SERNEKE®

INTERIM REPORT JANUARY–SEPTEMBER 2019

FOCUS ON PROFITABILITY IMPROVEMENTS

JULY – SEPTEMBER 2019

- Order bookings amounted to SEK 1,792 million (1,236)
- Income amounted to SEK 1,376 million (1,359)
- The operating loss amounted to SEK 5 million (40)
- Cash flow from operating activities amounted to a negative SEK 164 million (9)
- The loss for the period amounted to SEK 27 million (55)
- Taking internal deliveries to Karlastaden into account, as well as accounting changes regarding tenant-owner projects, income amounted to SEK 1,476 million and operating profit to SEK 9 million. Cash flow from operating activities was adversely impacted in the amount of SEK 88 million by in-house production of tenant-owner apartments, and in the amount of SEK 39 million by internal deliveries to Karlastaden.
- Earnings per share after dilution amounted to a negative SEK 1.20 (2.42)

JANUARY – SEPTEMBER 2019

- Order bookings amounted to SEK 5,632 million (3,692)
- The order backlog amounted to SEK 7,662 million (7,303)
- Income amounted to SEK 4,472 million (4,525)
- Operating profit amounted to SEK 13 million (86)
- Cash flow from operating activities amounted to a negative SEK 728 million (1)
- The loss for the period amounted to SEK 19 million (profit 32)
- Taking internal deliveries to Karlastaden into account, as well as accounting changes regarding tenant-owner projects, income amounted to SEK 4,899 million and operating profit to SEK 63 million. Cash flow was adversely impacted in the amount of SEK 289 million by in-house production of tenant-owner apartments, and in the amount of SEK 132 million by internal deliveries to Karlastaden.
- Earnings per share after dilution amounted to a negative SEK 0.85 (positive 1.38)
- The equity/assets ratio was 39.3 percent (36.4)

SEK million	**Jul–Sep 2019**	Jul–Sep 2018	**Jan–Sep 2019**	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Income	1,376	1,359	4,472	4,525	6,463	6,516
Operating profit	-5	-40	13	86	522	595
Operating margin, %	-0.4	-2.9	0.3	1.9	8.1	9.1
Profit/loss for the period	-27	-55	-19	32	553	604
Earnings per share, SEK, before dilution	-1.20	-2.42	-0.85	1.39	24.61	26.37
Earnings per share, SEK, after dilution	-1.20	-2.42	-0.85	1.38	24.44	26.16
Equity per share, SEK, after dilution	99.55	74.98	99.55	74.98	99.55	100.47
Equity/assets ratio, %	39.3	36.4	39.3	36.4	39.3	40.9
Net debt	1,540	551	1,540	551	1,540	552
Net debt/EBITDA	2.7	1.7	2.7	1.7	2.7	0.9
Net debt/equity ratio, %	68.8	32.0	68.8	32.0	68.8	24.3
Order bookings	1,792	1,236	5,632	3,692	6,632	4,692
Order backlog	7,662	7,303	7,662	7,303	7,662	6,382

CEO STATEMENT

The third quarter of the year brought both bright moments and major challenges. I would also say it marked the beginning of a significant turning point.

The Karlatornet tower and the negotiations with a new partner have been our top priority and although this became more drawn out than we initially hoped, we are now in the final stage of what is potentially one of Sweden's largest property transactions.
In August, we announced an updated schedule for the construction of the Nordic region's tallest building, and we are very pleased say that 80 percent of the buyers have approved the new schedule and new transfer date. This was a prerequisite in our negotiations with new partners and we now look forward to being able to conclude the transaction and continue the journey of constructing the 73-story Karlatornet tower.

A greater proportion of cooperation agreements and the work on Karlatornet should be taken into account when comparing with previous years and quarters. In the short term, this has a negative impact on both sales and profitability, partly through the absence of external invoicing but also because the resource base has remained intact during the period of transitioning to more cooperation agreements and pending the sale of Karlatornet. We take a fundamentally positive view on cooperation agreements as a basis for long-term partnerships with stable anticipated earnings. However, during this period of transition and before such agreements reach full production, this has impacted us adversely.

On the positive side, we saw continued good order bookings for the contracting operations during the quarter and considerable underlying need for public investment in housing, schools and other public properties. Our construction operations grew profitably by 13 percent over the quarter.

The growth target we set for our civil engineering operations was not met, resulting in profitability problems. Our ambition is that the organizational measures we are now initiating will inject new strength and reverse the trend.

During the quarter, the Project Development business area's income was adversely affected by amended accounting rules, as well as a lack of transactions. In the short term, work on the Karlastaden project has taken much of our focus away from other parts of the operations.

On the whole, this resulted in a quarter in which the Group's growth slowed, bringing a negative outcome. Cash flow was also adversely affected by the situation and, for this reason,

the work of the management team has been pervaded by a strong focus on safeguarding a favorable long-term financial position, including carrying out planned transactions. At the end of the third quarter, available cash and cash equivalents were SEK 549 million.

We are not satisfied with the earnings trend or the declining growth. We face the challenges ahead with considerable humility, but also with determination and vigor. During the third quarter, we worked intensively to plan a major reorganization as part of a package of measures aimed at ensuring the company's long-term competitiveness.

Alongside dedicated employees, entrepreneurship and maintaining a proximity to local business opportunities have been at the heart of our offering and have taken us to where we are today. To reinforce this and generate even better business conditions along the entire value chain, both in contracting and development, as of next year, we will be organized geographically, with a regional breakdown. The responsibility for *a* single shared business, with strong local roots will lie with the regions, which will have full responsibility for earnings and the authority to advance our entire offering in close contact with customers. We are convinced that this will lead to lower costs, increased competitiveness, improved profitability and even greater commitment among our employees.

Recruitment is in progress of a country manager for Sweden, who will bear responsibility for the regions. One of the aims of the change is to establish a dedicated Swedish organization which, affording Group management greater scope to focus on the long-term strategy. We are convinced that this will build a strong platform for the future, and we will have cause to return with additional details during the fourth quarter.

Ola Serneke, President and CEO

GROUP DEVELOPMENT

ORDER BOOKINGS AND ORDER BACKLOG

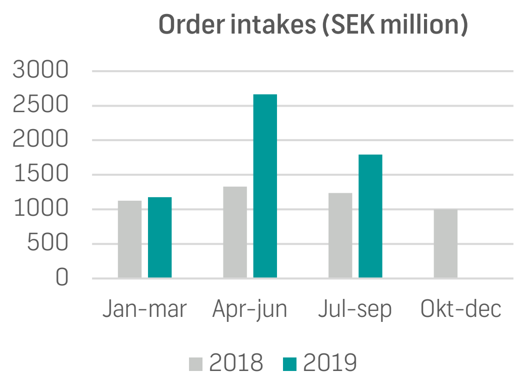
External order bookings in the third quarter amounted to SEK 1,792 million (1,236), an increase of 45 percent compared with the corresponding quarter of the preceding year. Order bookings from Construction included both new construction and remodeling, with a good product mix, consisting largely of housing projects but also a significant share of public properties, such as schools. Order bookings from Civil Engineering included a major industrial project for a local government client.

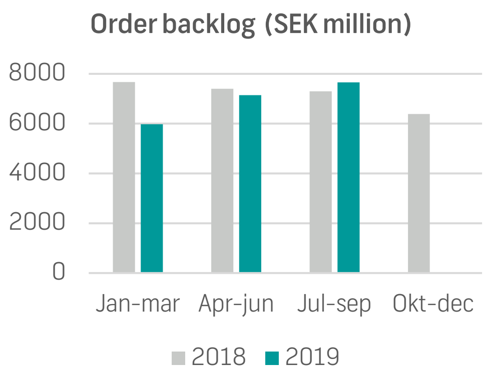
Demand in the Swedish construction market is deemed to remain stable and there is an underlying need for both housing and public service properties even if housing construction in total is expected to decrease in 2019. Stockholm, Gothenburg and Malmö and their environs continue to be the Group's most important markets, even though the Group is expanding geographically to regional growth regions.

