PROPERTY MANAGEMENT

Business Area Property Management manages and develops properties for long-term capital appreciation. Commercial properties are managed. The business area is working actively to acquire properties with development potential and generate growth by investing, developing, streamlining and rationalizing property management. Investment properties are managed through wholly owned companies or in collaboration with third parties through associates.

SEK million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Income	18	8	51	15
Earnings from property management	-4	2	-7	-9
Changes in value of properties	209	0	228	42
Share in profit of associates and joint ventures	-23	8	-8	4
Operating profit	182	10	213	37
Average number of employees	14	10	14	3

OCTOBER – DECEMBER 2017

Income amounted to SEK 18 million (8), an increase of 125 percent. The increase in income is primarily due to increased rental income within Sävle Flygplats and surrounding properties.

The operating loss amounted to SEK 4 million (2).

Changes in value of the properties amounted to SEK 209 million (0), which is based on external valuations of all investment properties. The Sävle Depå property, which Serneke took possession of on September 1, was acquired through an exclusive process in which Serneke held a lease agreement on the property. In accordance with procedures, Serneke has assessed the market value of Sävle Depå, generating a profit effect of SEK 244 million.

The share in profit of associated companies amounted to a loss of SEK 23 million (profit 8), primarily attributable to the associate Änglagården Holding AB, which manages Prioritet Serneke Arena. The negative earnings for the period are attributable to changes in value in the arena. Property management earnings in the associated company for the period were in the form of a profit.

The total book value of the investment properties amounted to SEK 895 million as at December 31, compared with SEK 234 million in December 2016.

JANUARY – DECEMBER 2017

Income during the period amounted to SEK 51 million (15), an increase of 240 percent. The increase in income is primarily due to a growing property portfolio.

Property Management income amounted to negative SEK 7 million (9), of which a non-recurring expense of SEK 11 million relating to a provision for guaranteed net operating earnings attributable to associate Änglagården burdened the quarter. Adjusted for the provision for guaranteed net operating earnings, Property Management generated an operating profit.

Changes in value of properties amounted to SEK 228 million (42), and share in profit of associated companies for the period amounted to a loss of SEK 8 million (profit 4), mainly attributable to Änglagården Holding AB.

SUMMARY OF PROPERTY PORTFOLIO AS AT DECEMBER 31, 2017

Project	Property	Municipality	Land area (m²)	Lettable area (m²)		Letting ratio (%)	Ownership share (%)
				Housing	Commercial		
Investment properties							
Consinum Serneke Industrifastigheter	Kinna 24:133	Land	39,866	0	4,722	47	75
	Krattan 1	Alingsås	7,250	0	2,429	12	100
Säve Flygplats Property	Åseby	Gothenburg	2,100,225	0	22,999	82	100
Änglagården	Kviberg 741:191	Gothenburg	20,248	0	44,769	100	40
Härbärgat	Åseby 9:1	Gothenburg	17,470	0	6,325	51	100
HB Nolvik	Nolvik 9:1	Gothenburg	15,470	0	15,470	51	100
Tallhyddan	Sörhaga 2:1	Alingsås	5,100	0	350	0	100
Conpol	Golczewo	Poland	81,651	0	0	0	100
Säve Depå	Åseby 7:2	Gothenburg	1,138,300	0	19,037	14	100
Migmatit	Gothenburg Lindholmen 1:22	Gothenburg	8,937	0	9,856	94	100
Operating properties							
Alingsås Plåtmekano	Bulten 7	Alingsås	7,419	0	1,074	100	100
Nybergsgruppens Fastighet	Bulten 13	Alingsås	18,449	0	2,800	100	100
7H Bil AB	Kinna 24:191	Land	6,529	0	2,502	100	30

Änglagården Holding

Business Area Property Management owns 40 percent of Änglagården Holding AB, which, in turn, owns Prioritet Serneke Arena. Other shareholders are Prioritet Finans, which holds 50 percent, and Lommen Holding, which holds 10 percent.

