



## A QUARTER MARKED BY STRONG ORDER BOOKINGS

### APRIL–JUNE 2019

- Order bookings amounted to SEK 2,663 million (1,328)
- Income amounted to SEK 1,616 million (1,681).
- Operating profit amounted to SEK 0 million (74)
- Cash flow from operating activities amounted to an outflow of SEK 302 million (199)
- Loss for the period amounted to SEK 2 million (profit: 48)
- After consideration of internal deliveries to Karlstaden and accounting changes for tenant-owner apartment projects, income was SEK 1,750 and operating profit was SEK 22 million. Cash flow from operating activities amounted to an outflow related to tenant-owner apartment production under own management of SEK 119 million and investments in Karlstaden accounted for an outflow of SEK 78 million
- Earnings per share after dilution were negative at SEK 0.09 (positive: 2.05)

### JANUARY–JUNE 2019

- Order bookings amounted to SEK 3,840 million (2,456)
- The order backlog amounted to SEK 7,149 million (7,398)
- Income amounted to SEK 3,096 million (3,166).
- Operating profit amounted to SEK 18 million (126)
- Cash flow from operating activities amounted to an outflow of SEK 564 million (inflow: 10)
- Profit for the period amounted to SEK 8 million (87)
- After consideration of internal deliveries to Karlstaden and accounting changes for tenant-owner apartment projects, income was SEK 3 423 and operating profit was SEK 54 million. Cash flow from operating activities amounted to an outflow related to tenant-owner apartment production under own management of SEK 201 million and investments in Karlstaden accounted for an outflow of SEK 93 million
- Earnings per share after dilution amounted to SEK 0.35 (3.71)
- The equity/assets ratio was 40.7 percent (37.3)

SEK M	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jul–Jun 2018/2019	Jan–Dec 2018
Revenue	1,616	1,681	3,096	3,166	6,446	6,516
Operating result	0	74	18	126	487	595
Operating margin, %	0.0	4.4	0.6	4.0	7.6	9.1
Earnings for the period	-2	48	8	87	525	604
Earnings per share, SEK, before dilution	-0.09	2.06	0.36	3.74	23.28	26.37
Earnings per share, SEK after dilution	-0.09	2.05	0.35	3.71	23.09	26.16
Equity per share, SEK after dilution	100.07	75.55	100.07	75.55	100.07	100.47
Equity/assets ratio, %	40.7	37.3	40.7	37.3	40.7	40.9
Net debt	1,334	458	1,334	458	1,334	552
Net debt/EBITDA	2.6	1.1	2.6	1.1	2.6	0.9
Net debt/equity ratio, %	58.9	25.9	58.9	25.9	58.9	24.3
Order bookings	2,663	1,328	3,840	2,456	6,076	4,692
Order backlog	7,149	7,398	7,149	7,398	7,149	6,382

## CEO STATEMENT

Strong order bookings with new customers and a continued process of restructuring of Karlastaden marked the second quarter.

The Group is continuing to grow, but the effect of a changed recognition of income and profit from tenant-owner apartment projects and internal deliveries to the wholly owned Karlastaden means that the entire increase cannot be recognized. Sales and profit in the Group from internally managed projects are eliminated in accounting terms until they are completed and sold.

Taken together, this negatively impacted the comparison with the same quarter last year by SEK 134 million for sales and SEK 22 million for operating profit. Accumulated for the two first quarters, sales are impacted by SEK 327 million and profit by SEK 36 million. Sales and profit are delayed and will instead be deducted in the future. Operating cash flow for the period was also negatively impacted by the aforementioned reasons. For the second quarter, the negative impact is SEK 197 million and accumulated for the first half of 2019, the negative impact is SEK 294 million. The Group has SEK 640 million in available cash and cash equivalents at the end of the period.

The work of preparing for the development of Karlastaden is a prioritized issue. Through an exclusivity agreement, Serneke began negotiations on the sale and a complete financing of Karlatornet. The counterparty is an international actor with good capacity and experience of investments in large projects in the global market. Our objective is to complete an agreement as soon as possible and come back with more detailed in the third quarter.

Despite the recent slowdown in housing construction and the forecasts that indicate a continued declining trend, we generally have a positive view of the underlying demand. The housing shortage remains, the regional differences in the market are large and the need for public service properties is significant. For us as a national actor, there are some explanations for why can be pleased about strong order bookings, despite reports of storm clouds on the horizon.

During the quarter, we saw a continued demand for housing, both from public and private clients in all of our regions. Here, I want to particularly highlight the housing market in Region South that we note continued to be strong. A good example is our Magasinhusen project in Landskrona where we are now beginning a third phase after virtually all 99 tenant-owner apartments in the projects were sold in advance.

During the quarter, we also signed several agreements regarding public service properties. Particularly noteworthy in



this context is the framework agreement with Specialfastigheter and the new aquatics center in Linköping. The latter is an example of a kind of facility in short supply that many municipalities throughout Sweden have a need for.

Order bookings in the second quarter amounted to SEK 2,663 million (1,328), an increase of 100 percent compared with the corresponding quarter of the preceding year. We note that our order backlog of SEK 7,149 million (7,398), which despite it in this quarter being slightly lower than the same time last year, is again developing positively. For us, this is evidence that we are competitive even in a declining economy and that we will continue to be selective in our order bookings. Even if it can have a major impact on individual quarters, our strategy is correct on the long term.

Our largest business area Construction is reporting improved figures and stabilized profitability in the quarter. Sales amounted to SEK 1,498 million (1,437), which is a growth of 4 percent compared with the second quarter of last year, and an operating margin of 2.7 percent (2.9).

In our other contracting operation, Civil Engineering, we also note growth in the quarter of 6 percent. With the national infrastructure investments ahead of us, we see a market for the business area that remains strong. The fact that the operating margin for Civil Engineering ends up at a negative 1.5 percent (positive: 1.1) is partly attributable to us investing to be able to meet aforementioned investments.

During the quarter, we carried out a reorganization that entails a merger of Business Area Project Development and Business Area Property Management with the aim of utilizing our resources more optimally and obtaining more efficient processes in the development of our own projects. The loss for the period of SEK 14 million reflects the fact that no transactions were carried out during the period.

