

A QUARTER PERVADED BY TRANSACTIONS AND STRONG ORDER BOOKINGS

OCTOBER – DECEMBER 2019

- Order bookings amounted to SEK 2,969 million (1,000)
- Income amounted to SEK 2,253 million (1,991)
- The operating loss amounted to SEK 97 million (profit 509)
- Cash flow from operating activities amounted to SEK 83 million (264). Cash flow was affected adversely by investments of SEK 157 million in the production of tenant-owner apartments and the Karlastaden project
- The loss for the period amounted to SEK 63 million (profit 572)
- The final settlement of the remaining additional purchase consideration for the Säve site strengthened the cash and bank balances by SEK 300 million and had a negative effect on operating profit by SEK 90 million

JANUARY – DECEMBER 2019

- Order bookings amounted to SEK 8,601 million (4,692) and the order backlog was SEK 8,943 million (6,382)
- Income amounted to SEK 6,725 million (6,516)
- The operating loss amounted to SEK 84 million (profit 595)
- Cash flow from operating activities amounted to an outflow of SEK 645 million (inflow 265). Cash flow was affected adversely by investments of SEK 484 million in the production of tenant-owner apartments and the Karlastaden project
- The loss for the period amounted to SEK 82 million (profit 604)
- Recalculated in accordance with the former accounting principle regarding tenant-owner apartments projects and assuming the Karlastaden project as external, income would have instead amounted to SEK 7,228 million and the operating loss would have been SEK 29 million.
- The Board of Directors confirms the Company's dividend policy but chooses to await the outcome of current transactions before recommending a dividend for 2019 in the Notice to attend the Annual General Meeting.

SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Income	2,253	1,991	6,725	6,516
Operating profit	-97	509	-84	595
Operating margin, %	-4.3	25.6	-1.2	9.1
Profit/loss for the period	-63	572	-82	604
Earnings per share, SEK, before dilution	-2.81	25.34	-3.66	26.37
Earnings per share, SEK, after dilution	-2.81	25.14	-3.66	26.16
Equity per share, SEK, after dilution	96.94	100.47	96.94	100.47
Equity/assets ratio, %	38.0	40.9	38.0	40.9
Net debt	1,224	552	1,224	552
Net debt/EBITDA	-36.0	0.9	-36.0	0.9
Net debt/equity ratio, %	56.2	24.3	56.2	24.3
Order bookings	2,969	1,000	8,601	4,692
Order backlog	8,943	6,382	8,943	6,382

CEO STATEMENT

Both within the Company and externally, 2019 was a year marked by major challenges. The year also reflected the Company's view that having the courage to change is crucial, even though decisions may be difficult at that moment. We have vigorously addressed aspects bringing long-term organizational improvement and resulting in a more profitable company.

It is therefore gratifying to feel that we can enter a new decade with several of these challenges behind us. Our hard work has borne fruit and much of what we focused on over the year, has fallen into place, particularly in the fourth quarter.

Factors impacting earnings negatively included: capacity that has been kept on "standby" at Karlastaden, our long-term initiative in collaboration agreements, the earnings of the civil engineering operations, the restructuring costs for implementing the new organization, amended accounting principles and, last but not least, the final settlement in the sale of the S ve flygplats site.

S ve represented good business for us, generating total gains of about SEK 625 million, although an accrual loss of SEK 90 million was incurred in the fourth quarter of 2019. Although our long-term focus on collaboration agreements will be repaid in 2020, it burdened earnings in 2018 – 2019. The civil engineering operations have now also been restructured in the new organization. The combined negative impact on earnings of these circumstances in 2019 amounts to approximately SEK 380 million, and to about SEK 2.3 billion in sales.

In the fourth quarter, we completed three major transactions: we divested a portfolio of rental properties to Trenum for a total value of SEK 1.6 billion, completed the sale of a property to the municipality of Gothenburg for approximately SEK 170 million and reached a final settlement with Castellum regarding S ve. These and similar transactions form an important part of our business concept and we have on several occasions demonstrated our strength in developing properties, thus generating values that have then been divested. We have an attractive portfolio and look forward to conducting similar transactions in the future, primarily continuing sales of the attractive 150,000 m² remaining in Karlastaden.

In the fourth quarter, negotiations continued with a new partner in the Karlatornet project. These negotiations have demanded considerable effort by management and have been the focus of the external community's attention. Accordingly, it is highly gratifying that we were recently able to announce an agreement with Oaktree Capital Management on the sale of a majority holding in Karlatornet – a transaction guaranteeing full financing and the implementation of the project with a high level of quality. In addition to having positive effects on cash flow and earnings, the agreement includes us signing a contracting agreement



valued at slightly more than SEK 3 billion and maintaining principal responsibility for construction.

As I mentioned earlier, we conducted a review of our operations during the year, resulting in a new organization. Moving ahead, we will be bringing our core operations together within Serneke Sweden, and by delegating greater responsibility and mandates to the regions, we will strengthen entrepreneurial spirit and gain a closer relationship to our customers and the business. For this reason, we believe that our problems with the profitability of the contracting business in general, and the civil engineering operations in particular, can be addressed in a vigorous manner. The reorganization also allows us to adjust the constraints of our overhead costs, further optimizing them. Early in the new year, we had the opportunity to introduce Anders Arfv n as CEO of Serneke Sweden and, accordingly, the person ultimately responsible for our Swedish operations.