The Group's share of Änglagården Holding AB SEK million	Dec 31 2017	Dec 31 2016
Ownership as a percentage	40	40
Share in associated companies*	83	91
Share in profit for the period	-8	3
Of which:		
Earnings from property management	20	18
Change in value of property	-28	-15

*) The Group's participation in the associate Änglagården Holding is calculated based on shareholders' equity less the preferential dividend right of SEK 55 million (77) which applies to the other shareholders. The closing value is subsequently reduced by an internal profit of SEK 19 million (19).

Income statement Änglagården Holding AB SEK million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Income	22	12	81	68
Profit for the year	-56	20	-20	43

Balance Sheet Änglagården Holding AB SEK million	Dec 31 2017	Dec 31 2016
ASSETS		
Properties	799	888
Other assets	207	215
Total assets	1,006	1,103
EQUITY AND LIABILITIES		
Shareholders' equity	310	352
Interest-bearing liabilities	478	488
Other liabilities	218	263
Total equity and liabilities	1,006	1,103

Other investment properties

Within the business area, some smaller properties are managed where rental of warehouses, garages and industrial premises is conducted for municipal activities and private activities via subsidiaries.

PARENT COMPANY

The operations of Serneke Group AB (publ) consist mainly of Group Management and Group-wide services.

Income for the October–December period amounted to SEK 33 million (24) and operating profit amounted to a negative SEK 22 million (9).

Income during the year amounted to SEK 117 million (88) and operating profit amounted to negative SEK 19 million (9).

The Parent Company is indirectly affected by the risks described in the section Significant risks and uncertainty factors.

RELATED-PARTY TRANSACTIONS

Related-party transactions in the Serneke Group are normally attributed to contracting assignments, financing and purchasing of consulting services. The main objective is to generate more transactions, primarily in the form of construction projects. These vary depending on the level of activity in the project operations.

The nature and extent of transactions by related parties can be found in the 2016 Annual Report, Note 34. Significant related party-transactions have taken place with the property company Adapta AB, JV Karlastaden and JV Project Mälardalen University, which in the third quarter became a wholly owned subsidiary. Transactions with related parties have been made on market terms. Transactions with Adapta AB are considered to constitute related-party transactions since the principal owner, Ludwig Mattsson, is a member of the Board of Serneke Group. The transactions consisted mainly of construction income and rental of Serneke's headquarters, and sales amounted to SEK 372 million and purchases to SEK 12 million as at December 31, 2017. Transactions with JV Karlastaden consist mainly of project income, and sales amounted to SEK 68 million as at December 31, 2017.

SIGNIFICANT RISKS AND UNCERTAINTIES

All business operations are associated with risk. Risks that are well managed can lead to opportunities and

create value, while risks that are not managed properly can result in damage and losses. Controlled risk taking is essential for good profitability. Serneke works with risk management from both a Group perspective and an operational perspective.

The capacity to identify, assess, manage and follow up risks is an important part of the governance and control of Serneke's business operations.

Certain significant risks are accounted for below.

External risks

- Political decisions, such as amended tax regulations, conditions of tenure, changed regulations on housing construction, infrastructure investments and municipal planning, could change the conditions of the market and of Serneke's operations.

Operational risks

- Project risks; Serneke operates in an industry in which various risks prevail involving both clients and suppliers. Large-scale and complicated disputes can be costly, time and resource intensive and may disrupt normal operations.
- The transaction for the sale of 50 percent of the Karlastaden project includes operational risks. In addition, the purchase consideration may be adjusted in the event that the development rights are resold at a price lower than that agreed between the parties in determining the purchase consideration. In accordance with the agreement, Serneke shall also be responsible for all property registration expenses and for certain other obligations and services involved in advancing the project, including decontamination, demolition and development measures. Serneke has estimated what the final cost is expected to be. In the event that Serneke's expenses and commitments become greater than expected, there could be a negative impact on Serneke's operations, results and financial position.

Financial risks

- Interest rate risks; interest rate risks, changes in interest rates could have a negative effect on

performance and financial position.