Ola Serneke, President and CEO

## GROUP DEVELOPMENT

### ORDER BOOKINGS AND ORDER BACKLOG

Order bookings in the second quarter amounted to SEK 2,663 million (1,328), an increase of more than 100 percent compared with the corresponding quarter of the preceding year. Order bookings for the period were mainly attributable to Construction and comprise several housing production projects, as well as public service properties. Order bookings for the quarter have a broad geographic spread and the largest project was a contract for an aquatics center in Linköping with an order value of SEK 820 million.

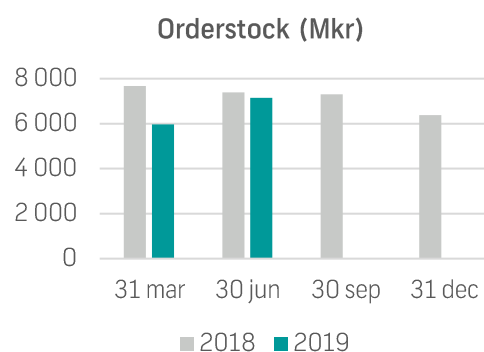
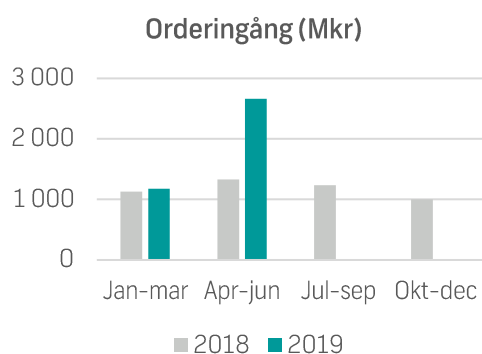
Demand in the Swedish construction market is deemed to remain stable and there is an underlying need

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. New establishments occurred in Karlstad and Linköping during the quarter.

The Group's order backlog at the end of the second quarter amounted to SEK 7,149 million (7,398).

Order bookings SEK M	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018	Jan-Dec 2018
Construction	2,524	1,000	3,620	1,927	5,764	4,071
Civil Engineering	139	328	220	529	312	621
<b>Group</b>	<b>2,663</b>	<b>1,328</b>	<b>3,840</b>	<b>2,456</b>	<b>6,076</b>	<b>4,692</b>

Order backlog SEK M	June 30 2019	June 30 2018	Dec 31 2018
Construction	6,937	6,879	6,190
Civil Engineering	212	519	192
<b>Group</b>	<b>7,149</b>	<b>7,398</b>	<b>6,382</b>



### NEW ASSIGNMENTS DURING THE PERIOD APRIL-JUNE 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
Apartments	Stockholm	480	Second quarter 2019
Renovation of apartments	Trollhättan	102	Second quarter 2019
Converted and extended school	Vänersborg	136	Second quarter 2019
Aquatics center	Linköping	820	Second quarter 2019

## INCOME AND PROFIT

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

SEK M	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Revenue	1,616	1,681	3,096	3,166	6,446	6,516
Operating result	0	74	18	126	487	595
Net financial items	-3	-16	-13	-19	-31	-37
Earnings after financial items	-3	58	5	107	456	558
Taxes	1	-10	3	-20	69	46
Earnings for the period	-2	48	8	87	525	604

### APRIL – JUNE 2019

Consolidated income amounted to SEK 1,616 million (1,681), a decrease of 4 percent. The quarter was marked by a high level of activity in the Karlstad Project and internal tenant-owner apartment projects, which affected the comparative figures negatively during the quarter as the previous years were recognized as external projects. These two factors have not been fully compensated by other growth in the Group. Within Business Area Construction, income increased by 4 percent and in Civil Engineering it increased by 6 percent. Project Development, which after the merger consists of both Project Development and Property Management, reports reduced income by 78 percent. During the quarter, no tenant-owner housing projects were turned over to the customer.

Operating profit decreased during the quarter, and amounted to SEK 0 million (74). Construction generated a profit of SEK 40 million (42), while Civil Engineering and Project Development had losses for the period.

Net financial items were negative in the amount of SEK 3 million (16). In the previous year, early redemption of bonds affected net financial items by a negative SEK 12 million.

The Group reported an estimated tax income of SEK 1 million (expense: 10). 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.

Profit for the period amounted to SEK -2 million (48) and earnings per share after dilution for the quarter were SEK -0.09 (2.05).

### JANUARY-JUNE 2019

Consolidated income for the first half of the year amounted to SEK 3,096 million (3,166), a decrease of 2 percent. A high level of activity at Construction and Civil Engineering entailed higher income for both business areas, however. Construction increased sales by 5 percent and Civil Engineering by 9 percent. Project Development reported lower income and in the first half of the year, no major property transactions were carried out and no housing projects were turned over to the customer.

Operating profit decreased during the first half of the year, and amounted to SEK 18 million (126). Construction generated an operating profit of SEK 66 million (77), providing an operating margin of 2.3 percent (2.9). Civil Engineering and Project Development reported losses in the first half of the year.

Net financial items were negative in the amount of SEK 13 million (19). In the previous year, early redemption of bonds affected net financial items by a negative SEK 12 million. Other changes pertain primarily to higher costs for non-current interest-bearing liabilities.

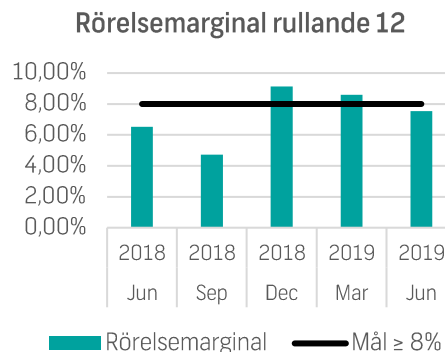
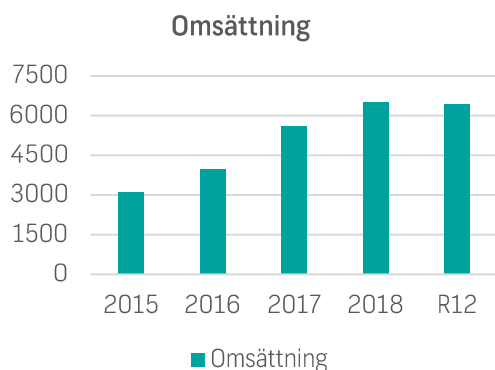
The Group reported an estimated tax income of SEK 3 million (expense: 20). The positive tax effect is attributable partly to the Group not having taxable income and a change in deferred tax related to tax loss carryforwards.