Although we witnessed a continued slowdown in housing construction over the year, we are pleased to note that order bookings almost trebled in the fourth quarter to SEK 2,969 million (1,000). From a full-year perspective, order bookings have risen to SEK 8,601 million (4,692) and the order backlog amounted to SEK 8,943 million (6,382) at the end of the year. It is worth noting that neither collaboration agreements nor Karlatornet are not included in these values.

If 2019 was characterized by major challenges, 2020 will be pervaded by considerable opportunities. Together with our dedicated and energetic employees, we are now entering a new phase for the Company, in which we will focus even more on our core values, thus building the strong foundation necessary for our continued expansion.

Ola Serneke, President and CEO

GROUP DEVELOPMENT

ORDER BOOKINGS AND ORDER BACKLOG

External order bookings in the fourth quarter amounted to SEK 2,969 million (1,000), an increase of 197 percent compared with the corresponding quarter of the preceding year. The strong order bookings were attributable foremost to the construction operations, with housing production accounting for most of the projects secured during the quarter. The largest individual order was valued at SEK 840 million, involving a housing project in Lund.

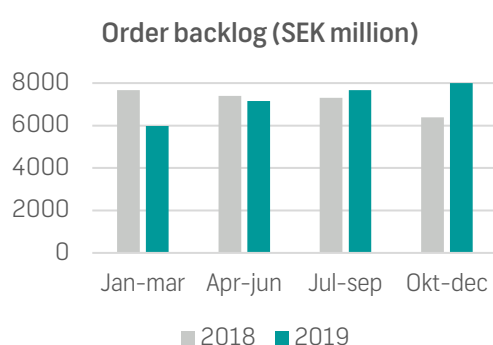
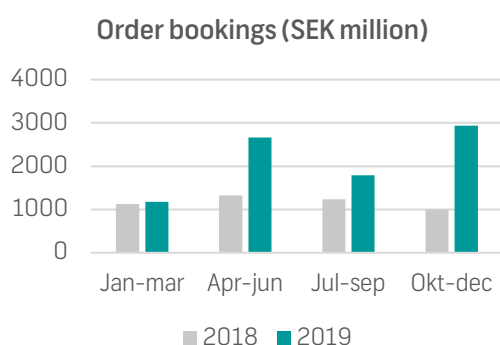
Demand in the Swedish construction market is considered stable and there is an underlying need

for both housing and public properties. The metropolitan regions and their environs are the Group's most important markets, as reflected by the orders secured during the period. At the same time, the Group is continuing its geographic expansion, with a new regional office being established in Luleå during the quarter – meaning that the Group is now present throughout Sweden.

At the end of the fourth quarter, the external order backlog amounted to SEK 8,943 million (6,382).

Order bookings SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Construction	2,938	1,053	8,124	4,071
Civil Engineering	31	-53	477	621
Group	2,969	1,000	8,601	4,692

Order backlog SEK million	Dec 31 2019	Dec 31 2018
Construction	8,659	6,190
Civil Engineering	284	192
Group	8,943	6,382



NEW ASSIGNMENTS DURING THE PERIOD OCTOBER–DECEMBER 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	Upplands Väsby	255	Fourth quarter 2019
Housing	Trollhättan	150	Fourth quarter 2019
Housing	Varberg	265	Third quarter 2020
Long-stay-hotel/apartments	Falkenberg	151	Fourth quarter 2019
Housing	Lund	840	First quarter 2020

INCOME AND PROFIT

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

SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Income	2,253	1,991	6,725	6,516
Operating profit	-97	509	-84	595
Net financial items	12	-8	-27	-37
Earnings after financial items	-85	501	-111	558
Tax	22	71	29	46
Profit/loss for the period	-63	572	-82	604

OCTOBER – DECEMBER 2019

Consolidated income amounted to SEK 2,253 million (1,991), an increase of 13 percent. In Construction, income increased by 3 percent, while income decreased by 53 percent in Civil Engineering. Project Development accounted for the largest increase in income at 223 percent, explained by the business area having completed several transactions during the quarter. These transactions, totaling SEK 459 million, included both sales of project properties and the handover of a tenant-owner apartment project to the customer.

The operating loss amounted to SEK 97 million (profit 509). Construction generated a profit of SEK 4 million (54), entailing an operating margin of 0.2 percent (3.2). Civil Engineering and Project Development generated losses of SEK 42 million and SEK 32 million respectively. During the quarter, Project Development was impacted negatively by the payment of the remaining purchase consideration of SEK 90 million in the settlement with Castellum. In connection with the settlement, consolidated cash and bank balances were strengthened by SEK 300 million. Completed transactions contributed SEK 97 million to operating profit.

Net financial items amounted to SEK 12 million (negative 8). During the quarter, borrowing expenses of SEK 37 million on project properties were capitalized, having previously been reported as interest expenses.

The Group reported an estimated tax expense of SEK 22 million (71). 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 63 million (profit 572) and earnings per share after dilution for the quarter were a negative SEK 2.81 (positive 25.14).