- Liquidity; liquidity risk is the risk of being unable to meet payment obligations.
- Financing; financing risk is the risk that financing cannot be secured or renewed on maturity or can only be obtained or renewed at significantly increased expense, which could have a significant negative impact on the Company's operations and financial position.
- Credit risks: Credit risk refers to the risk that the Company's customers and suppliers and sub-contractors are unable to meet their obligations.
- Risks in the financial reporting: Serneke's financial reporting based on the Group's accounting policies, which include estimates and assessments made of various balance sheet items' value, and of when and how income is reported. For certain areas, there is a significant risk of material adjustments to the carrying values of assets and liabilities in future periods, which could, in turn, affect important key indicators.

For further information on risks and uncertainties, see the published Annual Report for 2016 at www.serneke.group.

EVENTS AFTER THE REPORTING PERIOD

On August 27, 2014, an agreement was signed to acquire 100 percent of the shares in Värmdö Works AB. According to the agreement on contingent consideration, Serneke shall pay a variable purchase price based on the Company's operating profit for 2015 and cannot exceed SEK 30 million if operating profit should exceed SEK 40 million. Serneke and the seller of Värmdö Byggentreprenader AB are currently in dispute regarding the payment of an additional purchase consideration and the seller has initiated arbitration proceedings. Serneke's view is that the additional consideration should not be paid. The seller's opinion is that an additional purchase consideration of SEK 30 million should be paid. A ruling from the arbitration proceedings is to be issued in the first quarter of 2018.

PRESS RELEASES DURING THE FOURTH QUARTER 2017

Oct 3 Serneke secures further construction Halmstad

Oct 20 Serneke is building apartments for young people in Upplands Väsby

Oct 26 Serneke receives project assignments from Akademiska Hus for the School of Business, Economics and Law at the University of Gothenburg

Oct 31 Nomination Committee appointed for the Serneke Group AB Annual General Meeting 2018

Nov 17 Serneke to build 160 rental apartments in Årsta

Nov 24 Serneke to build 125 apartments for HSB Göteborg

Dec 18. New dates for financial reports 2018

Dec 20. Serneke to construct hotels in Halmstad and Lund

Dec 21. Serneke to build new knowledge and culture center in Falkenberg

Dec 21. Detailed development plan for Karlstad gains legal force

THE SERNEKE SHARE (SRNKE)

Serneke Group AB has two share series, Series A and B. Serneke had over 5,400 shareholders at March 31, 2017 and the closing price on December 31, 2017 was SEK 89.25.

Serneke's ten largest shareholders, December 31, 2017

Name	Shares of Series A	Shares of Series B	Total number of shares	Proportion of Shares, %	Proportion of votes, %
Ola Serneke Invest AB	3,710,000	2,331,354	6,041,354	25.99%	55.16%
Lommen Holding AB	540,000	3,457,803	3,997,803	17.20%	12.39%
Christer Larsson i Trollhättan AB	380,000	497,000	877,000	3.77%	6.01%
Ledge Ing AB	330,000	450,000	780,000	3.36%	5.25%
Vision Group i väst AB	250,000	536,000	786,000	3.38%	4.25%
AB Stratio	150,000	0	150,000	0.65%	2.10%
Carnegie Fonder	0	1,364,126	1,364,126	5.87%	1.91%
Svolder Aktiebolag	0	1,200,000	1,200,000	5.16%	1.68%
Cliens fonder	0	927,600	927,600	3.99%	1.30%
JPMEL – Stockholm Branch	0	425,000	425,000	1.83%	0.59%
Total, 10 largest	5,360,000	11,188,883	16,548,883	71.2%	90.64%
Other shareholders	0	6,699,569	6,699,569	28.8%	9.36%
Total	5,360,000	17,888,452	23,248,452	100%	100%

Source: Euroclear and Serneke

Share series, number of shares and votes, December 31, 2017

Share class	Shares	Votes
Series A shares	5,360,000	5,360,000.0
Series B shares	17,888,452	1,788,845.2
Total	23,248,452	7,148,845.2

INCENTIVE PROGRAMS

The Extraordinary General Meeting of June 29, 2016 resolved to issue convertible debentures with a nominal value of approximately SEK 15.9 million. The convertibles are valid up to and including August 26, 2019, carry 1.6 percent annual interest and have a conversion price of SEK 120. Upon conversion, a maximum of 132,350 Series B shares may be added and share capital may increase by a maximum of SEK 13,235. During the term of the convertibles, holders are entitled, on certain occasions, to request conversion into new Series B shares. At December 31, 2017, a total of 850 convertibles were converted to B shares and 131,500 convertibles remained.