Profit for the period amounted to SEK 8 million (87) and earnings per share after dilution for the period were SEK 0.35 (3.71).

## 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.



### INCOME

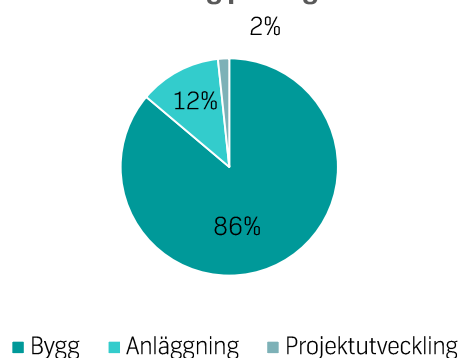
	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
<b>SEK M</b>						
Construction	1,498	1,437	2,837	2,697	5,670	5,530
Civil Engineering	201	190	401	369	897	866
Project Development	26	116	55	199	267	411
<i>Eliminations and Group-wide</i>	-109	-62	-197	-99	-388	-291
<b>Total</b>	<b>1,616</b>	<b>1,681</b>	<b>3,096</b>	<b>3,166</b>	<b>6,446</b>	<b>6,516</b>

### OPERATING PROFIT

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
<b>SEK M</b>						
Construction	40	42	66	77	79	90
Civil Engineering	-3	2	-3	3	4	10
Project Development	-14	36	-23	35	429	487
<i>Group-wide</i>	-23	-6	-22	11	-25	8
<b>Total</b>	<b>0</b>	<b>74</b>	<b>18</b>	<b>126</b>	<b>487</b>	<b>595</b>
Net financial items	-3	-16	-13	-19	-31	-37
<b>Earnings after financial items</b>	<b>-3</b>	<b>58</b>	<b>5</b>	<b>107</b>	<b>456</b>	<b>558</b>

\* 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 half of 2018, a reversal of SEK 20 million was done with regard to a reservation for a dispute the outcome of which was in the Serneke's favor.

## Omsättning per segment



## 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 M	June 30 2019	June 30 2018	Dec 31 2018
Total assets	5,564	4,742	5,555
Total shareholders' equity	2,263	1,770	2,272
Net debt	1,334	458	552
Net debt/EBITDA	2.6	1.1	0.9
Cash and bank balances	0	562	389
Equity/assets ratio, %	40.7	37.3	40.9

The consolidated balance sheet total amounted to SEK 5,564 million (5,555) as at June 30, and the equity/assets ratio was 40.7 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 640 million (789).

On June 30, equity amounted to SEK 2,263 million (2,272). Changes are comprised of profit for the year, which contributed SEK 8 million, a changed accounting policy regarding tenant-owner apartment projects that had a negative impact of SEK 25 million and share-based remuneration of SEK 8 million.

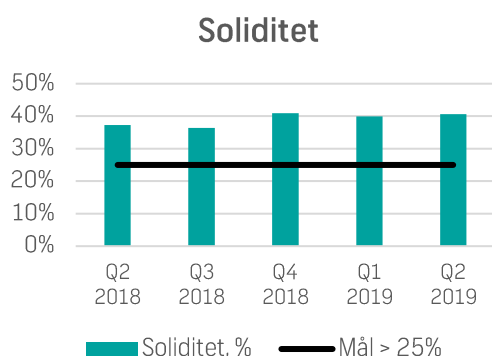
As at June 30, net debt amounted to SEK 1,334 million (552). Net borrowing in relation to EBITDA is at 2.6 (0.9) and the change in net borrowing is mainly an increase in interest-bearing liabilities attributable to now consolidated tenant-owner apartment projects and lower cash and cash equivalents. The total loan liabilities for the tenant-owner apartment projects amounted to SEK 269 million (0) at June 30.



## 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 M	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Cash flow from current operations	-302	-199	-564	10	-309	265
Cash flow from investment activities	-33	-87	-45	-98	-424	-477
Cash flow from financing activities	125	223	220	219	171	170
Cash flow for the period	-210	-63	-389	131	-562	-42
Cash and cash equivalents at beginning of period	210	625	389	431	562	431
Cash and cash equivalents at end of period	0	562	0	562	0	389

### APRIL–JUNE 2019

Cash flow from operating activities amounted to an outflow of SEK 302 million (199), of which cash flow from changes in working capital amounted to an outflow of SEK 298 million (135). The change in working capital was negatively impacted by tenant-owner apartment productions under the company's own management in an amount of SEK 119 million and investments in the Karlstaden Project in an amount of SEK 78 million.

Cash flow from investing activities was negative in the amount of SEK 22 million (87), consisting mainly of investments in tangible fixed assets.

Cash flow from financing activities amounted to an inflow of SEK 125 million (223) 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 210 million (63).

### JANUARY–JUNE 2019

Cash flow from operating activities amounted to an outflow of SEK 564 million (10), of which cash flow from changes in working capital amounted to an outflow of SEK 526 million (38). The change in working capital was negatively impacted by tenant-owner apartment productions under the company's own management in an amount of SEK 201 million and investments in the Karlstaden Project in an amount of SEK 93 million.

Cash flow from investing activities was negative in the amount of SEK 45 million (98), consisting mainly of reduced investments in tangible fixed assets.

Cash flow from financing activities amounted to an inflow of SEK 220 million (219) 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: 131).

## 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.

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
<b>SEK M</b>						
Revenue	1,498	1,437	2,837	2,697	5,670	5,530
Operating result	40	42	66	77	79	90
Operating margin, %	2.7	2.9	2.3	2.9	1.4	1.6
Order bookings	2,524	1,000	3,620	1,927	5,764	4,071
Order backlog	6,937	6,879	6,937	6,879	6,937	6,190
Average number of employees	802	750	799	747	787	761

### APRIL – JUNE 2019

Income amounted to SEK 1,498 million (1,437), an increase of 4 percent. During the quarter, there was a good production rate in existing projects where primarily Region South is experiencing a strong growth attributable to multiple housing projects.