JANUARY – DECEMBER 2019

Consolidated income amounted to SEK 6,725 million (6,516), an increase of 3 percent. In Construction, sales increased by 6 percent, while in Civil Engineering, they decreased by 23 percent, explained by a gradually diminishing order backlog. For the contracting operations as a whole, this has meant a 2-percent increase in income. In Project Development, income increased by 38 percent, driven by completed transactions for SEK 459 million.

The operating loss amounted to SEK 84 million (profit 595). Construction generated an operating profit of SEK 95 million (90), providing an operating margin of 1.6 percent (1.6). Civil Engineering and Project Development reported losses of SEK 65 million (profit 10) and SEK 55 million (profit 487) respectively. The preceding year's earnings for Project Development reflected the sale of Säve flygplats and the revaluation effect of SEK 500 million in the Karlstad Project.

Net financial items amounted to a negative SEK 27 million (37) and were affected positively by borrowing expenses of SEK 37 million, previously reported as interest expenses, being capitalized on project properties.

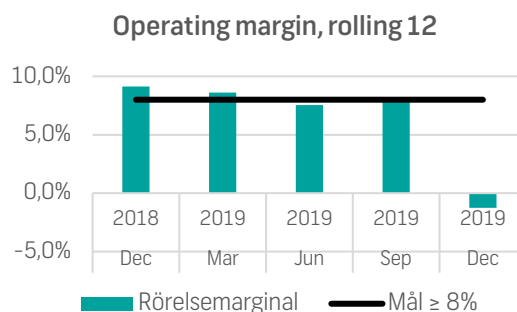
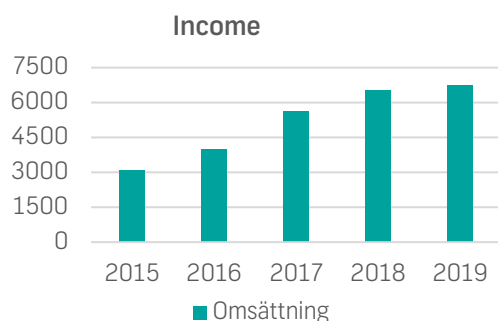
The Group reported an estimated tax expense of SEK 29 million (46). The positive tax effect is attributable partly to the Group not having taxable income and a change in deferred tax related to tax loss carryforwards.

The loss for the period amounted to SEK 82 million (profit 604) and the loss per share after dilution was SEK 3.66 (profit 26.16) 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.



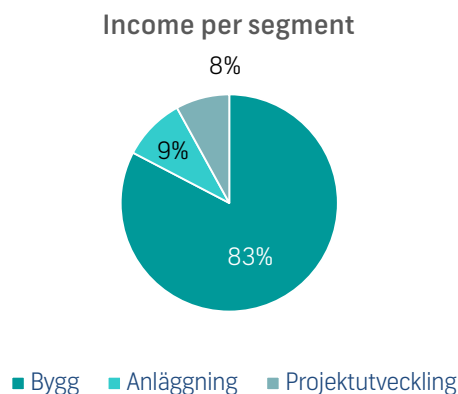
SALES

	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
SEK million				
Construction	1,728	1,680	5,867	5,530
Civil Engineering	132	284	663	866
Project Development	484	150	568	411
<i>Eliminations and Group-wide</i>	<i>-91</i>	<i>-123</i>	<i>-373</i>	<i>-291</i>
Total	2,253	1,991	6,725	6,516

OPERATING PROFIT

	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
SEK million				
Construction	4	54	95	90
Civil Engineering	-42	2	-65	10
Project Development	-32	459	-55	487
<i>Group-wide</i>	<i>-27</i>	<i>-6</i>	<i>-59</i>	<i>8</i>
Total	-97	509	-84	595
Net financial items	12	-8	-27	-37
Profit after financial items	-85	501	-111	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	Dec 31 2019	Dec 31 2018
Total assets	5,734	5,555
Total equity	2,179	2,272
Net debt	1,224	552
Net debt/EBITDA	-36.0	0.9
Cash and cash equivalents	162	389
Equity/assets ratio, %	38.0	40.9

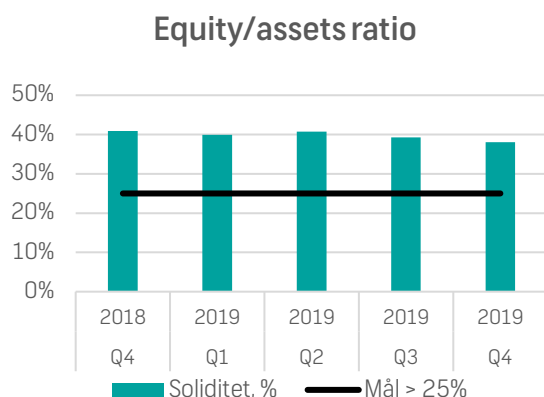
The consolidated balance sheet total amounted to SEK 5,734 million (5,555) as at December 31, and the equity/assets ratio was 38.0 percent (40.9). At the end of the period, cash and cash equivalents amounted to SEK 162 million (389), in addition to which, the Group has a credit framework of SEK 530 million. At the end of the period, available cash and cash equivalents totaled SEK 692 million (789).