At the end of the third quarter, the external order backlog amounted to SEK 7,662 million (7,303).

Order bookings SEK million	**Jul–Sep 2019**	Jul–Sep 2018	**Jan–Sep 2019**	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Construction	1,566	1,091	5,186	3,018	6,239	4,071
Civil Engineering	226	145	446	674	393	621
Group	**1,792**	**1,236**	**5,632**	**3,692**	**6,632**	**4,692**

Order backlog SEK million	**Sep 30 2019**	Sep 30 2018	Dec 31 2018
Construction	7,300	6,817	6,190
Civil Engineering	362	486	192
Group	**7,662**	**7,303**	**6,382**





NEW

ASSIGNMENTS DURING THE PERIOD JULY – SEPTEMBER 2019

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

Assignment	Location	Order value (SEK million)	Anticipated start of construction
Housing	Växjö	131	Third quarter 2019
School	Arvika	380	Third quarter 2019
Converted & extended school	Borås	140	Fourth quarter 2019
Converted & extended school	Falkenberg	160	Fourth quarter 2019

INCOME AND PROFIT

The operations of the Group are organized into three business areas: Construction, Civil Engineering and Project Development.

SEK million	**Jul–Sep 2019**	Jul–Sep 2018	**Jan–Sep 2019**	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Income	1,376	1,359	4,472	4,525	6,463	6,516
Operating profit	-5	-40	13	86	522	595
Net financial items	-25	-10	-39	-29	-47	-37
Earnings after financial items	-30	-50	-26	57	475	558
Tax	3	-5	7	-25	78	46
Profit/loss for the period	-27	-55	-19	32	553	604

JULY – SEPTEMBER 2019

Consolidated income amounted to SEK 1,376 million (1,359), an increase of 1 percent. Internal tenant-owner projects negatively impacted the comparative figure negatively by SEK 59 million since previous years' projects were reported as external. Construction was the business area that increased its income over the quarter, climbing 13 percent. In Civil Engineering and Project Development, income decreased by 39 percent and 53 percent respectively. No tenant-owner housing projects were turned over to customers during the quarter.

The operating loss amounted to SEK 5 million (40). Construction generated a profit for the period of SEK 25 million (loss 41), while Civil Engineering generated a loss of SEK 20 million (profit 5). Operating profit for Project Development amounted to SEK 0 million (loss 7) for the period and was affected positively by a reversed provision of SEK 27 million relating to an environmental provision attributable to the sale of Säve Flygplats.

Net financial items were negative in the amount of SEK 25 million (10). The Group reported an estimated tax income of SEK 3 million (expense 5). Net financial items were adversely affected by SEK 12 million regarding an adjustment of the present value calculation associated with the additional purchase consideration for the sale of Säve Flygplats. The positive tax effect is attributable partly to the Group not having taxable income and a change in deferred tax related to tax loss carryforwards.

The loss for the period amounted to SEK 27 million (55) and earnings per share after dilution for the quarter were a negative SEK 1.20 (2.42).

JANUARY – SEPTEMBER 2019

Consolidated income amounted to SEK 4,472 million (4,525), a decrease of 1 percent. A high level of activity in the construction operations, with sales rising by 8 percent, did not really offset the decline in income in the other business areas. No major property transactions have taken place during the year and no housing projects have been turned over to customers.

Operating profit decreased to SEK 13 million (86). Construction generated an operating profit of SEK 91 million (36), providing an operating margin of 2.2 percent (0.9). Civil Engineering and Project Development reported losses of SEK 23 million (8) and SEK 23 million respectively (28). Operating profit for Project Development was affected positively by the reversal of a provision of SEK 27 million.

Net financial items were negative in the amount of SEK 39 million (29). In the previous year, early redemption of the bond affected net financial items by a negative SEK 12 million. Other changes mainly involve the reduction by SEK 12 million of a present value calculation associated with the additional purchase consideration on the sale of Säve Flygplats and the increased costs of non-current interest-bearing liabilities.

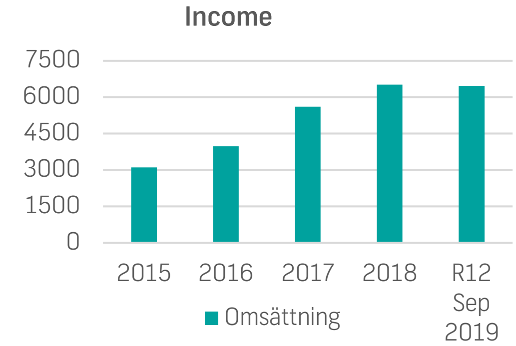
The Group reported an estimated tax income of SEK 7 million (expense 25). The positive tax effect is attributable partly to the Group not having taxable income and a change in deferred tax related to tax loss carryforwards.

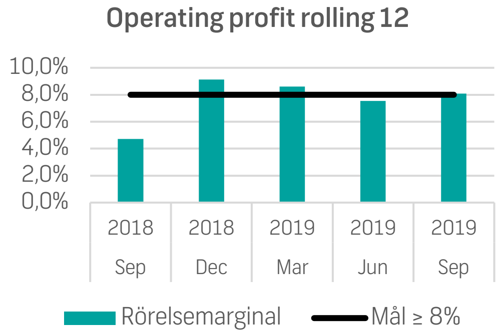
The loss for the period amounted to SEK 19 million (profit 32) and the loss per share after dilution was SEK 0.85 (profit 1.38) for the period.

THE GROUP'S GROWTH AND PROFITABILITY TARGETS

Serneke's long-term growth target is to reach income of SEK 10 billion by 2020, primarily through organic growth supplemented with selective acquisitions.

The Group's long-term profitability target is an operating margin amounting to 8 percent.





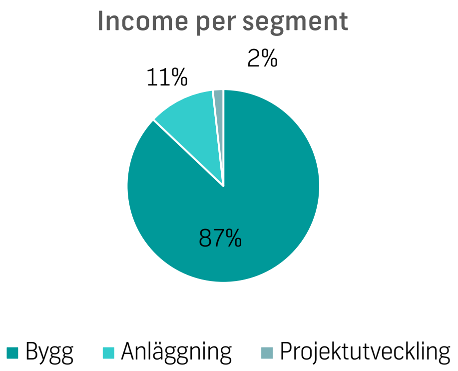
SALES

SEK million	**Jul–Sep 2019**	Jul–Sep 2018	**Jan–Sep 2019**	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Construction	1,302	1,153	4,139	3,850	5,819	5,530
Civil Engineering	130	213	531	582	815	866
Project Development	29	62	84	261	234	411
Eliminations and Group-wide	*-85*	*-69*	*-282*	*-168*	*-405*	*-291*
Total	**1,376**	**1,359**	**4,472**	**4,525**	**6,463**	**6,516**

OPERATING PROFIT

SEK million	**Jul–Sep 2019**	Jul–Sep 2018	**Jan–Sep 2019**	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Construction	25	-41	91	36	145	90
Civil Engineering	-20	5	-23	8	-21	10
Project Development	0	-7	-23	28	436	487
Group-wide	*-10*	*3*	*-32*	*14*	*-38*	*8*
Total	**-5**	**-40**	**13**	**86**	**522**	**595**
Net financial items	-25	-10	-39	-29	-47	-37
Profit after financial items	**-30**	**-50**	**-26**	**57**	**475**	**558**

* Group-wide: Other operations are reported under Group-wide – and consist of key companies, Group functions and elimination of intra-Group profit. In the first quarter of 2018, a reversal of SEK 20 million was made regarding a provision for a dispute where the outcome was in Serneke's favor.