At the Annual General Meeting of May 3, 2017, a long-term incentive program was adopted in the form of employee convertibles for employees in the Group. The program entails that the Company take a convertible loan of a maximum nominal value of SEK 20 million through the issue of convertibles. The subscribed amount amounted to approximately SEK 7.6 million, which means that a maximum of 48,503 Class B shares can increase share capital by no more than SEK 4,850.3 at full conversion. The conversion rate was fixed at SEK 157.70. The convertibles fall due September 8, 2020, provided conversion has not taken place before this date. The convertibles will carry an annual interest rate of 2.6 percent.

The decision to offer all employees convertibles was made on market terms whereby each employee was given the right to subscribe to convertibles. The purpose of the offers has been to boost long-term financial commitment among Serneke's employees. The employees have paid the market price for the convertibles received and the programs are not associated with any condition of continued employment or performance of the employee.

Serneke has assessed that the issue has been carried out on market terms and that the terms of the convertibles program are designed in such a way that no benefit exists for employees. Thus, no cost, in addition to interest, is recognized in relation to the convertibles.

FINANCIAL CALENDAR

Annual Report 2017 week 14 2018
Interim Report January–March 2018, May 3, 2018
Annual General Meeting 2017, May 3, 2018
Interim Report January–June 2018, July 17, 2018
Interim Report January–September 2018, October 24, 2018

The Board of Directors and the CEO certify that this Interim Report provides a fair overview of the Parent Company and Group's operations, position and performance and describes significant risks and uncertainties facing Serneke.

This report has not been reviewed by the Company's auditors.

Gothenburg, February 7, 2018
Serneke Group AB (publ)

Board

Kent Sander
Chairman

Mari Broman
Member

Ludwig Mattsson
Member

Ola Serneke
CEO

Anders Wennergren
Member

Kristina Willgård
Member

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This information is such that Serneke Group AB (publ) is obliged to publish pursuant to the EU Market Abuse Regulation. The information was submitted for publication on February 7, 2018, at 08:00 a.m.

QUARTERLY DATA AND MULTI-YEAR REVIEW

	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
SEK million	2017	2017	2017	2017	2016	2016	2016	2016
Income								
Construction	1,511	1,113	1,292	1,003	1,089	683	809	648
Civil Engineering	208	140	152	123	162	121	93	79
Project Development	53	56	53	50	37	11	323	2
Property Management	18	12	9	12	8	4	2	1
Group-wide	37	30	33	8	27	34	20	18
Eliminations	-95	-80	-75	-58	-57	-51	-38	-47
Total	1,732	1,271	1,464	1,138	1,266	802	1,209	701
Operating profit								
Construction	56	42	44	41	40	19	13	14
Civil Engineering	4	3	-2	-4	-9	-7	-12	-8
Project Development	15	3	47	0	5	-6	343	-8
Property Management	182	17	3	11	10	46	-19	0
Group-wide	-47	2	3	-1	-12	13	-7	-4
Total	210	67	95	47	34	65	318	-6
Operating margin, %	12.1	5.3	6.5	4.1	2.7	8.1	26.3	-0.9
Profit after net financial items	206	62	93	40	29	60	313	-8
Profit/loss for the period	152	51	87	33	26	52	321	-5
Balance sheet								
Fixed assets	1,682	1,353	1,274	1,212	1,160	1,032	986	340
Current assets	2,722	2,615	2,514	2,393	2,277	1,826	1,520	1,405
Total assets	4,404	3,968	3,788	3,605	3,437	2,858	2,506	1,745
Shareholders' equity	1,821	1,669	1,621	1,530	1,469	822	769	448
Non-current liabilities	980	920	738	725	764	919	662	403
Current liabilities	1,603	1,379	1,429	1,350	1,204	1,117	1,075	894
Total equity and liabilities	4,404	3,968	3,788	3,605	3,437	2,858	2,506	1,745
Orders								
Order bookings	1,898	691	1,742	2,069	1,650	920	1,724	1,245
Order backlog	7,965	7,765	8,308	7,995	7,041	6,629	6,480	5,666
Employees								
Average number of employees	1,001	970	919	878	847	800	759	713