On December 31, equity amounted to SEK 2,179 million (2,272). The change mainly comprises the loss for the year of SEK 82 million, a changed accounting policy regarding tenant-owner apartment projects with a negative impact of SEK 25 million, share-based remuneration of SEK 15 million, and the conversion of a convertible debenture for a negative SEK 1 million.

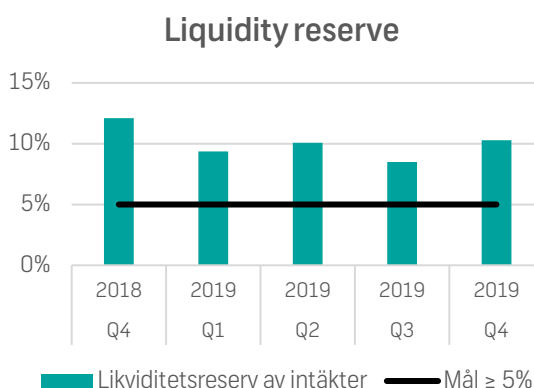
On December 31, net borrowing amounted to SEK 1,224 million (552). Net borrowing in relation to EBITDA is at a negative 36.0 (positive 0.9) and the change in net borrowing is mainly an increase in interest-bearing liabilities of SEK 308 million attributable to now consolidated tenant-owner apartment projects, interest-bearing lease liabilities of SEK 199 million attributable to IFRS 16 and lower cash and bank balances. The total loan liabilities for the tenant-owner apartment projects amounted to SEK 308 million (0) at December 31.

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	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Cash flow from operating activities	83	264	-645	265
Cash flow from investment activities	286	-293	211	-477
Cash flow from financing activities	-207	-46	207	170
Cash flow for the period	162	-75	-227	-42
Cash and cash equivalents at beginning of period	0	464	389	431
Cash and cash equivalents at end of period	162	389	162	389

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Cash flow from operating activities amounted to SEK 83 million (264), of which cash flow from changes in working capital amounted to SEK 55 million (192). The change in working capital was affected positively by transactions for SEK 238 million, while tenant-owner apartment production conducted in-house and investments in the Karlstad project had a negative impact of SEK 157 million.

Cash flow from investing activities amounted to SEK 286 million (outflow 293) and consisted mainly of SEK 300 million in early payments of additional purchase considerations as part of the settlement with Castellum.

Cash flow from financing activities amounted to an outflow of SEK 207 million (46), mainly involving changes in the loan portfolio and an SEK 150 million repayment on the overdraft facility.

Cash flow for the period amounted to SEK 162 million (outflow 75).

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Cash flow from operating activities amounted to an outflow of SEK 645 million (inflow 265), of which cash flow from changes in working capital amounted to an outflow of SEK 593 million (inflow 272). The change in working capital was affected positively by transactions for SEK 238 million, while tenant-owner apartment production conducted in-house and investments in the Karlstad project had a negative impact of SEK 484 million.

Cash flow from investing activities amounted to SEK 211 million (outflow 477) and consisted mainly of SEK 300 million in early payments of additional purchase considerations as part of the settlement with Castellum.

Cash flow from financing activities amounted to an inflow of SEK 207 million (170) 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 227 million (42).

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	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Income	1,728	1,680	5,867	5,530
Operating profit	4	54	95	90
Operating margin, %	0.2	3.2	1.6	1.6
Order bookings	2,938	1,053	8,124	4,071
Order backlog	8,659	6,190	8,659	6,190
Average number of employees	784	778	794	761

OCTOBER – DECEMBER 2019

Income amounted to SEK 1,728 million (1,680), an increase of 3 percent. During the quarter, there was a good production rate in existing projects, with primarily Region South experiencing strong growth compared with the corresponding quarter in the preceding year. Production also commenced during the quarter on a couple of projects in the newly established Region Central.

Operating profit amounted to SEK 4 million (54) and the operating margin was 0.2 percent (3.2). During the quarter, the margin was affected negatively as a result of increased provisions for disputed projects.

Order bookings amounted to SEK 2,938 million (1,053), an increase of 179 percent. During the quarter, several new orders were secured, primarily in housing production, but also assignments in the public sector in the form of public properties. The geographic expansion has continued, with Region North being established with its regional offices in Luleå.

JANUARY – DECEMBER 2019

Income amounted to SEK 5,867 million (5,530), an increase of 6 percent.

Operating profit amounted to SEK 95 million (90) and the operating margin was 1.6 percent (1.6). In the preceding year, Construction was affected negatively by impairment of SEK 70 million on two projects. The margin for the year was affected negatively as a result of increased provisions for disputed projects.

Order bookings during the period amounted to SEK 8,124 million (4,071), an increase of 100 percent. At the end of the period, the order backlog amounted to SEK 8,659 million (6,190).

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 1.6 percent.

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.

	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
SEK million				
Income	132	284	663	866
Operating profit	-42	2	-65	10
Operating margin, %	-31.8	0.7	-9.8	1.2
Order bookings	31	-53	477	621
Order backlog	284	192	284	192
Average number of employees	174	182	179	172

OCTOBER–DECEMBER 2019

Income amounted to SEK 132 million (284), a decrease of 54 percent. As some production projects are completed, income decreases as an effect of the lower order backlog.