Seasonal variations

To a certain extent, Serneke's operations are subject to 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 weather during the winter months. Earnings are also affected by where public holidays fall, as this affects the number of production days.

FINANCIAL POSITION

SEK million	**Sep 30 2019**	Sep 30 2018	Dec 31 2018
Total assets	5,694	4,723	5,555
Total equity	2,238	1,721	2,272
Net debt	1,540	551	552
Net debt/EBITDA	2.7	1.7	0.9
Cash and cash equivalents	0	464	389
Equity/assets ratio, %	39.3	36.4	40.9

On September 30, the consolidated balance sheet total was SEK 5,694 million (5,555) and the equity/assets ratio was 39.3 percent (40.9). At the end of the period, total cash and cash equivalents amounted to SEK 0 million (389), but the Group has available cash and cash equivalents that at the end of the period amounted to SEK 549 million (789).

On September 30, equity amounted to SEK 2,238 million (2,272). The change mainly comprises the loss for the year of SEK 19 million, a changed accounting policy regarding tenant-owner apartment projects with a negative impact of SEK 25 million and share-based remuneration of SEK 11 million.

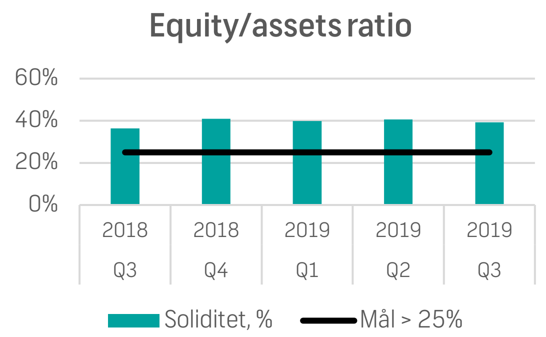
On September 30, net borrowing amounted to SEK 1,540 million (552). Net borrowing in relation to EBITDA is at 2.7 (0.9) and the change in net borrowing is mainly an increase in interest-bearing liabilities attributable to now consolidated tenant-owner apartment projects, interest-bearing lease liabilities attributable to IFRS 16 and lower cash and bank balances. The total loan liabilities for the tenant-owner apartment projects amounted to SEK 327 million (0) at September 30.

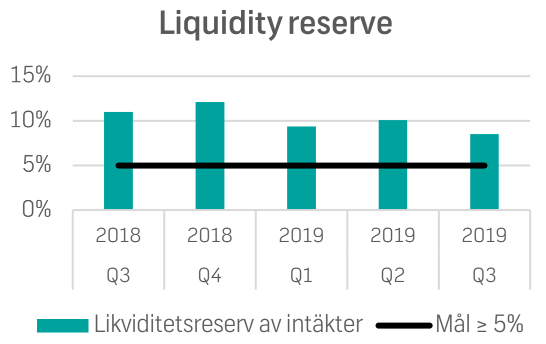
The Group's financing is subject to a number of covenants. On September 30, all of these had been met.

GROUP CAPITAL STRUCTURE

One of the Group's financial targets is for the equity/assets ratio to exceed 25 percent.

The liquidity reserve shall amount to at least 5 percent of income in the past 12-month period.





CASH FLOW

SEK million	**Jul–Sep 2019**	Jul–Sep 2018	**Jan–Sep 2019**	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Cash flow from operating activities	-164	-9	-728	1	-464	265
Cash flow from investment activities	-30	-86	-75	-184	-368	-477
Cash flow from financing activities	194	-3	414	216	368	170
Cash flow for the period	0	-98	-389	33	-464	-42
Cash and cash equivalents at beginning of period	0	562	389	431	464	431
Cash and cash equivalents at end of period	0	464	0	464	0	389

JULY – SEPTEMBER 2019

Cash flow from operating activities amounted to an outflow of SEK 164 million (9), of which cash flow from changes in working capital amounted to an outflow of SEK 122 million (42). The change in working capital was negatively impacted by in-house production of tenant-owner apartments in the amount of SEK 88 million and investments in the Karlastaden Project in an amount of SEK 39 million.

Cash flow from investing activities was negative in the amount of SEK 30 million (86), consisting mainly of investments in tangible fixed assets.

Cash flow from financing activities amounted to an inflow of SEK 194 million (outflow 3) and mainly relates to newly raised construction credits attributable to tenant-owner apartment projects in progress.

Cash flow for the period amounted to SEK 0 million (outflow 98).

JANUARY – SEPTEMBER 2019

Cash flow from operating activities amounted to an outflow of SEK 728 million (1), of which cash flow from changes in working capital amounted to an outflow of SEK 648 million (80). The change in working capital was negatively impacted by in-house production of tenant-owner apartments in the amount of SEK 289 million and investments in the Karlastaden Project in an amount of SEK 132 million. Other changes are mainly explained by an increased amount of capital being tied up in the contracting operations.

Cash flow from investing activities was negative in the amount of SEK 75 million (184), consisting mainly of investments in tangible fixed assets.

Cash flow from financing activities amounted to an inflow of SEK 414 million (216) and mainly relates to newly raised construction credits attributable to tenant-owner apartment projects in progress.

Cash flow for the period amounted to an outflow of SEK 389 million (inflow: 33).

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 Area Project Development.

SEK million	**Jul–Sep 2019**	Jul–Sep 2018	**Jan–Sep 2019**	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Income	1,302	1,153	4,139	3,850	5,819	5,530
Operating profit	25	-41	91	36	145	90
Operating margin, %	1.9	-3.6	2.2	0.9	2.5	1.6
Order bookings	1,566	1,091	5,186	3,018	6,239	4,071
Order backlog	7,300	6,817	7,300	6,817	7,300	6,190
Average number of employees	794	771	797	755	793	761

JULY – SEPTEMBER 2019

Income amounted to SEK 1,302 million (1,153), an increase of 13 percent. During the quarter, there was a good production rate in existing projects, with primarily Regions South and East experiencing strong growth compared with the corresponding quarter in the preceding year.

Operating profit amounted to SEK 25 million (loss 41) and the operating margin was 1.9 percent (negative 3.6). In the corresponding quarter of last year, operating profit was impacted by impairment of projects by SEK 70 million.

Order bookings amounted to SEK 1,566 million (1,091), an increase of 44 percent. New orders in the quarter were well distributed both geographically and in terms of the product mix, with the most of new projects involving housing production and public buildings. The expansion is continuing geographically and Region Central has secured its largest assignment to date for the construction of a school in Arvika for a value of SEK 380 million.

FINANCIAL TARGET

The long-term target in Business Area Construction is an operating margin of 5 percent. The operating margin for the rolling 12 months was 2.5 percent.

JANUARY – SEPTEMBER 2019

Income amounted to SEK 4,139 million (3,850), an increase of 8 percent.
Operating profit amounted to SEK 91 million (36) and the operating margin was 2.2 percent (0.9). Last year, operating profit was affected by impairment of SEK 70 million on projects.

Order bookings during the period amounted to SEK 5,186 million (3,018), an increase of 72 percent. At the end of the period, the order backlog amounted to SEK 7,300 million (6,817).