KEY INDICATORS

IFRS-based key indicators

SEK million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Income	1,732	1,266	5,605	3,978
Earnings per share, SEK, before dilution	6.54	1.26	13.94	22.40
Earnings per share, SEK, after dilution	6.49	1.21	13.81	21.22
Weighted average number of shares before dilution	23,248,452	20,665,163	23,169,394	17,590,630
Weighted average number of shares after dilution	23,428,455	21,486,014	23,396,120	18,567,901

Other key indicators

SEK million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Operating profit	210	34	419	411
Growth, %	36.8	25.3	40.9	28.0
Order bookings	1,898	1,650	6,400	5,539
Order backlog	7,965	7,041	7,965	7,041
Organic growth, %	34.8	25.3	39.1	28.0
Operating margin, %	12.1	2.7	7.5	10.3
Cash flow before financing	-306	-63	-272	-156
Cash flow from operations per share, before dilution	-5.94	-2.52	2.03	2.56
Cash flow from operations per share, after dilution	-5.89	-2.42	2.01	2.42
Equity per share, SEK, before dilution	78.33	64.67	78.33	64.67
Equity per share, SEK, after dilution	77.73	62.83	77.73	62.83
Working capital	1,119	1,073	1,119	1,073
Capital employed	2,516	1,985	2,516	1,985
Return on capital employed, %	21.6	31.8	21.6	31.8
Return on equity after taxes, %	19.6	41.0	19.6	41.0
Equity/assets ratio, %	41.3	42.7	41.3	42.7
Net debt	254	-37	254	-37
Net debt/equity ratio, %	13.9	-2.5	13.9	-2.5

SUMMARY FINANCIAL STATEMENTS

SUMMARY OF CONSOLIDATED INCOME STATEMENT

SEK million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Income	1,732	1,266	5,605	3,978
Production and administration expenses	-1,634	-1,203	-5,299	-3,738
Gross profit	98	63	306	240
Sales and administration expenses	-71	-33	-151	-97
Change in value of investment properties	209	0	238	42
Revaluation of joint ventures	0	-	0	226
Share in profit of associates and joint ventures	-26	4	26	0
Operating profit	210	34	419	411
Net financial items	-4	-5	-18	-17
Profit after financial items	206	29	401	394
Tax	-54	-3	-78	0
Profit/loss for the period	152	26	323	394
Attributable to:				
Parent Company shareholders	152	26	323	394
Non-controlling interests	-	-	-	-
Earnings per share before dilution, SEK	6.54	1.26	13.94	22.40
Earnings per share after dilution, SEK	6.49	1.21	13.81	21.22
Average number of shares before dilution	23,248,452	20,665,163	23,169,394	17,590,630
Average number of shares after dilution	23,428,455	21,486,014	23,396,120	18,567,901

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	2017	2016	2017	2016
Profit/loss for the period	152	26	323	394
Other comprehensive income	0	0	0	0
Total comprehensive income	152	26	323	394