Operating profit amounted to SEK 40 million (42) and the operating margin was 2.7 percent (2.9).

Order bookings amounted to SEK 2,524 million (1,000), an increase of 152 percent. During the quarter, Construction obtained multiple projects mainly in housing production and public service buildings, primarily the construction of an aquatics center in Linköping with an order value of SEK 820 million.

### JANUARY – JUNE 2019

Income amounted to SEK 2,837 million (2,697), an increase of 5 percent.

Operating profit amounted to SEK 66 million (77) and the operating margin was 2.3 percent (2.9).

Order bookings during the period amounted to SEK 3,620 million (1,927), an increase of 88 percent. At period-end, the order backlog amounted to SEK 6,937 million (6,879).

### 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 1.4 percent.



*Serneke has signed an agreement with Lejonfastigheter to build a new aquatics center in Linköping. The order is valued at approximately SEK 820 million.*



## 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.

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
SEK M						
Revenue	201	190	401	370	897	866
Operating result	-3	2	-3	3	4	10
Operating margin, %	-1.5	1.1	-0.7	0.8	0.4	1.2
Order bookings	139	328	220	529	312	621
Order backlog	212	519	212	519	212	192
Average number of employees	182	171	182	163	182	172

### APRIL–JUNE 2019

Income amounted to SEK 201 million (190), an increase of 6 percent. During the quarter, there has been a good production rate in existing projects, but the growth rate is decreasing compared with earlier quarters as an effect of a lower order backlog.

Operating profit amounted to SEK -3 million (2) and the operating margin was -1.5 percent (1.1). Profit was negatively impacted by the higher expenses attributable to expansion investments, which have a negative effect when the growth figures decline. Investment also continued in a stake on railways, which entailed costs that impacted the quarter.

Order bookings amounted to SEK 139 million (328). A high production rate combined with lower order bookings led to the lower order backlog. The Karlastaden Project was also included in the order backlog last year. The market for Civil Engineering continues to look strong and we see no signs of a slowdown. During the quarter, we submitted many tenders and are participating in several procurement processes. Order bookings need to be viewed over multiple quarters to be accurate.

### 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 0.4 percent.

### JANUARY–JUNE 2019

Income amounted to SEK 401 million (369), an increase of 9 percent.

Operating loss amounted to SEK 3 million (profit: 3) and the operating margin was negative at 0.7 percent (positive: 0.8).

Order bookings amounted to SEK 220 million (529) and the order backlog was SEK 212 million (519).



Serneke signed a contract with Sydvatten regarding a land, building and machine contract to increase the capacity of the Ringsjö Plant in Eslöv Municipality. The project is valued at approximately SEK 38 million.

## 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.

### Project Development

SEK M	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Revenue	26	116	55	199	267	411
Share in profit of associates and joint ventures	3	1	5	-1	0	-6
Changes in value of properties*	-	43	-	43	238	281
Operating result	-14	36	-23	35	429	487
Operating margin, %	-53.8	31.0	-41.8	17.6	160.7	118.5
Average number of employees	75	66	76	64	74	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 in this quarter were reclassified to project and development properties.

### APRIL – JUNE 2019

Income amounted to SEK 26 million (116). 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 68 million and SEK 10 million on operating profit during the quarter. During the quarter, no tenant-owner housing projects were turned over to the customer.

At the end of the quarter, the business area had a total of five productions under way, including one through a joint venture, comprising a total of 198 homes of which 173 or 87 percent are 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 (1).

Operating profit amounted to SEK -14 million (36).

### JANUARY – JUNE 2019

Income amounted to SEK 55 million (199). The decrease is mainly attributable to changed accounting policies, which have had a negative effect on income in an amount of SEK 109 million and SEK 16 million on operating profit during the first quarter.

The share in the profit of associates and joint ventures amounted to SEK 5 million (loss: 1).

Operating profit amounted to SEK -23 million (35).

### Project development portfolio

The total book value of the project development portfolio amounted to SEK 3,253 million (305) as at June 30, 2019. Of this, the holding of the Karlstaden project amounted to SEK 2,255 million, which largely explains the increase from the previous year. Even previously reported investment properties of SEK 217 million were reclassified during the quarter to project and development properties.

### FINANCIAL TARGET

Project Development aims for a return on capital employed of 20 percent. On June 30, 2019, the return on capital employed, based on rolling 12-month earnings, amounted to 24.9 percent.

## 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 M	June 30 2019	June 30 2018	Dec 31 2018
Ownership as a percentage	40	40	40
Share in associated companies*	98	88	92
Share in profit	2	5	9
Of which:			
Earnings from Property	4	6	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 M	Apr- Jun 2019	Apr-Jun 2018	Jan-Dec 2018
Revenue	17	16	64
Profit/loss for the year	9	8	23

Balance Sheet Änglagården Holding AB SEK M	June 30 2019	June 30 2018	Dec 31 2018
<b>ASSETS</b>			
Properties	798	797	790
Other assets	120	153	164
<b>Total assets</b>	<b>918</b>	<b>950</b>	<b>954</b>
<b>EQUITY AND LIABILITIES</b>			
Shareholders' equity	300	299	309
Interest-bearing liabilities	435	465	447
Other liabilities	183	186	198
<b>Total equity and liabilities</b>	<b>918</b>	<b>950</b>	<b>954</b>



In May, Serneke carried out the casting of Karlatornet's base slab, all in the course of one day.



## PARENT COMPANY

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

Income for April-June amounted to SEK 44 million (37) and consisted primarily of intra-Group services. Operating profit for the same period amounted to SEK -4 million (3).

Income for the period January-June amounted to SEK 88 million (75) and operating loss amounted to SEK 5 million (profit: 40).

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. 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, and income amounted to SEK 147 million and purchases to SEK 6 million as at June 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. The transactions as at June 30, 2019 are mainly comprised of rents and sales and amounted to SEK 2 million.

Transactions with JV Sersund AB are comprised of contracting income of SEK 19 million. Transactions with associate Änglagården consist mainly of contracted personnel, premises rental and rental of the venue name and, at June 30, 2019, this income amounted to SEK 7 million and purchases to SEK 8 million. Transactions with Michael Berglin are considered to constitute related party transactions as Michael Berglin is a member of Group Management for Serneke Group AB. Transactions consist mainly of contracting income, and sales amounted to SEK 2 million as at June 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.