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	**Jul–Sep 2019**	Jul–Sep 2018	**Jan–Sep 2019**	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Income	130	213	531	582	815	866
Operating profit	–20	5	-23	8	-21	10
Operating margin, %	-15.4	2.3	-4.3	1.4	-2.6	1.2
Order bookings	226	145	446	674	393	621
Order backlog	362	486	362	486	362	192
Average number of employees	179	181	181	169	181	172

JULY – SEPTEMBER 2019

Income amounted to SEK 130 million (213), a decrease of 39 percent. As some production projects are completed, income decreases as an effect of the lower order backlog.

The operating loss amounted to SEK 20 million (profit 5), entailing a negative operating margin of 15.4 percent (positive 2.3). The operating margin was affected by lower margins in existing projects and increased costs attributable to expansion initiatives, while costs increased in relation to the decrease in sales.

Order bookings amounted to SEK 226 million (145), an increase of 56 percent. New orders received during the quarter included construction of a sewage pumping station for a local government client at an estimated order value of SEK 90 million. The market for Civil Engineering is assessed as remaining stable and we see no signs of a slowdown.

FINANCIAL TARGET

The long-term target in Business Area Civil Engineering is an operating margin of 5 percent. The operating margin for the rolling 12 months was a negative 2.6 percent.

JANUARY – SEPTEMBER 2019

Income amounted to SEK 531 million (582), a decrease of 9 percent. The decrease in income is due to fewer production projects as a result of the lower order backlog.

The operating loss amounted to SEK 23 million (profit 8) and the operating margin was a negative 4.3 percent (positive 1.4).

Order bookings amounted to SEK 446 million (674) and the order backlog was SEK 362 million (486). To attain a fair view, the order backlog should be considered over several quarters, since large orders have a considerable impact depending on when they are signed.

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 and joint ventures.

SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Income	29	62	84	261	234	411
Share in profit of associates and joint ventures	3	0	8	-1	3	-6
Changes in value of properties*	0	-2	0	41	240	281
Operating profit	0	-7	-23	28	436	487
Operating margin, %	0.0	-11.3	-27.4	10.7	186.3	118.5
Average number of employees	76	72	76	132	76	68

* Changes in value of properties refers to changes in value of the investment properties that were previously recognized in Business Area Property Management and now reclassified as project and development properties.

JULY – SEPTEMBER 2019

Income amounted to SEK 29 million (62). The lower income is mainly attributable to changed accounting policies from January 1, 2019, which have had a negative effect on income in an amount of SEK 59 million and SEK 7 million on operating profit during the quarter.

At the end of the quarter, the business area had a total of six production projects in progress, including one through a joint venture, comprising a total of 231 homes of which 209, or 91 percent, have been sold. During the fourth quarter, 33 homes are expected to be turned over to the customer while the remaining homes are expected to be turned over in 2020.

The share in the profit of associates and joint ventures amounted to SEK 3 million (0).

Operating profit amounted to SEK 0 million (loss 7). During the quarter, no housing projects were turned over to customers and no significant transactions were implemented. Operating profit was affected positively by a reversed provision of SEK 27 million relating to an environmental provision attributable to the sale of Säve Flygplats.

FINANCIAL TARGET

Project Development aims for a return on capital employed of 20 percent. On September 30, 2019, the return on capital employed, based on rolling 12-month earnings, amounted to 23.9 percent.

JANUARY – SEPTEMBER 2019

Income amounted to SEK 84 million (261). The decrease is mainly attributable to changed accounting policies regarding housing development through tenant-owner apartments, which have had a negative effect of SEK 168 million on income and of SEK 23 million on operating profit.

The share in the profit of associates and joint ventures amounted to SEK 8 million (loss 1).

The operating loss amounted to SEK 23 million (profit 28). Profit was mainly impacted negatively by our costs, which were adapted to our earlier organization included items that were sold last year. An adjustment will be made in connection with the implementation of the new organization on January 1, 2020. Operating profit was affected positively by the reversal of a provision of SEK 27 million.

Project development portfolio

On September 30, 2019, the total book value of the project development portfolio amounted to SEK 3,352 million (2,507). The holding consists primarily of the Karlastaden project at SEK 2,294 million. The foremost increase is due to changed accounting principles for the development of tenant-owner housing and investments made during the year.

Änglagården Holding

Business Area Project Development 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	Sep 30 2019	Sep 30 2018	Dec 31 2018
Ownership as a percentage	40	40	40
Share in associated companies*	102	92	92
Share in profit	10	9	9
Of which:			
Earnings from property management	10	10	12
Change in value of property	-	-1	-3

*) The Group's participation in the associate Änglagården Holding is calculated based on shareholders' equity less the preferential dividend right of SEK 7 million (32) 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	Jul–Sep 2019	Jul–Sep 2018	Jan–Dec 2018
Income	20	16	64
Profit for the year	9	10	23

Balance Sheet Änglagården Holding AB SEK million	Sep 30 2019	Sep 30 2018	Dec 31 2018
ASSETS			
Properties	806	797	790
Other assets	125	160	164
Total assets	**931**	**957**	**954**
EQUITY AND LIABILITIES			
Shareholders' equity	309	309	309
Interest-bearing liabilities	431	452	447
Other liabilities	191	196	198
Total equity and liabilities	**931**	**957**	**954**

Changes in accounting policies

As of January 1, 2019, a new accounting policy is applied for housing development through tenant-owner housing. The new policy means that tenant-owner associations are consolidated in the consolidated financial statements and that income and profit from implemented projects are recognized at the time the individual buyer takes possession of the home and control shifts to the buyer.

The change has not entailed any material impact on the Group's position and performance in previously presented periods, which is why no restatement was made of the comparative figures. The change in policies has entailed an adjustment of net profit before tax in equity of SEK 25 million attributable to the periods 2016-2018. Of this, SEK 8 million is for the 2018 financial year.

The changed accounting policy is in accordance with the position taken by the Nasdaq Stockholm stock exchange made on 10 December 2018.

PARENT COMPANY

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

Income for July–September amounted to SEK 46 million (38) and consisted primarily of intra-group services. The increase is attributable to the larger organization's needs for group services. Operating profit for the same period amounted to SEK 5 million (4).

Income for the period January–September amounted to SEK 134 million (113) and operating profit amounted to SEK 0 million (44). In the first quarter of 2018, a reversal of SEK 20 million was made regarding a provision for a dispute where the outcome was in Serneke's favor.

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

RELATED-PARTY TRANSACTIONS

The nature and extent of transactions by related parties can be found in Note 36 of the 2018 Annual Report. In the first three quarters of the year, related-party transactions took place with property company Adapta AB, Ola Serneke Invest AB, JV Sersund AB, associate Änglagården, Michael Berglin and Serneke Midroc Holding AB. 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, with income amounting to SEK 152 million and purchases to SEK 9 million on September 30, 2019. Transactions with Ola Serneke Invest AB are considered to be related party transactions, as Ola Serneke is the principal owner, CEO and a member of the Board of Serneke Group AB. As of September 30, 2019, income consisted primarily of rent and amounted to SEK 2 million, while costs consisted primarily of damages in the amount of SEK 4 million.

Transactions with JV Sersund AB are comprised of contracting income of SEK 26 million. Transactions with associate Änglagården consist mainly of contracted personnel, premises rental and rental of the venue name and, at September 30, 2019, this income amounted to SEK 13 million and purchases to SEK 13 million. Transactions with Michael Berglin are considered to constitute related party transactions as Michael Berglin is a member of Serneke Group AB's Group Management. Transactions consist mainly of contracting income, and sales amounted to SEK 5 million as at September 30.

Transactions with JV Serneke Midroc Holding AB are comprised of contracted personnel at SEK 1 million.