The operating loss amounted to SEK 42 million (profit 2), entailing a negative operating margin of 31.8 percent (positive 0.7). The operating margin was affected by impairment in existing projects, while overhead costs increased in relation to the lower sales.

Order bookings amounted to SEK 31 million (negative 53). The negative order bookings in the corresponding quarter in the preceding year were attributable to the acquisition of the Karlstad project, in connection with which SEK 155 million was removed from the order backlog and classified as internal orders.

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Income amounted to SEK 663 million (866), a decrease of 23 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 65 million (profit 10) and the operating margin was a negative 9.8 percent (positive 1.2). The operating margin was affected by impairment 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 477 million (621) and the order backlog was SEK 284 million (192).

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 9.8 percent.

BUSINESS AREA PROJECT DEVELOPMENT

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

SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Income	484	150	568	411
Share in profit of associates and joint ventures	4	-5	12	-6
Changes in value of properties*	-	240	-	281
Operating profit	-32	459	-55	487
Operating margin, %	-6.6	306.0	-9.7	118.5
Average number of employees	114	74	115	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.

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Income amounted to SEK 484 million (150), an increase of 223 percent. The increased income is attributable to completed transactions for a total SEK 459 million.

At the end of the quarter, the business area had a total of six production projects in progress, excluding Karlstad, including one through a joint venture, comprising a total of 257 homes of which 246, or 85 percent, have been sold. In the fourth quarter, a tenant-owner apartment project comprising 33 apartments was handed over to the customer. All of the apartments in the project had been sold.

The share in the profit of associates and joint ventures amounted to SEK 4 million (loss 5).

The operating loss amounted to SEK 32 million (profit 459). During the quarter, a final settlement regarding Säv flygplats was signed with the buyer, Castellum. The settlement involved paying all of the remaining additional purchase consideration, which had a negative impact on earnings of SEK 90 million, while cash and bank balances were strengthened by SEK 300 million and the Group's environmental responsibility for the site ceased. Sales completed in the quarter affected profit by SEK 97 million.

JANUARY – DECEMBER 2019

Income amounted to SEK 568 million (411), an increase of 38 percent. The increase is attributable to sales completed in the fourth quarter. Changed accounting policies regarding housing development through tenant-owner apartments have entailed a negative effect of SEK 145 million on income and of SEK 19 million on operating profit.

The share in the profit of associates and joint ventures amounted to SEK 12 million (loss 6).

The operating loss amounted to SEK 55 million (profit 487). Profit was affected negatively in the amount of SEK 62 million net by the settlement with Castellum, as this also allowed provisions for remaining decontamination undertakings to be extinguished.

Project development portfolio

On December 31, 2019, the total book value of the project development portfolio amounted to SEK 3,274 million (2,507). The holding consists primarily of the Karlstad project at SEK 2,499 million. The foremost increase is due to changed accounting principles for the development of tenant-owner housing and investments made during the year.

FINANCIAL TARGET

Project Development aims for a return on capital employed of 20 percent. On December 31, 2019, the return on capital employed, based on rolling 12-month earnings, amounted to a negative 1.5 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 million	Dec 31 2019	Dec 31 2018
Ownership as a percentage	40	40
Share in associated companies*	107	92
Share in profit	14	9
Of which:		
Operating earnings	14	12
Change in value of property	0	-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	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Income	17	17	68	64
Profit for the year	12	1	36	23

Balance Sheet Änglagården Holding AB SEK million	Dec 31 2019	Dec 31 2018
ASSETS		
Project and development properties	806	790
Other assets	128	164
Total assets	934	954
EQUITY AND LIABILITIES		
Shareholders' equity	321	309
Interest-bearing liabilities	426	447
Other liabilities	187	198
Total equity and liabilities	934	954

Changes in accounting policies

As of January 1, 2019, a new accounting policy is applied for housing development in the form of tenant-owner apartments. 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 pertained to the 2018 financial year.

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

PARENT COMPANY

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

Income for October–December amounted to SEK 44 million (30) and consisted primarily of intra-group services. The increase is attributable to the larger organization's needs for group services. The operating loss for the same period amounted to SEK 15 million (14).

Income for the period January–December amounted to SEK 178 million (143) and the operating loss was SEK 14 million (profit: 30). 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. During the year, related-party transactions took place with property company Adapta AB, Ola Serneke Invest AB, JV Sersund AB, associate Änglagården, Michael Berglin, Serneke Midroc Holding AB, associate Fjätersvålen AB and associate 7H Bil 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 consist mainly of contracting income and rental of Serneke's headquarters, with income amounting to SEK 152 million and purchases to SEK 12 million on December 31, 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 December 31, 2019, income consisted primarily of rent and amounted to SEK 1 million, while costs consisted primarily of a provision of SEK 4 million for a dispute.