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](http://www.serneke.group).

## OTHER SIGNIFICANT EVENTS DURING THE REPORT PERIOD

### Serneke combines business areas

Serneke is streamlining and combining its earlier business areas of Project Development and Property Management. The purpose of the merger is a better resource utilization and more efficient process in the development of the property business.

In connection with the merger of the business areas, the Board conducted a review of the strategic focus of the Group's properties. All properties in Business Area Project Development are classified as project and development properties, current assets, while those in Property Management were classified as investment properties, non-current assets. The new strategic focus means that the intention with all properties is that they are to be sold within the near future after completion, and the earlier investment properties have thereby been reclassified to project and development properties and valued in accordance with IAS 2 Inventories. The total reclassification amounted to SEK 217 million and has not entailed any effect on profit.

## THE SERNEKE SHARE (SRNKE)

Serneke Group AB has two share series, Series A and B. On June 30, 2019, Serneke had approximately 7,300 shareholders and the closing price on June 30, 2019 was SEK 55.

### Serneke's ten largest shareholders, June 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	2,380,748	6,090,748	27.15%	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	474,279	804,279	3.59%	5.44%
Vision Group i väst AB	250,000	536,000	786,000	3.50%	4.38%
Svolder Aktiebolag	0	1,253,941	1,253,941	5.59%	1.81%
Cliens fonder	0	855,000	855,000	3.81%	1.23%
Försäkringsaktiebolaget Avanza Pension	0	314,063	314,063	1.40%	0.45%
Bert-Åke Eriksson	0	271,687	271,687	1.21%	0.39%
Madeleine Olsson Eriksson	0	271,684	271,684	1.21%	0.39%
<b>Total, 10 largest</b>	<b>5,210,000</b>	<b>10,312,205</b>	<b>15,522,205</b>	<b>69.19%</b>	<b>90.03%</b>
Other shareholders	0	6,911,260	6,911,260	30.81%	9.97%
<b>Total shares outstanding</b>	<b>5,210,000</b>	<b>17,223,465</b>	<b>22,433,465</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Repurchased shares</b>	<b>0</b>	<b>814,987</b>	<b>814,987</b>		
<b>Total shares registered</b>	<b>5,210,000</b>	<b>18,038,452</b>	<b>23,248,452</b>		

Source: Euroclear and Serneke

Share series, number of shares and votes, June 30, 2019

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



## FINANCIAL CALENDAR

Interim Report January–September	October 25, 2019
Year-end report 2019	February 5, 2019
Interim Report January–March	May 5, 2020
Annual Shareholders 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.

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

Gothenburg, July 17, 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

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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 July 17, 2019, at 8:00 a.m.

## QUARTERLY DATA AND MULTI-YEAR REVIEW

	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep
SEK M	2019	2019	2018	2018	2018	2018	2017	2017
<b>Revenue</b>								
Construction	1,498	1,339	1,680	1,153	1,437	1,260	1,511	1,113
Civil Engineering	201	200	284	213	190	179	208	140
Project Development	26	29	150	62	116	83	71	68
<i>Eliminations and Group-wide</i>	-109	-88	-123	-69	-62	-37	-58	-50
<b>Total</b>	<b>1,616</b>	<b>1,480</b>	<b>1,991</b>	<b>1,359</b>	<b>1,681</b>	<b>1,485</b>	<b>1,732</b>	<b>1,271</b>
<b>Operating result</b>								
Construction	40	26	54	-41	42	35	56	42
Civil Engineering	-3	0	2	5	2	1	4	3
Project Development	-14	-9	459	-7	36	-1	197	20
<i>Group-wide</i>	-23	1	-6	3	-6	17	-47	2
<b>Total</b>	<b>0</b>	<b>18</b>	<b>509</b>	<b>-40</b>	<b>74</b>	<b>52</b>	<b>210</b>	<b>67</b>
Operating margin, %	0.0	1.2	25.6	-2.9	4.4	3.5	12.1	5.3
Profit after net financial items	-3	8	501	-50	58	49	206	62
Earnings for the period	-2	10	572	-55	48	39	152	51
<b>Balance sheet</b>								
Non-current assets	910	1,106	1,094	1,998	1,944	1,725	1,682	1,353
Current assets	4,654	4,546	4,461	2,725	2,798	2,627	2,722	2,615
<b>Total assets</b>	<b>5,564</b>	<b>5,652</b>	<b>5,555</b>	<b>4,723</b>	<b>4,742</b>	<b>4,352</b>	<b>4,404</b>	<b>3,968</b>
Shareholders' equity	2,263	2,257	2,272	1,721	1,770	1,860	1,821	1,669
Non-current liabilities	1,669	1,573	1,289	1,317	1,387	972	980	920
Current liabilities	1,632	1,822	1,994	1,685	1,585	1,520	1,603	1,379
<b>Total equity and liabilities</b>	<b>5,564</b>	<b>5,652</b>	<b>5,555</b>	<b>4,723</b>	<b>4,742</b>	<b>4,352</b>	<b>4,404</b>	<b>3,968</b>
<b>Orders</b>								
Order bookings	2,663	1,177	1,000	1,236	1,328	1,128	1,898	691
Order backlog	7,149	5,973	6,382	7,303	7,398	7,671	7,965	7,765
<b>Staff</b>								
Average number of employees	1,140	1,134	1,110	1,096	1,051	1,022	1,001	970

## KEY INDICATORS

### IFRS-based key indicators

SEK M	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2019	Jan-Dec 2018
Revenue	1,616	1,681	3,096	3,166	6,446	6,516
Earnings per share, SEK, before dilution	-0.09	2.06	0.36	3.74	23.28	26.37
Earnings per share, SEK after dilution	-0.09	2.05	0.35	3.71	23.09	26.16
Weighted average number of shares before dilution	22,433,465	23,248,452	22,433,465	23,248,452	22,552,723	22,905,389
Weighted average number of shares after dilution	22,613,468	23,428,455	22,613,468	23,428,455	22,732,726	23,085,392