SIGNIFICANT RISKS AND UNCERTAINTIES

Serneke's operations entail several types of risks, both operational and financial. Operational risks are related to the daily operations and can apply to tenders or project development, assessment of profits, risks linked to production or the price trend. Operational risks are managed by the internal business management that has been developed within the Group. Identifying and managing Serneke's risks is crucial to the Group's profitability. Each business area manages its risks based on the business management and developed procedures and processes. Serneke's financial risks such as interest rate, liquidity, financing and credit risks are managed centrally in order to minimize and control risk exposure. The liquidity situation is assessed on an ongoing basis. At the end of the third quarter, a number of transactions were included in this assessment. There is also a financial preparedness to safeguard the company's continued scope of action.

For further information on risks, as well as critical estimates and assessments, see the Board of Directors' Report and Notes 3 and 4 in the 2018 Annual Report. The descriptions in the Annual Report remain relevant. The Annual Report is published at www.serneke.group.

OTHER SIGNIFICANT EVENTS DURING THE REPORT PERIOD

Updated schedule for Karlatornet

On August 19, an updated schedule for the Karlatornet project was announced. Following a review and restructuring of the entire project, it was announced that tenants would start moving into the Nordic region's tallest building in the second half of 2022.

Since the start of the year, the entire Karlastaden project, including Karlatornet, has undergone a thorough review and restructuring process to optimize areas and use, among other reasons. Under an exclusivity agreement, Serneke and a new project partner commenced negotiations during the spring for the complete financing of Karlatornet. As a result of these processes, the original schedule has been updated, with occupants now being scheduled to start moving into Karlatornet in the second half of 2022. According to an initial schedule, occupants would have started moving in during the latter part of 2021.

THE SERNEKE SHARE (SRNKE)

Serneke Group AB has two share series, Series A and B. On September 30, 2019, Serneke had approximately 7,400 shareholders and the closing price on September 30, 2019 was SEK 51.6.

Serneke's ten largest shareholders, September 30, 2019

Name	Shares of Series A	Shares of Series B	Total number of shares	Percentage outstanding shares, %	Percentage of votes, %
Ola Serneke Invest AB	3,710,000	2,384,094	6,094,094	27.17%	56.96%
Lommen Holding AB	540,000	3,457,803	3,997,803	17.82%	12.78%
Christer Larsson i Trollhättan AB	380,000	497,000	877,000	3.91%	6.20%
Ledge Ing AB	330,000	475,107	805,107	3.59%	5.45%
Vision Group i väst AB	250,000	536,000	786,000	3.50%	4.38%
Svolder Aktiebolag	-	1,293,400	1,293,400	5.77%	1.87%
Cliens fonder	-	855,000	855,000	3.81%	1.23%
Nordnet Pensionsförsäkring AB	-	306,141	306,141	1.36%	0.44%
Försäkringsaktiebolaget Avanza Pension	-	302,119	302,119	1.35%	0.44%
Bert-Åke Eriksson	-	271,687	271,687	1.21%	0.39%
Total, 10 largest	**5,210,000**	**10,378,351**	**15,588,351**	**69.49%**	**90.14%**
Other shareholders	-	6,845,114	6,845,114	30.51%	9.86%
Total shares outstanding	**5,210,000**	**17,223,465**	**22,433,465**	**100.00%**	**100.00%**
Repurchased shares	**-**	814,987	814,987		
Total shares registered	**5,210,000**	**18,038,452**	**23,248,452**		

Source: Euroclear and Serneke

Share class, number of shares and votes, September 30, 2019

Share class	Shares	Votes
Series A shares	5,210,000	5,210,000
Series B shares	17,223,465	1,722,346.5
Total	22,433,465	6,932,346.5

FINANCIAL CALENDAR

Year-end report 2019	February 5, 2020
Interim Report January–March	May 5, 2020
Annual General Meeting	May 5, 2020
Interim Report January–June	July 14, 2020

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.

Gothenburg, October 25, 2019
Serneke Group AB (publ)

Board

Kent Sander Chairman	Mari Broman Member	Ludwig Mattsson Member
Ola Serneke CEO	Anna-Karin Celsing Member	Anna Belfrage Member
Fredrik Alvarsson Member		

For further information:

Michael Berglin, Deputy CEO
E-mail: Michael.berglin@serneke.se
Phone: +46 (0) 31 712 97 00

Anders Düring, CFO
E-mail: anders.antonsson@serneke.se
Phone: +46 (0)70 88 87 733

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 October 25, 2019, at 08:00 a.m.

REVIEW REPORT

THIS REVIEW REPORT IS A TRANSLATION OF THE SWEDISH LANGUAGE ORIGINAL. IN THE EVENT OF ANY DIFFERENCES BETWEEN THIS TRANSLATION AND THE SWEDISH ORIGINAL, THE LATTER SHALL PREVAIL.

INTRODUCTION

We have performed a summary review of the interim financial information (interim report) for Serneke Group AB (publ) as of 30 September 2019 and the nine-month period ending on that date. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Gothenburg, October 25, 2019

Deloitte AB

Signature on the original document

Harald Jagner

Authorized Public Accountant

QUARTERLY DATA AND MULTI-YEAR REVIEW

SEK million	**Jul–Sep 2019**	Apr–Jun 2019	Jan–Mar 2019	Oct–Dec 2018	**Jul–Sep 2018**	Apr–Jun 2018	Jan–Mar 2018	Oct–Dec 2017
Income								
Construction	1,302	1,498	1339	1,680	1,153	1,437	1260	1511
Civil Engineering	130	201	200	284	213	190	179	208
Project Development	29	26	29	150	62	116	83	71
Eliminations and Group-wide	-85	-109	-88	-123	-69	-62	-37	-58
Total	**1,376**	**1,616**	**1,480**	**1,991**	**1,359**	**1,681**	**1,485**	**1,732**
Operating profit								
Construction	25	40	26	54	-41	42	35	56
Civil Engineering	-20	-3	0	2	5	2	1	4
Project Development	0	-14	-9	459	-7	36	-1	197
Group-wide	-10	-23	1	-6	3	-6	17	-47
Total	**-5**	**0**	**18**	**509**	**-40**	**74**	**52**	**210**
Operating margin, %	-0.4	0.0	1.2	25.6	-2.9	4.4	3.5	12.1
Profit after net financial items	-30	-3	8	501	-50	58	49	206
Profit/loss for the period	-27	-2	10	572	-55	48	39	152
Balance sheet								
Fixed assets	941	910	1,106	1,094	1,998	1,944	1,725	1,682
Current assets	4,753	4,654	4,546	4,461	2,725	2,798	2,627	2,722
Total assets	**5,694**	**5,564**	**5,652**	**5,555**	**4,723**	**4,742**	**4,352**	**4,404**
Shareholders' equity	2,238	2,263	2,257	2,272	1,721	1,770	1,860	1,821
Non-current liabilities	1,615	1,669	1,573	1,289	1,317	1,387	972	980
Current liabilities	1,841	1,632	1,822	1,994	1,685	1,585	1,520	1,603
Total equity and liabilities	**5,694**	**5,564**	**5,652**	**5,555**	**4,723**	**4,742**	**4,352**	**4,404**
Orders								
Order bookings	1,792	2,663	1,177	1,000	1,236	1,328	1,128	1,898
Order backlog	7,662	7,149	5,973	6,382	7,303	7,398	7,671	7,965
Employees								
Average number of employees	1132	1140	1134	1110	1096	1,051	1,022	1,001