Transactions with JV Sersund AB consist of contracting income of SEK 54 million. Transactions with associate Änglagården consisted mainly of contracted personnel, rental of premises and rental of the venue name, with this income amounting to SEK 14 million at December 31, 2019 and purchases to SEK 18 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, with sales amounting to SEK 5 million at December 31. Transactions with JV Serneke Midroc Holding AB involve contracted personnel for SEK 1 million. Transactions with associate Fjätersvålen consist of project income of SEK 4 million. Transactions with associate 7H Bil consist of contracting income of 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 fourth 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

Settlement with Castellum regarding Söve flygplats

On December 23, an agreement was reached to settle the remaining purchase consideration in the Söve flygplats transaction effectuated between the companies in December 2018. Financially, this impacted earnings negatively by SEK 90 million in the fourth quarter, while contributing SEK 300 million to cash and cash equivalents. The settlement also extinguishes Serneke's responsibilities in terms of decontaminating the area.

OTHER SIGNIFICANT EVENTS FOLLOWING THE REPORT PERIOD

New organization from January 1, 2020

From the start of the year, the Group's core operations have been organized into five regions: South, West, East, Central and North. Responsibility for our shared business, with its strong local connections, lies with the regions, to which full responsibility and authority have been delegated to promote our entire offering to customers, including construction, civil engineering and project development operations alike. On January 10, it was announced that Anders Arfvén would be appointed as President of Serneke Sweden, bearing the overarching national responsibility for all five regions.

Serneke agrees sale of majority holding in Karlatornet to Oaktree

Serneke has reached an agreement with Oaktree Capital Management ("Oaktree") regarding the sale of 80 percent of Karlatornet, in the Karlastaden district in the Lindholmen area of Gothenburg. Serneke remains the principal contractor on the project, entering into a turnkey contract with an order value of slightly more than SEK 3 billion, to be included in Serneke's order bookings in the quarter in which the transaction is concluded. The transaction will be concluded when bank financing and transaction documentation are in place and the customary terms have been met.



Karlatornet begins its climb towards 73 stories. The tower will rise by one story a week on average. Photo: Kasper Dudzik

THE SERNEKE SHARE (SRNKE)

Serneke Group AB has two share series, Series A and B. On December 31, 2019 Serneke had about 7,300 shareholders and the closing price on that date was SEK 61.7.

Serneke's ten largest shareholders, December 31, 2019

Name	Series A shares	No. of B shares	Total number of shares	Percentage of shares outstanding, %	Percentage of votes, %
Ola Serneke Invest AB	3,710,000	2,382,844	6,092,844	27.16%	56.95%
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	476,061	806,061	3.59%	5.45%
Vision Group i väst AB	250,000	552,288	802,288	3.58%	4.40%
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	-	354,379	354,379	1.58%	0.51%
Försäkringsaktiebolaget Avanza Pension	-	299,397	299,397	1.33%	0.43%
Bert-Åke Eriksson	-	271,687	271,687	1.21%	0.39%
Total, 10 largest	5,210,000	10,439,859	15,649,859	69.76%	90.21%
Other shareholders	-	5,968,619	5,968,619	30.24%	9.79%
Total shares outstanding	5,210,000	16,408,478	21,618,478	100.00%	100.00%
Repurchased shares	-	814,987	814,987		
Total shares registered	5,210,000	17,223,465	22,433,465		

Source: Euroclear and Serneke

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

Interim Report January–March	May 5, 2020 Annual
General Meeting	May 5, 2020
Interim Report January–June	August 20, 2020
Interim report January–September	November 5, 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, February 5, 2020
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 February 5, 2020, at 8:00 a.m.

QUARTERLY DATA AND MULTI-YEAR REVIEW

	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
SEK million	2019	2019	2019	2019	2018	2018	2018	2018
Income								
Construction	1,728	1,302	1,498	1,339	1,680	1,153	1,437	1,260
Civil Engineering	132	130	201	200	284	213	190	179
Project Development	484	29	26	29	150	62	116	83
<i>Eliminations and Group-wide</i>	-91	-85	-109	-88	-123	-69	-62	-37
Total	2,253	1,376	1,616	1,480	1,991	1,359	1,681	1,485
Operating profit								
Construction	5	25	40	26	54	-41	42	35
Civil Engineering	-42	-20	-3	0	2	5	2	1
Project Development	-32	0	-14	-9	459	-7	36	-1
<i>Group-wide</i>	-27	-10	-23	1	-6	3	-6	17
Total	-97	-5	0	18	509	-40	74	52
Operating margin, %	-4.3	-0.4	0.0	1.2	25.6	-2.9	4.4	3.5
Profit after net financial items	-85	-30	-3	8	501	-50	58	49
Profit/loss for the period	-63	-27	-2	10	572	-55	48	39
Balance sheet								
Fixed assets	661	941	910	1,106	1,094	1,998	1,944	1,725
Current assets	5,072	4,753	4,654	4,546	4,461	2,725	2,798	2,627
Total assets	5,734	5,694	5,564	5,652	5,555	4,723	4,742	4,352
Shareholders' equity	2,179	2,238	2,263	2,257	2,272	1,721	1,770	1,860
Non-current liabilities	1,719	1,615	1,669	1,573	1,289	1,317	1,387	972
Current liabilities	1,835	1,841	1,632	1,822	1,994	1,685	1,585	1,520
Total equity and liabilities	5,734	5,694	5,564	5,652	5,555	4,723	4,742	4,352
Orders								
Order bookings	2,969	1,792	2,663	1,177	1,000	1,236	1,328	1,128
Order backlog	8,943	7,662	7,149	5,973	6,382	7,303	7,398	7,671
Employees								
Average number of employees	1,153	1,173	1,178	1,175	1,110	1,096	1,051	1,022