### Other key indicators

SEK M	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2019	Jan-Dec 2018
Operating result	0	74	74	126	487	595
Growth, %	-3.9	14.8	-3.9	21.7	4.5	16.3
Order bookings	2,663	1,328	3,840	2,456	6,076	4,692
Order backlog	7,149	7,398	7,149	7,398	7,149	6,382
Organic growth, %	-3.9	14.8	-2.2	21.7	4.5	16.2
Operating margin, %	0.0	4.4	0.6	4.0	7.6	9.1
Cash flow before financing	-335	-286	-609	-88	-733	-212
Cash flow from operations per share, before dilution	-13.46	-8.56	-13.46	-1.89	-13.70	11.57
Cash flow from operations per share, after dilution	-13.35	-8.49	-13.35	-1.88	-13.59	11.48
Equity per share, SEK, before dilution	97.34	76.13	97.34	76.13	97.34	101.28
Equity per share, SEK after dilution	100.07	75.55	100.07	75.55	100.07	100.47
Working capital	3,022	1,213	3,022	1,213	3,022	2,467
Capital employed	3,630	2,826	3,630	2,826	3,630	3,264
Return on capital employed, %	16.2	19.1	16.2	19.1	16.2	21.9
Return on equity after taxes, %	26.0	17.1	26.0	17.1	26.0	29.5
Equity/assets ratio, %	40.7	37.3	40.7	37.3	40.7	40.9
Net debt	1,334	458	1,334	458	1,334	552
Net debt/equity ratio, %	58.9	25.9	58.9	25.9	58.9	24.3
Net debt/EBITDA	2.6	1.1	2.6	1.1	2.6	0.9

# SUMMARY FINANCIAL STATEMENTS

## SUMMARY OF CONSOLIDATED INCOME STATEMENT

SEK M	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Revenue	1,616	1,681	3,096	3,166	6,446	6,516
Production and administration expenses	-1,562	-1,614	-2,982	-3,011	-6,244	-6,273
<b>Gross profit</b>	<b>54</b>	<b>67</b>	<b>114</b>	<b>155</b>	<b>202</b>	<b>243</b>
Sales and administration expenses	-55	-33	-100	-64	-170	-134
Change in value of investment properties	-	43	-	43	238	281
Revaluation of previous holdings in joint ventures	-	-	-	-	229	229
Share in profit of associates and joint ventures	1	-3	4	-8	-12	-24
<b>Operating result</b>	<b>0</b>	<b>74</b>	<b>18</b>	<b>126</b>	<b>487</b>	<b>595</b>
Net financial items	-3	-16	-13	-19	-31	-37
<b>Earnings after financial items</b>	<b>-3</b>	<b>58</b>	<b>5</b>	<b>107</b>	<b>456</b>	<b>558</b>
Taxes	1	-10	3	-20	69	46
<b>Earnings for the period</b>	<b>-2</b>	<b>48</b>	<b>8</b>	<b>87</b>	<b>525</b>	<b>604</b>
<b>Attributable to:</b>						
Parent Company shareholders	-5	48	5	87	578	607
Non-controlling interests	3	0	3	0	-3	-3
Earnings per share before dilution, SEK	-0.09	2.06	0.36	3.74	23.28	26.37
Earnings per share after dilution, SEK	-0.09	2.05	0.35	3.71	23.09	26.16
Average number of shares before dilution	22,433,465	23,248,452	22,433,465	23,248,452	22,552,723	22,905,389
Average number of shares after dilution	22,613,468	23,428,455	22,613,468	23,428,455	22,732,726	23,085,392

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
<b>Earnings for the period</b>	<b>-2</b>	<b>48</b>	<b>8</b>	<b>87</b>	<b>525</b>	<b>604</b>
<b>Other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>	<b>-2</b>	<b>48</b>	<b>8</b>	<b>87</b>	<b>525</b>	<b>604</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

SEK M	June 30 2019	June 30 2018	Dec 31 2018
<b>ASSETS</b>			
<i>Non-current assets</i>			
Intangible fixed assets	23	23	23
Managed properties	–	1,016	213
Other tangible fixed assets	217	100	122
Investments in associates/joint ventures	131	481	122
Non-current interest-bearing receivables	33	36	51
Other non-current receivables	506	288	563
<b>Total non-current assets</b>	<b>910</b>	<b>1,944</b>	<b>1,094</b>
<i>Current assets</i>			
Project and development properties	3,253	305	2,507
Inventories	1	1	1
Accounts receivable	859	965	972
Accrued but not invoiced income	383	394	398
Other current receivables	158	571	194
Cash and bank balances	0	562	389
<b>Total current assets</b>	<b>4,654</b>	<b>2,798</b>	<b>4,461</b>
<b>Total assets</b>	<b>5,564</b>	<b>4,742</b>	<b>5,555</b>
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>	<b>2,263</b>	<b>1,770</b>	<b>2,272</b>
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	1,174	1,024	826
Other non-current liabilities	145	153	83
Deferred tax liability	154	49	157
Other provisions	196	161	223
<b>Total long-term liabilities</b>	<b>1,669</b>	<b>1,387</b>	<b>1,289</b>
<i>Current liabilities</i>			
Current interest-bearing liabilities	193	32	166
Current tax liabilities	8	4	13
Accounts payable	706	751	991
Invoiced but not accrued income	497	391	532
Other current liabilities	228	407	292
<b>Total current liabilities</b>	<b>1,632</b>	<b>1,585</b>	<b>1,994</b>
<b>Total equity and liabilities</b>	<b>5,564</b>	<b>4,742</b>	<b>5,555</b>