CONDENSED CONSOLIDATED BALANCE SHEET

SEK million	Dec 31 2017	Dec 31 2016
Assets		
<i>Fixed assets</i>		
Intangible fixed assets	23	23
Investment properties	895	329
Other tangible fixed assets	95	75
Investments in associates/joint ventures	446	424
Deferred tax assets	0	48
Non-current interest-bearing receivables	10	30
Other non-current receivables	213	231
Total fixed assets	1,682	1,160
<i>Current assets</i>		
Project and development properties	283	242
Inventories	1	2
Accounts receivable	845	589
Accrued but not invoiced income	319	252
Other current receivables	843	621
Cash and bank balances	431	571
Total current assets	2,722	2,277
Total assets	4,404	3,437
Equity and liabilities		
Shareholders' equity	1,821	1,469
<i>Non-current liabilities</i>		
Non-current interest-bearing liabilities	641	436
Other non-current liabilities	152	208
Deferred tax liability	29	0
Other provisions	158	120
Total non-current liabilities	980	764
<i>Current liabilities</i>		
Current interest-bearing liabilities	54	128
Current tax liabilities	8	10
Accounts payable	799	541
Invoiced but not accrued income	297	172
Other current liabilities	445	353
Total current liabilities	1,603	1,204
Total equity and liabilities	4,404	3,437

SUMMARY OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

SEK million	Dec 31 2017	Dec 31 2016
Equity attributable to Parent Company shareholders		
Balance at beginning of period	1,469	453
New share issue	-	598
Conversion, convertible debenture loans	29	23
Convertible debentures – equity portion	-	1
Comprehensive income for the period	323	394
Balance at end of period	1,821	1,469

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
<i>Operating activities</i>				
Cash flow before change in working capital	36	20	179	-11
Change in working capital	-174	-72	-132	56
Cash flow from operating activities	-138	-52	47	45
<i>Investing activities</i>				
Acquisitions of investment properties	-150	-	-248	-175
Acquisitions of businesses	0	-	-8	-10
Increase/decrease in investing activities	-18	-11	-63	-16
Cash flow from investing activities	-168	-11	-319	-201
Cash flow before financing	-306	-63	-272	-156
<i>Financing activities</i>				
Convertible loan	0	-	8	16
Newly raised borrowings	102	-	218	547
New share issue		598		598
Amortization of liabilities	-5	-138	-79	-427
Increase/decrease in financing activities	-11	-37	-15	-18
Cash flow from financing activities	86	423	132	716
Cash flow for the period	-220	360	-140	560
Cash and cash equivalents at beginning of period	651	211	571	11
Cash and cash equivalents at end of the period	431	571	431	571

PARENT COMPANY CONDENSED INCOME STATEMENT

Parent Company condensed Income Statement				
SEK million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Income	33	24	117	88
Sales and administration expenses	-55	-33	-136	-97
Operating profit	-22	-9	-19	-9
Net financial items	-6	-4	-23	-9
Profit after financial items	-28	-13	-42	-18
Appropriations	33	-39	33	-39
Profit/loss before tax	5	-52	-9	-57
Tax	-27	8	-28	9
Profit/loss for the period	-22	-44	-37	-48

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Parent Company statement of comprehensive income				
SEK million	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Profit/loss for the period	-22	-44	-37	-48
Other comprehensive income	0	0	0	0
Total comprehensive income	-22	-44	-37	-48

PARENT COMPANY CONDENSED CONSOLIDATED BALANCE SHEET

Parent Company condensed consolidated balance sheet

SEK million	Dec 31 2017	Dec 31 2016
Assets		
<i>Fixed assets</i>		
Tangible fixed assets	5	6
Investments in Group companies	127	75
Deferred tax assets	29	54
Other non-current receivables	2	1
Total fixed assets	163	136
<i>Current assets</i>		
Project and development properties	3	3
Other current receivables	918	721
Cash and bank balances	392	476
Total current assets	1,313	1,200
Total assets	1,476	1,336
Equity and liabilities		
Shareholders' equity	679	683
<i>Non-current liabilities</i>		
Non-current interest-bearing liabilities	321	312
Other provisions	20	-
Total non-current liabilities	341	312
<i>Current liabilities</i>		
Current interest-bearing liabilities	1	27
Accounts payable	14	15
Other current liabilities	441	299
Total current liabilities	456	341
Total equity and liabilities	1,476	1,336

NOTES

NOTE 1 – Accounting policies

This Interim Report has been prepared in accordance with IAS 34, Interim Financial Reporting. The Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS), as well as interpretations of current International Financial Reporting Interpretations Committee (IFRIC) standards as adopted by the EU. The Parent Company's reports have been prepared in compliance with the Annual Accounts Act and the Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. New standards and interpretations have not had any material impact on the consolidated accounts. From June 2016, ESMA's guidelines on alternative key indicators are applied.