KEY INDICATORS

IFRS-based key indicators

SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Income	2,253	1,991	6,725	6,516
Earnings per share, SEK, before dilution	-2.81	25.34	-3.66	26.37
Earnings per share, SEK, after dilution	-2.81	25.14	-3.66	26.16
Weighted average number of shares before dilution	22,433,465	22,570,127	22,433,465	22,905,389
Weighted average number of shares after dilution	22,481,968	22,750,130	22,558,676	23,085,392

Other key indicators

SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Operating profit	-97	509	-84	595
Growth, %	13.2	15.0	3.2	16.3
Order bookings	2,969	1,000	8,601	4,692
Order backlog	8,943	6,382	8,943	6,382
Organic growth, %	13.2	14.9	3.2	16.2
Operating margin, %	-4.3	25.6	-1.2	9.1
Cash flow before financing	369	-29	-434	-212
Cash flow from operations per share, before dilution	3.70	11.70	-28.75	11.57
Cash flow from operations per share, after dilution	3.69	11.60	-28.75	11.48
Equity per share, SEK, before dilution	97.13	101.28	97.13	101.28
Equity per share, SEK, after dilution	96.92	100.47	96.92	100.47
Working capital	3,237	2,467	3,237	2,467
Capital employed	3,603	3,264	3,603	3,264
Return on capital employed, %	-2.2	21.9	-2.2	21.9
Return on equity after taxes, %	-3.7	29.5	-3.7	29.5
Equity/assets ratio, %	38.0	40.9	38.0	40.9
Net debt	1,224	552	1,224	552
Net debt/equity ratio, %	56.2	24.3	56.2	24.3
Net debt/EBITDA	-36.0	0.9	-36.0	0.9

SUMMARY FINANCIAL STATEMENTS

SUMMARY OF CONSOLIDATED INCOME STATEMENT

SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Income	2,253	1,991	6,725	6,516
Production and administration expenses	-2,297	-1,894	-6,620	-6,273
Gross profit	-44	97	105	243
Sales and administration expenses	-53	-44	-197	-134
Change in value of investment properties	-	240	-	281
Revaluation of previous holdings in joint ventures	-	229	-	229
Share in profit of associates and joint ventures	0	-13	8	-24
Operating profit	-97	509	-84	595
Net financial items	12	-8	-27	-37
Profit after financial items	-85	501	-111	558
Tax	22	71	29	46
Profit/loss for the period	-63	572	-82	604
Attributable to:				
Parent Company shareholders	-63	575	-85	607
Non-controlling interests	0	-3	3	-3
Earnings per share before dilution, SEK	-2.81	25.34	-3.66	26.37
Earnings per share after dilution, SEK	-2.81	25.14	-3.66	26.16
Average number of shares before dilution	22,433,465	22,570,127	22,433,465	22,905,389
Average number of shares after dilution	22,481,968	22,750,130	22,558,676	23,085,392

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Profit/loss for the period	-63	572	-82	604
Other comprehensive income	0	0	0	0
Total comprehensive income	-63	572	-82	604

CONDENSED CONSOLIDATED BALANCE SHEET

SEK million	Dec 31 2019	Dec 31 2018
Assets		
<i>Fixed assets</i>		
Intangible fixed assets	23	23
Investment properties	-	213
Other tangible fixed assets	298	122
Investments in associates/joint ventures	145	122
Non-current interest-bearing receivables	37	51
Other non-current receivables	158	563
Total fixed assets	661	1,094
<i>Current assets</i>		
Project and development properties	3,274	2,507
Inventories	1	1
Accounts receivable	825	972
Accrued but not invoiced income	560	398
Other current receivables	251	194
Cash and bank balances	162	389
Total current assets	5,073	4,461
Total assets	5,734	5,555
Equity and liabilities		
Shareholders' equity	2,179	2,272
<i>Non-current liabilities</i>		
Non-current interest-bearing liabilities	1,246	826
Other non-current liabilities	162	83
Deferred tax liability	128	157
Other provisions	183	223
Total non-current liabilities	1,719	1,289
<i>Current liabilities</i>		
Current interest-bearing liabilities	177	166
Current tax liabilities	12	13
Accounts payable	958	991
Invoiced but not accrued income	347	532
Other current liabilities	342	292
Total current liabilities	1,836	1,994
Total equity and liabilities	5,734	5,555

SUMMARY OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

SEK million	Dec 31 2019	Dec 31 2018
Equity attributable to Parent Company shareholders		
Balance at beginning of period	2,272	1,821
Dividend	-	-93
Share repurchases	-	-65
Share-related compensation	15	1
Conversion, convertible debenture loans	-1	-
Changed accounting policy	-25	-
Comprehensive income for the period	-82	607
Non-controlling interests		
Acquisition of non-controlling interests	0	4
Transactions with non-controlling interests	0	0
Comprehensive income for the period	0	-3
Balance at end of period	2,179	2,272