KEY INDICATORS

IFRS-based key indicators

SEK million	**Jul–Sep 2019**	Jul–Sep 2018	**Jan–Sep 2019**	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Income	1,376	1,359	4,472	4,525	6,463	6,516
Earnings per share, SEK, before dilution	-1.20	-2.42	-0.85	1.39	24.61	26.37
Earnings per share, SEK, after dilution	-1.20	-2.42	-0.85	1.38	24.44	26.16
Weighted average number of shares before dilution	22,433,465	22,773,833	22,433,465	23,017,143	22,467,631	22,905,389
Weighted average number of shares after dilution	22,525,801	22,953,836	22,584,246	23,197,146	22,625,717	23,085,392

Other key indicators

SEK million	**Jul–Sep 2019**	Jul–Sep 2018	**Jan–Sep 2019**	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Operating profit	-5	-40	13	86	522	595
Growth, %	1.3	6.9	-1.2	16.8	-13.1	16.3
Order bookings	1,792	1,236	5,632	3,692	6,632	4,692
Order backlog	7,662	7,303	7,662	7,303	7,662	6,382
Organic growth, %	1.3	6.9	-1.2	16.8	-13.2	16.2
Operating margin, %	-0.4	-2.9	0.3	1.9	8.1	9.1
Cash flow before financing	-194	-95	-803	-183	-832	-212
Cash flow from operations per share, before dilution	-7.31	-0.40	-32.45	0.04	-20.65	11.57
Cash flow from operations per share, after dilution	-7.31	-0.40	-32.45	0.04	-20.65	11.48
Equity per share, SEK, before dilution	99.76	75.57	99.76	75.57	99.76	101.28
Equity per share, SEK, after dilution	99.55	74.98	99.55	74.98	99.55	100.47
Working capital	2,912	1,040	2,912	1,040	2,912	2,467
Capital employed	3,813	2,776	3,813	2,776	3,813	3,264
Return on capital employed, %	15.9	13.9	15.9	13.9	15.9	21.9
Return on equity after taxes, %	27.9	10.9	27.9	10.9	27.9	29.5
Equity/assets ratio, %	39.3	36.4	39.3	36.4	39.3	40.9
Net debt	1,540	551	1,540	551	1,540	552
Net debt/equity ratio, %	68.8	32.0	68.8	32.0	68.8	24.3
Net debt/EBITDA	2.7	1.7	2.7	1.7	2.7	0.9

SUMMARY FINANCIAL STATEMENTS

SUMMARY OF CONSOLIDATED INCOME STATEMENT

SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Income	1,376	1,359	4,472	4,525	6,463	6,516
Production and administration expenses	-1,341	-1,368	-4,323	-4,379	-6,217	-6,273
Gross profit	**35**	**-9**	**149**	**146**	**246**	**243**
Sales and administration expenses	-44	-26	-144	-90	-188	-134
Change in value of investment properties	–	-2	–	41	240	281
Revaluation of previous holdings in joint ventures	–	–	–	–	229	229
Share in profit of associates and joint ventures	4	-3	8	-11	-5	-24
Operating profit	**-5**	**-40**	**13**	**86**	**522**	**595**
Net financial items	-25	-10	-39	-29	-47	-37
Profit after financial items	**-30**	**-50**	**-26**	**57**	**475**	**558**
Tax	3	-5	7	-25	78	46
Profit/loss for the period	**-27**	**-55**	**-19**	**32**	**553**	**604**
Attributable to:						
Parent Company shareholders	-27	-55	-22	32	553	607
Non-controlling interests	0	0	3	0	0	-3
Earnings per share before dilution, SEK	-1.20	-2.42	-0.85	1.39	24.61	26.37
Earnings per share after dilution, SEK	-1.20	-2.42	-0.85	1.38	24.44	26.16
Average number of shares before dilution	22,433,465	22,773,833	22,433,465	23,017,143	22,467,631	22,905,389
Average number of shares after dilution	22,525,801	22,953,836	22,584,246	23,197,146	22,625,717	23,085,392

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Profit/loss for the period	**-27**	**-55**	**-19**	**32**	**553**	**604**
Other comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**
Total comprehensive income	**-27**	**-55**	**-19**	**32**	**553**	**604**

CONDENSED CONSOLIDATED BALANCE SHEET

SEK million	**Sep 30 2019**	Sep 30 2018	Dec 31 2018
Assets			
Fixed assets			
Intangible fixed assets	23	23	23
Investment properties	-	1,032	213
Other tangible fixed assets	243	101	122
Investments in associates/joint ventures	140	498	122
Non-current interest-bearing receivables	35	40	51
Other non-current receivables	500	304	563
Total fixed assets	**941**	**1,998**	**1,094**
Current assets			
Project and development properties	3,352	325	2,507
Inventories	1	1	1
Accounts receivable	845	1,044	972
Accrued but not invoiced income	395	342	398
Other current receivables	160	549	194
Cash and bank balances	0	464	389
Total current assets	**4,753**	**2,725**	**4,461**
Total assets	**5,694**	**4,723**	**5,555**
Equity and liabilities			
Shareholders' equity	**2,238**	**1,721**	**2,272**
Non-current liabilities			
Non-current interest-bearing liabilities	1,176	1,010	826
Other non-current liabilities	152	156	83
Deferred tax liability	150	53	157
Other provisions	137	98	223
Total non-current liabilities	**1,615**	**1,317**	**1,289**
Current liabilities			
Current interest-bearing liabilities	399	45	166
Current tax liabilities	8	5	13
Accounts payable	840	746	991
Invoiced but not accrued income	402	525	532
Other current liabilities	192	364	292
Total current liabilities	**1,841**	**1,685**	**1,994**
Total equity and liabilities	**5,694**	**4,723**	**5,555**

SUMMARY OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

SEK million	Sep 30 2019	Sep 30 2018	Dec 31 2018
Equity attributable to Parent Company shareholders			
Balance at beginning of period	2,272	1,821	1,821
Dividend	–	-93	-93
Share repurchases	–	-45	-65
Share-related compensation	11	2	1
Conversion, convertible debenture loans	-1	–	–
Transactions with non-controlling interests	4	–	–
Changed accounting policy	-25	–	–
Comprehensive income for the period	-22	32	607
Non-controlling interests			
Acquisition of non-controlling interests	–	4	4
Transactions with non-controlling interests	-4	–	–
Comprehensive income for the period	3	0	-3
Balance at end of period	**2,238**	**1,721**	**2,272**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK million	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Operating activities						
Cash flow before change in working capital	-43	-51	-80	-79	-8	-7
Change in working capital	-122	42	-648	80	-456	272
Cash flow from operating activities	**-164**	**-9**	**-728**	**1**	**-464**	**265**
Investing activities						
Acquisitions of investment properties	–	–	–	-27	1	-26
Acquisitions of businesses	–	-5	–	-5	-587	-592
Sold subsidiaries	–	–	–	–	222	222
Increase/decrease in investing activities	-30	-81	-75	-152	-4	-81
Cash flow from investing activities	**-30**	**-86**	**-75**	**-184**	**-368**	**-477**
Cash flow before financing	**-194**	**-95**	**-803**	**-183**	**-832**	**-212**
Financing activities						
Newly raised borrowings	2	1	206	691	205	691
Amortization of liabilities	-16	-4	-17	-336	-19	-338
Share repurchases	–	–	–	-45	-20	-65
Dividend	–	–	–	-93	–	-93
Increase/decrease in financing activities	208	0	225	-1	202	-25
Cash flow from financing activities	**194**	**-3**	**414**	**216**	**368**	**170**
Cash flow for the period	**0**	**-98**	**-389**	**33**	**-464**	**-42**
Cash and cash equivalents at beginning of period	0	562	389	431	464	431
Cash and cash equivalents at end of the period	**0**	**464**	**0**	**464**	**0**	**389**