## SUMMARY OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

SEK M	June 30 2019	June 30 2018	Dec 31 2018
<b>Equity attributable to Parent Company shareholders</b>			
Balance at beginning of period	2,272	1,821	1,821
Dividend	–	–93	–93
Share repurchases	–	–45	–65
Share-related compensation	8	–	1
Changed accounting policy	–25	–	–
Comprehensive income for the period	5	87	607
<b>Non-controlling interests</b>			
Acquisition of non-controlling interests	–	–	4
Comprehensive income for the period	3	–	–3
<b>Balance at end of period</b>	<b>2,263</b>	<b>1,770</b>	<b>2,272</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK M	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jul–Jun 2018/2019	Jan–Dec 2018
<i>Operating activities</i>						
Cash flow before change in working capital	–4	–64	–38	–28	–17	–7
Change in working capital	–298	–135	–526	38	–292	272
<b>Cash flow from current operations</b>	<b>–302</b>	<b>–199</b>	<b>–564</b>	<b>10</b>	<b>–309</b>	<b>265</b>
<i>Investment activities</i>						
Acquisitions of investment properties	–	–27	–	–27	1	–26
Business acquisitions	–	–	–	–	–592	–592
Sold subsidiaries	–	–	–	–	222	222
Increase/decrease in investing activities	–33	–60	–45	–71	–55	–81
<b>Cash flow from investment activities</b>	<b>–33</b>	<b>–87</b>	<b>–45</b>	<b>–98</b>	<b>–424</b>	<b>–477</b>
<b>Cash flow before financing</b>	<b>–335</b>	<b>–286</b>	<b>–609</b>	<b>–88</b>	<b>–733</b>	<b>–212</b>
<i>Financing activities</i>						
Newly raised borrowings	119	690	201	690	202	691
Amortization of liabilities	–1	–328	–1	–332	–7	–338
Share repurchases	–	–45	–	–45	–20	–65
Dividend	–	–93	–	–93	–	–93
Increase/decrease in financing activities	7	–1	20	–1	–4	–25
<b>Cash flow from financing activities</b>	<b>125</b>	<b>223</b>	<b>220</b>	<b>219</b>	<b>171</b>	<b>170</b>
<b>Cash flow for the period</b>	<b>–210</b>	<b>–63</b>	<b>–389</b>	<b>131</b>	<b>–562</b>	<b>–42</b>
Cash and cash equivalents at beginning of period	210	625	389	431	562	431
<b>Cash and cash equivalents at end of period</b>	<b>0</b>	<b>562</b>	<b>0</b>	<b>562</b>	<b>0</b>	<b>389</b>

## PARENT COMPANY CONDENSED INCOME STATEMENT

SEK M	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
Revenue	44	37	88	75	156	143
Sales and administration expenses	-48	-34	-93	-35	-171	-113
<b>Operating result</b>	<b>-4</b>	<b>3</b>	<b>-5</b>	<b>40</b>	<b>-15</b>	<b>30</b>
Net financial items	-14	-20	-24	-25	-49	-50
<b>Earnings after financial items</b>	<b>-18</b>	<b>-17</b>	<b>-29</b>	<b>15</b>	<b>-64</b>	<b>-20</b>
Year-end appropriations	-	-	-	-	22	22
<b>Profit/loss before tax</b>	<b>-18</b>	<b>-17</b>	<b>-29</b>	<b>15</b>	<b>-42</b>	<b>2</b>
Taxes	3	4	5	-3	-11	-19
<b>Earnings for the period</b>	<b>-15</b>	<b>-13</b>	<b>-24</b>	<b>12</b>	<b>-53</b>	<b>-17</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK M	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/2019	Jan-Dec 2018
<b>Earnings for the period</b>	<b>-15</b>	<b>-13</b>	<b>-24</b>	<b>12</b>	<b>-53</b>	<b>-17</b>
<b>Other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>	<b>-15</b>	<b>-13</b>	<b>-24</b>	<b>12</b>	<b>-53</b>	<b>-17</b>

## PARENT COMPANY CONDENSED BALANCE SHEET

SEK M	June 30 2019	June 30 2018	Dec 31 2018
<b>ASSETS</b>			
<i>Non-current assets</i>			
Tangible fixed assets	13	5	12
Participations in Group companies	211	146	162
Participations in associated companies and joint ventures	10	–	10
Deferred tax assets	15	26	10
Other non-current receivables	4	2	2
<b>Total non-current assets</b>	<b>253</b>	<b>179</b>	<b>196</b>
<i>Current assets</i>			
Project and development properties	3	3	3
Other current receivables	1,784	995	1572
Cash and bank balances	–	469	310
<b>Total current assets</b>	<b>1,787</b>	<b>1,467</b>	<b>1,885</b>
<b>Total assets</b>	<b>2,040</b>	<b>1,646</b>	<b>2,081</b>
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>	<b>490</b>	<b>553</b>	<b>505</b>
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	705	714	702
Other provisions	1	–	–
<b>Total long-term liabilities</b>	<b>706</b>	<b>714</b>	<b>702</b>
<i>Current liabilities</i>			
Current interest-bearing liabilities	115	1	16
Accounts payable	9	12	18
Other current liabilities	720	366	840
<b>Total current liabilities</b>	<b>844</b>	<b>379</b>	<b>874</b>
<b>Total equity and liabilities</b>	<b>2,040</b>	<b>1,646</b>	<b>2,081</b>

## 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.

The Group has acquired and sold assets through companies with these acquisitions/disposals not being considered to be acquisitions/disposals of operations. 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.

### 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.

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

<b>Commitments for operating leases as at December 31, 2018</b>	<b>88</b>
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
<b>Lease liability as at January 1, 2019</b>	<b>168</b>

In addition, the Interim Report has been prepared in accordance with the same accounting principles and calculation methods as in the Annual Report for 2018. For detailed information regarding accounting policies, see Serneke's 2018 Annual Report, see [www.serneke.se](http://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.

	<b>June 30 2019</b>	June 30 2018	Dec 31 2018
<b>Group SEK million</b>			
Financial assets			
Available-for-sale financial assets*	2	2	2
<b>Total financial assets</b>	<b>2</b>	<b>2</b>	<b>2</b>
Financial liabilities			
Other short- and long-term liabilities	58	104	58
Of which, additional purchase considerations**	58	104	58
<b>Total financial liabilities</b>	<b>58</b>	<b>104</b>	<b>58</b>

\* 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:

	<b>June 30 2019</b>	June 30 2018	Dec 31 2018
<b>Group</b>			
Pledged assets	2,089	727	1,941
Contingent liabilities	420	626	570
<b>PARENT COMPANY</b>			
Pledged assets	500	200	500
Contingent liabilities	2,128	1,333	1,205