During the year, the Group acquired and sold assets through companies that were not deemed to be corporate acquisitions/disposals of business. IFRS lacks specific guidance for such transactions. The Group has therefore, in adopting an accounting policy that provides a fair picture of these transactions and reflects their implications, sought guidance in other standards addressing similar transactions, in accordance with IAS 8. Against this background, the Group has chosen to apply the relevant parts of the standard for business combinations, IFRS 3, in accounting for acquisitions and sales of assets through companies.

From 2018 on, IFRS 15 Revenue from Contracts with Customers replaces existing standards related to revenue recognition. Serneke has conducted an analysis of the effects of IFRS 15 and determined that application of the new rules does not result in any significant conversion effects in recognition of revenue. Serneke implements the standard with a forward-looking retroactive transition method.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement, from 2018. Serneke has conducted an analysis of the effects of IFRS 9, which shows that the new rules do not result in any significant conversion effects. Serneke will apply IFRS 9 retroactively.

In addition, the Interim Report has been prepared in accordance with the same accounting principles and calculation methods as in the Annual Report for 2016.

For detailed information regarding accounting policies, see Serneke's 2016 Annual Report, see www.serneke.se.

NOTE 2 – Financial assets and liabilities at fair value

Financial assets and financial liabilities measured at fair value in the balance sheet are classified according to one of three levels based on the information used to establish the fair value. The Group only holds financial assets and liabilities valued in level 3, which is why levels 1 and 2 have been omitted in the table below. No transfers have been made between the levels during the periods. A more detailed description of the levels can be found in Note 4 of the 2016 Annual Report.

Level 1 – Valuation is made according to prices in active markets for identical instruments.

Level 2 – Financial instruments for which the fair value is established based on valuation models that are based on observable data for the asset or liability other than quoted prices included in Level 1.

Level 3 – Financial instruments for which fair value is established based on valuation models where significant inputs are based on non-observable data.

Group	Dec 31	Dec 31
SEK million	2017	2016
Financial assets		
Available-for-sale financial assets*	2	1
Total financial assets	2	1
Financial liabilities		
Other short- and long-term liabilities	84	31
Of which, additional purchase considerations**	84	31
Total financial liabilities	84	31

* In the fair value calculation of available-for-sale financial assets at level 3, the market price method has been applied.

** In the fair value calculation of the additional purchase considerations at level 3, project estimates, budgets and forecasts have been applied.

For the Group's other financial assets and financial liabilities, the reported values are assessed as corresponding to FAIR VALUE. No significant changes in valuation models, assumptions or inputs were made during the period.

Note 3 Pledged assets and contingent liabilities

The Group pledges collateral for external loans. The Group's contingent liabilities arise primarily in connection with different property disposals, whereby various operational guarantees may occur, as well as performance guarantees for future contracts. Serneke Group AB (publ) has also entered into a guarantee undertaking, which means that the co-owners in Prioritet Serneke Arena are

jointly responsible for the correct fulfillment of interest and repayment of the associate's liabilities to credit institutions in the event that the associate is unable to pay.

Pledged assets and contingent liabilities in the consolidated balance sheet:

	Dec 31 2017	Dec 31 2016
Group		
Pledged assets	724	920
Contingent liabilities	547	243
Parent Company		
Pledged assets	320	222
Contingent liabilities	1,192	519