PARENT COMPANY CONDENSED INCOME STATEMENT

Parent Company condensed Income Statement

SEK million	**Jul–Sep 2019**	Jul–Sep 2018	**Jan–Sep 2019**	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Income	46	38	134	113	164	143
Sales and administration expenses	-41	-34	-134	-69	-178	-113
Operating profit	**5**	**4**	**0**	**44**	**-14**	**30**
Net financial items	-27	-10	-51	-35	-66	-50
Profit after financial items	**-22**	**-6**	**-51**	**9**	**-80**	**-20**
Appropriations	–	–	–	–	22	22
Profit/loss before tax	**-22**	**-6**	**-51**	**9**	**-58**	**2**
Tax	2	1	7	-2	-10	-19
Profit/loss for the period	**-20**	**-5**	**-44**	**7**	**-68**	**-17**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK million	**Jul–Sep 2019**	Jul–Sep 2018	**Jan–Sep 2019**	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Profit/loss for the period	**-20**	**-5**	**-44**	**7**	**-68**	**-17**
Other comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**
Total comprehensive income	**-20**	**-5**	**-44**	**7**	**-68**	**-17**

PARENT COMPANY CONDENSED BALANCE SHEET

SEK million	**Sep 30 2019**	Sep 30 2018	Dec 31 2018
Assets			
Fixed assets			
Tangible fixed assets	13	5	12
Investments in Group companies	223	154	162
Investments in associates and joint ventures	11	10	10
Deferred tax assets	17	27	10
Other non-current receivables	5	2	2
Total fixed assets	**269**	**198**	**196**
Current assets			
Project and development properties	2	3	3
Other current receivables	1,828	1,131	1,572
Cash and bank balances	0	363	310
Total current assets	**1,830**	**1,497**	**1,885**
Total assets	**2,099**	**1,695**	**2,081**
Equity and liabilities			
Shareholders' equity	**472**	**550**	**505**
Non-current liabilities			
Non-current interest-bearing liabilities	698	701	702
Other provisions	1	0	0
Total non-current liabilities	**699**	**701**	**702**
Current liabilities			
Current interest-bearing liabilities	226	15	16
Accounts payable	14	10	18
Other current liabilities	688	419	840
Total current liabilities	**928**	**444**	**874**
Total equity and liabilities	**2,099**	**1,695**	**2,081**

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. ESMA's guidelines on alternative key indicators are applied in the report.

Implementation of new accounting standards

IFRS 16 Leasing

In January 2016, IASB published the new standard IFRS 16 Leases, which was approved by the EU in November 2017 and will be applied from the 2019 financial year. In contrast to the current IAS 17 Leases, the standard means that Serneke as a lessee in operating leases, except for exceptions for small and short leases, must recognize the leases in the Statement of financial position.
Serneke applies IFRS 16 Leases as of January 1, 2019 and has accordingly not applied the standard retroactively. The recognized right of use (ROU) assets were assigned the same value as the recognized leasing liabilities as of January 1, 2019. Serneke's assessment is that the transition to IFRS 16 will not have any material impact on the Groups position and performance or cash flow statement. In its capacity as lessee, Serneke conducted a detailed review and analysis of the Group's leases, whereby rental agreements were identified as the single most significant. In addition to rental agreements, a number of smaller leases were identified, such as vehicles, machinery and construction equipment. The effect on the leasing liability as of January 1, 2019 amounted to SEK 103 million where a corresponding ROU asset is recognized.

The right-of-use asset is reported under tangible fixed assets and the lease liability under non-current and current interest-bearing liabilities.

Bridge from operating leases under IAS 17 to leasing liabilities according to IFRS 16

Commitments for operating leases as at December 31, 2018	**88**
Discounting by the Group's weighted average marginal loan interest 2.79%	-7
Plus: liabilities for finance leases as of December 31, 2018	71
Less: leases for which the underlying asset is of a low value that is expensed on a straight-line basis	-2
Plus: adjustments due to other handling of options to extend or cancel agreements	18
Lease liability as at January 1, 2019	**168**

In addition, the Interim Report has been prepared in accordance with the same accounting principles and calculation methods as in the 2018 Annual Report.
For detailed information regarding accounting policies, see Serneke's 2018 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 2018 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 SEK million	Sep 30 2019	Sep 30 2018	Dec 31 2018
Financial assets			
Available-for-sale financial assets*	2	2	2
Total financial assets	**2**	**2**	**2**
Financial liabilities			
Other short– and long-term liabilities	33	54	58
Of which, additional purchase considerations**	33	54	58
Total financial liabilities	**33**	**54**	**58**

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

** 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:

Group	Sep 30 2019	Sep 30 2018	Dec 31 2018
Pledged assets	2,089	736	1,941
Contingent liabilities	473	680	570
Parent Company			
Pledged assets	500	200	500
Contingent liabilities	2,341	1,409	1,205

Note 4 – Breakdown of income

Jul-Sep 2019, SEK million	Construction	Civil Engineering	Project-development	Elimination/Group-wide	Total
Construction income	1,300	130	1	-85	1,346
Sale of properties and development rights	-	-	3	-	3
Rental income	-	-	5	-	5
Other income	2	-	20	-	22
Total income	**1,302**	**130**	**29**	**-85**	**1,376**
Date of income recognition:					
At a specific time	2	-	23	-	25
Over time	1,300	130	6	-85	1,351
Total income	**1,302**	**130**	**29**	**-85**	**1,376**

Jul-Sep 2018, SEK million	Construction	Civil Engineering	Project-development	Elimination/Group-wide	Total
Construction income	1,151	213	32	-69	1,327
Rental income	-	-	15	-	15
Other income	2	-	15	-	17
Total income	**1,153**	**213**	**62**	**-69**	**1,359**
Date of income recognition:					
At a specific time	2	-	15	-	17
Over time	1,151	213	47	-69	1,342
Total income	**1,153**	**213**	**62**	**-69**	**1,359**

Jan-Sep 2019, SEK million	Construction	Civil Engineering	Project-development	Elimination/Group-wide	Total
Construction income	4,125	530	17	-282	4,390
Sale of properties and development rights	-	-	3	-	3
Rental income	-	-	15	-	15
Other income	14	1	49	-	64
Total income	**4,139**	**531**	**84**	**-282**	**4,472**
Date of income recognition:					
At a specific time	14	1	52	-	66
Over time	4,125	530	32	-282	4,405
Total income	**4,139**	**531**	**84**	**-282**	**4,472**

Jan–Sep 2018, SEK million	Construction	Civil Engineering	Project-developmen t	Elimination/Group-wide	Total
Construction income	3,843	582	183	-168	4,440
Rental income	-	-	40	-	40
Other income	7	-	38	-	45
Total income	**3,850**	**582**	**261**	**-168**	**4,525**
Date of income recognition:					
At a specific time	7	-	38	-	45
Over time	3,843	582	223	-168	4,480
Total income	**3,850**	**582**	**261**	**-168**	**4,525**

Construction income

Income from contracting agreements are reported in accordance with IFRS 15 Revenue from Contracts with Customers, either by fulfilling the performance undertaking over time (that is, gradually) or at one specific time. Contracting agreements entail the construction contract being performed on the customer's land, where an asset is created over which the customer gains control in pace with the completion of the asset. This entails income being recognized gradually (over time), applying percentage-of-completion. When applying percentage-of-completion, the input method applies whereby income is reported based on the
degree of completion, which is calculated as the ratio between the expenses incurred for work performed at the end of reporting period and the estimated total expenses for the assignment. Revaluations of the project's final forecasts entail corrections of previously accumulated earnings. If it is probable that the total contract expenses will exceed the total contract income, the anticipated loss should be immediately recognized as a cost in its entirety. Additional orders and amendments are included in the income from the assignment to the extent that they are approved by the customer.