## Note 4 – Breakdown of income

<b>Apr–June 2019, SEK million</b>	<b>Construction</b>	<b>Civil Engineering</b>	<b>Project Development</b>	<b>Elimination/Group-wide</b>	<b>Total</b>
Construction income	1,488	200	5	-109	1,584
Rental income	0	–	0	–	0
Other income	10	1	21	–	32
<b>Total income</b>	<b>1,498</b>	<b>201</b>	<b>26</b>	<b>-109</b>	<b>1,616</b>

Date of income recognition:

At a specific time	10	1	21	–	32
Over time	1,488	200	5	-109	1,584
<b>Total income</b>	<b>1,498</b>	<b>201</b>	<b>26</b>	<b>-109</b>	<b>1,616</b>

<b>Jan–June 2019, SEK million</b>	<b>Construction</b>	<b>Civil Engineering</b>	<b>Project Development</b>	<b>Elimination/Group-wide</b>	<b>Total</b>
Construction income	2,825	400	16	-197	3,044
Rental income	0	–	15	–	15
Other income	12	1	24	–	37
<b>Total income</b>	<b>2,837</b>	<b>401</b>	<b>55</b>	<b>-197</b>	<b>3,096</b>

Date of income recognition:

At a specific time	12	1	24	–	37
Over time	2,825	400	31	-197	3,059
<b>Total income</b>	<b>2,837</b>	<b>401</b>	<b>55</b>	<b>-197</b>	<b>3,096</b>

<b>Apr–June 2018, SEK million</b>	<b>Construction</b>	<b>Civil Engineering</b>	<b>Project Development</b>	<b>Elimination/Group-wide</b>	<b>Total</b>
Construction income	1,436	190	89	-62	1,653
Rental income	0	–	14	–	14
Other income	1	0	13	–	14
<b>Total income</b>	<b>1,437</b>	<b>190</b>	<b>116</b>	<b>-62</b>	<b>1,681</b>

Date of income recognition:

At a specific time	1	–	13	–	14
Over time	1,436	190	103	-62	1,667
<b>Total income</b>	<b>1,437</b>	<b>190</b>	<b>116</b>	<b>-62</b>	<b>1,681</b>

Jan–June 2018, SEK million	Construction	Civil Engineering	Project Development	Elimination/Group-wide	Total
Construction income	2,692	369	151	-99	3,113
Rental income	0	–	25	–	25
Other income	5	0	23	–	28
<b>Total income</b>	<b>2,697</b>	<b>369</b>	<b>199</b>	<b>-99</b>	<b>3,166</b>
Date of income recognition:					
At a specific time	5	–	23	–	28
Over time	2,692	369	176	-99	3,138
<b>Total income</b>	<b>2,697</b>	<b>369</b>	<b>199</b>	<b>-99</b>	<b>3,166</b>

### 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. Construction contracts mean that the construction is 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. The stage of completion is calculated as the relationship between contract expenses incurred for work completed at the end of the reporting period, and estimated total contract expenses. 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 probability 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

Key indicators	Definition	Purpose					
Growth	Revenues for the period less revenues for the previous period divided by revenues 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	Revenues for the period, adjusted for acquired growth, less revenues for the previous period, adjusted for acquired growth, divided by revenues 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.					
		Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jul-Jun	Jan-Dec
Calculation of organic growth		2019	2018	2019	2018	2019	2018
Income current period		1,616	1,681	3,096	3,166	6,446	6,516
Income corresponding period previous period		1,681	1,464	3,166	2,602	6,169	5,605
Income change		-65	217	-70	564	277	911
Adjustment for structural effect		0	0	0	0	-1	-1
Total organic growth		-65	217	-70	564	276	910
Total organic growth (%)		-3.9%	14.8%	-2.2%	21.7%	4.5%	16.2%
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 revenues.	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.					
		June 30	June 30	Dec 31			
Calculation of capital employed		2019	2018	2018			
Total assets		5,564	4,742	5,555			

Key indicators	Definition	Purpose		
	Deferred tax assets	0	0	0
	Less non-interest-bearing liabilities including deferred tax liabilities	-1,934	-1,916	-2,291
	<b>Capital employed</b>	<b>3,630</b>	<b>2,826</b>	<b>3,264</b>
<b>Return on capital employed</b>	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.		
		<b>June 30</b>	June 30	Dec 31
	<b>Calculation of average capital employed</b>	<b>2019</b>	2018	2018
	June 30, 2019 (3,630) + June 30, 2018 (2,826) / 2	3,228		
	June 30, 2018 (2,826) + June 30, 2017 (2,076) / 2		2,451	
	31 Dec 2018 (3,264) + 31 Dec 2017 (2,516) / 2			2,890
		<b>June 30</b>	June 30	Dec 31
	<b>Calculation of return on capital employed</b>	<b>2019</b>	2018	2018
	Profit after net financial items	456	375	558
	Plus financial expenses	67	92	75
	Average capital employed	3,228	2,451	2,890
	<b>Return on capital employed</b>	<b>16.2%</b>	<b>19.1%</b>	<b>21.9%</b>
<b>Equity per share, before/after dilution</b>	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.		
<b>Cash flow from operations per share, before/after dilution</b>	Cash flow from operating activities divided by the average number of shares for 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.		
<b>Earnings per share, before/after dilution</b>	Profit/loss for the period divided by the average number of shares outstanding 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.		

Key indicators	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.		
			<b>June 30</b>	June 30
			<b>2019</b>	2018
				Dec 31
				2018
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.		
EBITDA	Operating profit excluding amortization/depreciation.	EBITDA is a measure deemed to provide investors a better understanding of the company's earnings.		
			<b>June 30</b>	June 30
			<b>2019</b>	2018
				Dec 31
				2018
Net debt/EBITDA	Interest-bearing liabilities less liquid assets less interest-bearing receivables divided by EBITDA.	Net debt/EBITDA is a measure deemed relevant for creditors and credit rating agencies.		
			<b>June 30</b>	June 30
			<b>2019</b>	2018
				Dec 31
				2018



## SERNEKE IN BRIEF

Serneke is a rapidly growing corporate group active in construction, civil engineering, project development and property management 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](http://www.serneke.se)

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### Presentation of the Interim Report for January-June 2019

On July 17, 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-q2-2019>. Presentation materials for the presentation will be available on the website one hour before the webcast begins.

To participate, please dial: +46 8 50 55 83 65