FINANCIAL DEFINITIONS

Indicator	Definition	Purpose
Income	Within the construction operations, income is reported in accordance with the percentage-of-completion method. This income is recognized in pace with construction project within the Company being completed. For project development, income and gains on disposals of land and development rights are recognized at the point in time at which the material risks and benefits are transferred to the buyer, which normally coincides with the transfer of ownership, as well as other income, such as rental income. In the Parent Company, income corresponds to invoiced sales of Group-wide services and rental income.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's earnings capacity.
Growth	Income for the period less income for the previous period divided by income for the previous period.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's capacity to increase its earnings.
Organic growth	Income for the period, adjusted for acquired growth, less income for the previous period, adjusted for acquired growth, divided by income for the previous period, adjusted for acquired growth.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's capacity to increase its income without acquiring operating companies.
Order bookings	The value of new projects and changes in existing projects during the period.	In Serneke's view, the key indicator allows investors, who so wish, to assess the Group's sales by Business Area Construction and Business Area Civil Engineering for the current period.
Order backlog	The value of the Company's undelivered orders at the end of the period.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's income through Business Area Construction and Business Area Civil Engineering in future periods.
Operating margin	Operating profit divided by income.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's profitability.
Operating capital	Current assets less current liabilities.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's tied-up capital in relation to its competitors.

Indicator	Definition	Purpose																																							
Capital employed	Consolidated total assets less deferred tax assets less non-interest-bearing liabilities including deferred tax liabilities. For the business areas, the net of Group-internal receivables and liabilities is also deducted.	In the Company's view, the key indicator allows investors, who so wish, to assess the total capital placed at the Company's disposal by shareholders and creditors.																																							
		<table> <tr> <td></td><td>Dec 31</td><td>Dec 31</td></tr> <tr> <td></td><td>2017</td><td>2016</td></tr> <tr> <td>Calculation of capital employed</td><td></td><td></td></tr> <tr> <td>Total assets</td><td>4,404</td><td>3,437</td></tr> <tr> <td>Deferred tax assets</td><td>0</td><td>-48</td></tr> <tr> <td>Less non-interest-bearing liabilities including deferred tax liabilities</td><td>-1,888</td><td>-1,404</td></tr> <tr> <td>Capital employed</td><td>2,516</td><td>1,985</td></tr> </table>		Dec 31	Dec 31		2017	2016	Calculation of capital employed			Total assets	4,404	3,437	Deferred tax assets	0	-48	Less non-interest-bearing liabilities including deferred tax liabilities	-1,888	-1,404	Capital employed	2,516	1,985																		
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Indicator	Definition	Purpose
Return on equity	Profit for the period as a percentage of average shareholders' equity. Accumulated interim periods are based on rolling 12-month earnings.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's capacity to generate a return on the capital shareholders have placed at the Company's disposal.
Equity/assets ratio	Shareholders' equity less minority interests as a percentage of total assets.	The equity/assets ratio shows the proportion of total assets represented by shareholders' equity and has been included to allow investors to be able to assess the Company's capital structure.
Net debt	Interest-bearing liabilities less liquid assets less interest-bearing receivables.	Net debt is a measure deemed relevant for creditors and credit rating agencies.
Net debt/equity ratio	Interest-bearing net debt divided by shareholders' equity.	Net debt/equity ratio is a measure deemed relevant for creditors and credit rating agencies.
Equity per share	Total equity according to the balance sheet divided by the number of shares outstanding on the closing date.	The Company believes that key indicators give investors a better understanding of historical return per share at the closing date.
Cash flow from operations per share	Cash flow from operating activities divided by the average number of shares during the period.	It is the Company's view that the key indicator gives investors a better understanding of the operations' cash flow in relation to the number of shares, adjusted for changes in the number of shares during the period.
Earnings per share	Profit for the period divided by the average number of shares during the period.	It is the Company's view that the key indicator gives investors a better understanding of profit per share.

SERNEKE IN BRIEF

Serneke is a rapidly growing corporate group active in construction, civil engineering, project development and property management with around 1,000 employees. Through novel thinking, we drive development and create more effective and more innovative solutions for responsible construction. The business has a good mix of

public and commercial assignments, providing strength over economic cycles.

Serneke's annual reports and other financial information are available under the tab Investors at www.serneke.group.

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Presentation of the year-end report January–December 2017

On February 7, 2018 at 09:00 a.m. (CET), Serneke Group will comment on this Interim Report in a conference call with an online presentation for investors, analysts and the media. The presentation will be in Swedish and can be followed live via webcast at www.serneke.group. Presentation materials for the presentation will be available on the website one hour before the webcast begins.

To participate, please dial:

From Sweden: 08-5664 2700

From the UK: +44 20 3008 9803