Sale of properties and development rights

On disposal of properties or development rights directly or indirectly through a sale of shares, the underlying property or development right's value is recognized in the Group as income. Income from property sales is reported at the time at which the new owner takes possession. When contracts include property sales, development rights and construction contracting to the buyer of the planned building, an assessment is made regarding whether the property and/or development rights transactions and the construction contract are separate performance undertakings. Depending on the design and terms of the agreement, the sale can be seen as one or several performance undertakings. Sales are reported at the point in time at which control is transferred to the buyer. Control is transferred over time if the seller has no alternative use for the property sold and the seller is entitled to payment from the customer for the work performed. In such cases, income is reported applying percentage of completion. If any of the above criteria are not met, income is reported at a single point in time, on completion and transfer to the customer.

Sales of development rights can be dependent upon decisions regarding future detailed development plans. An assessment is then made as to the likelihood of the respective detailed development plan. Sales income and earnings are recognized when the probability is deemed to be very high. When sales income is recognized, all remaining commitments in the sales earnings are also taken into account. Property projects are also on occasion sold with guarantees for a certain degree of leasing and, at the time of sale, any lease guarantees are reported as a reserve in the project, which then has a positive effect on the percentage of completion as leases are signed.

Rental income

Income also includes rental income, which is to be considered as operating leases under IAS 17. Rental income is invoiced in advance and recognized on a straight-line basis in the income statement based on the terms of the lease agreements. Advance rent is reported as prepaid rental income. In cases where the rental contract allows a reduced rent for a certain period of time, which is compensated for by higher rent during another period, this is allocated across the term of the contract.

Other income

Other income refers to income not classified as construction income, sales of properties and development rights or rental income, including, for example, hotel income or income from central companies.

FINANCIAL DEFINITIONS

Indicator	Definition	Purpose
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.

Calculation of organic growth	**Jul–Sep 2019**	Jul–Sep 2018	**Jan–Sep 2019**	Jan–Sep 2018	Oct–Sep 2018/2019	Jan–Dec 2018
Income current period	1,376	1,359	4,472	4,525	6,463	6,516
Income corresponding period previous period	1,359	1,271	4,525	3,873	6,257	5,605
Income change	**17**	**88**	**-53**	**652**	**206**	**911**
Adjustment for structural effect	0	0	0	0	-1	-1
Total organic growth	**17**	**88**	**-53**	**652**	**205**	**910**
Total organic growth (%)	1.3%	6.9%	-1.2%	16.8%	3.3%	16.2%

Indicator	Definition	Purpose
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 excluding cooperation agreements.	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.
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.

Calculation of capital employed	**Sep 30 2019**	Sep 30 2018	Dec 31 2018
Total assets	**5,694**	**4,723**	**5,555**

Deferred tax assets	0	0	0
Less non-interest-bearing liabilities including deferred tax liabilities	-1,881	-1,947	-2,291
Capital employed	**3,813**	**2,776**	**3,264**

Indicator	Definition	Purpose
Return on capital employed	Profit after net financial items plus financial expenses divided by average capital employed for the period. 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 total capital placed at the Company's disposal by shareholders and creditors.

Calculation of average capital employed	**Sep 30 2019**	Sep 30 2018	Dec 31 2018
Sep 30, 2019 (3,813) + Sep 30, 2018 (2,776) / 2	3,294		
Sep 30, 2018 (2,776) + Sep 30, 2017 (2,242) / 2		2,509	
Dec 31, 2018 (3,264) + Dec 31, 2017 (2,516) / 2			2,890

Calculation of return on capital employed	**Sep 30 2019**	Sep 30 2018	Dec 31 2018
Profit after net financial items	475	263	558
Plus financial expenses	47	85	75
Average capital employed	3,294	2,509	2,890
Return on capital employed	**15.9%**	**13.9%**	**21.9%**

Indicator	Definition	Purpose
Equity per share, before/after dilution	Total equity according to the balance sheet divided by the number of shares outstanding on the closing date. The difference between before and after dilution is accounted for by the convertibles issued by the Group.	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, before/after dilution	Cash flow from operating activities divided by the average number of shares during the period. The difference between before and after dilution is accounted for by the convertibles issued by the Group.	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, before/after dilution	Profit for the period divided by the average number of shares during the period. The difference between before and after dilution is accounted for by the convertibles issued by the Group.	It is the Company's view that the key indicator gives investors a better understanding of profit per share.

<table>
<tr><th>Indicator</th><th>Definition</th><th>Purpose</th></tr>
<tr><td>Return on equity</td><td>Profit for the period as a percentage of average shareholders' equity. Accumulated interim periods are based on rolling 12-month earnings.</td><td>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.</td></tr>
<tr><td></td><td colspan="2">

Calculation of average shareholders' equity	Sep 30 2019	Sep 30 2018	Dec 31 2018
Sep 30, 2019 (2,238) + Sep 30, 2018 (1,721) / 2	1,979		
Sep 30, 2018 (1,721) + Sep 30, 2017 (1,669) / 2		1,695	
Dec 31, 2018 (2,272) + Dec 31, 2017 (1,821) / 2			2,047

Calculation of return on shareholders' equity	Sep 30 2019	Sep 30 2018	Dec 31 2018
Profit/loss for the period	553	184	604
Average shareholders' equity	1,979	1,695	2,047
Return on equity	**27.9%**	**10.9%**	**29.5%**

</td></tr>
<tr><td>Equity/assets ratio</td><td>Shareholders' equity less minority interests as a percentage of total assets.</td><td>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.</td></tr>
<tr><td>Net debt</td><td>Interest-bearing liabilities less liquid assets less interest-bearing receivables.</td><td>Net debt is a measure deemed relevant for creditors and credit rating agencies.</td></tr>
<tr><td>Net debt/equity ratio</td><td>Interest-bearing net debt divided by shareholders' equity.</td><td>Net debt/equity ratio is a measure deemed relevant for creditors and credit rating agencies.</td></tr>
<tr><td>EBITDA</td><td>Operating profit excluding amortization/depreciation.</td><td>EBITDA is a measure deemed to provide investors a better understanding of the company's earnings.</td></tr>
<tr><td></td><td colspan="2">

Calculation of EBITDA	Sep 30 2019	Sep 30 2018	Dec 31 2018
Operating profit	522	296	595
Depreciation	44	22	24
EBITDA	**566**	**318**	**619**

</td></tr>
<tr><td>Net debt/EBITDA</td><td>Interest-bearing liabilities less liquid assets less interest-bearing receivables divided by EBITDA.</td><td>Net debt/EBITDA is a measure deemed relevant for creditors and credit rating agencies.</td></tr>
</table>

SERNEKE IN BRIEF

Serneke is a growing corporate group active in construction, civil engineering and project development, with more than 1,100 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.se

Serneke Group AB (publ)
Headquarters:
Kvarnbergsgatan 2
SE-411 05 Gothenburg
Phone: +46 (0)31-712 97 00 | info@serneke.se

Presentation of the Interim Report for January–September 2019

On October 25, 2019 at 9:00 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 https://tv.streamfabriken.com/serneke-q3-2019. Presentation materials for the presentation will be available on the website one hour before the webcast begins.

To participate, please dial: +46 8 56 64 27 06