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
<i>Operating activities</i>				
Cash flow before change in working capital	28	72	-52	-7
Change in working capital	55	192	-593	272
Cash flow from operating activities	83	264	-645	265
<i>Investing activities</i>				
Acquisitions of investment properties	-	-	-	-26
Acquisitions of businesses	-	-587	-	-592
Sold subsidiaries	-	222	-	222
Increase/decrease in investing activities	286	72	211	-81
Cash flow from investing activities	286	-293	211	-477
Cash flow before financing	369	-29	-434	-212
<i>Financing activities</i>				
Newly raised borrowings	240	-	446	691
Amortization of liabilities	-241	-2	-258	-338
Share repurchases	-	-20	-	-65
Dividend	-	-	-	-93
Increase/decrease in financing activities	-206	-24	19	-25
Cash flow from financing activities	-207	-46	207	170
Cash flow for the period	162	-75	-227	-42
Cash and cash equivalents at beginning of period	0	464	389	431
Cash and cash equivalents at end of the period	162	389	162	389

PARENT COMPANY CONDENSED INCOME STATEMENT

SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Income	44	30	178	143
Sales and administration expenses	-59	-44	-192	-113
Operating profit	-15	-14	-14	30
Net financial items	-39	-15	-91	-50
Profit after financial items	-54	-29	-105	-20
Appropriations	0	22	0	22
Profit/loss before tax	-54	-7	-105	2
Tax	-4	-17	3	-19
Profit/loss for the period	-58	-24	-102	-17

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Profit/loss for the period	-58	-24	-102	-17
Other comprehensive income	0	0	0	0
Total comprehensive income	-58	-24	-102	-17

PARENT COMPANY CONDENSED BALANCE SHEET

SEK million	Dec 31 2019	Dec 31 2018
Assets		
<i>Fixed assets</i>		
Tangible fixed assets	13	12
Investments in Group companies	300	162
Investments in associates and joint ventures	-	10
Deferred tax assets	13	10
Other non-current receivables	3	2
Total fixed assets	329	196
<i>Current assets</i>		
Project and development properties	2	3
Other current receivables	1,726	1,572
Cash and bank balances	66	310
Total current assets	1,794	1,885
Total assets	2,123	2,081
Equity and liabilities		
Shareholders' equity	417	505
<i>Non-current liabilities</i>		
Non-current interest-bearing liabilities	699	702
Other provisions	2	0
Total non-current liabilities	701	702
<i>Current liabilities</i>		
Current interest-bearing liabilities	10	16
Accounts payable	20	18
Other current liabilities	975	840
Total current liabilities	1,005	874
Total equity and liabilities	2,123	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 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. The transition to IFRS 16 has not had 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.

	Dec 31 2019	Dec 31 2018
Group SEK million		
Financial assets		
Available-for-sale financial assets*	2	2
Total financial assets	2	2
Financial liabilities		
Other short- and long-term liabilities	23	58
Of which, additional purchase considerations**	23	58
Total financial liabilities	23	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:

	Dec 31 2019	Dec 31 2018
Group		
Pledged assets	2,044	1,941
Contingent liabilities	350	450
Parent Company		
Pledged assets	500	500
Contingent liabilities	2,262	1,205

Note 4 – Breakdown of income

Oct–Dec 2019, SEK million	Construction	Civil Engineering	Project Development	Elimination/Group-wide	Total
Construction income	1,724	131	1	-91	1,765
Sale of properties and development rights	0	0	463	0	463
Rental income	0	0	2	0	2
Other income	4	1	18	0	23
Total income	1,728	132	484	-91	2,253

Date of income recognition:

At a specific time	4	1	481	0	486
Over time	1,724	131	3	-91	1,767
Total income	1,728	132	484	-91	2,253

Oct–Dec 2018, SEK million	Construction	Civil Engineering	Project Development	Elimination/Group-wide	Total
Construction income	1,676	284	91	-123	1,928
Sale of properties and development rights	0	0	0	0	0
Rental income	0	0	16	0	16
Other income	4	0	43	0	47
Total income	1,680	284	150	-123	1,991

Date of income recognition:

At a specific time	4	0	43	0	47
Over time	1,676	284	107	-123	1,944
Total income	1,680	284	150	-123	1,991

Jan–Dec 2019, SEK million	Construction	Civil Engineering	Project Development	Elimination/Group-wide	Total
Construction income	5,850	661	18	-373	6,156
Sale of properties and development rights	0	0	466	0	466
Rental income	0	0	17	0	17
Other income	17	2	67	0	86
Total income	5,867	663	568	-373	6,725

Date of income recognition:

At a specific time	17	2	533	0	552
Over time	5,850	661	35	-373	6,173
Total income	5,867	663	568	-373	6,725

Jan-Dec 2018, SEK million	Construction	Civil Engineering	Project Development	Elimination/Group-wide	Total
Construction income	5,519	866	274	-291	6,368
Sale of properties and development rights	0	0	0	0	0
Rental income	0	0	56	0	56
Other income	11	0	81	0	92
Total income	5,530	866	411	-291	6,516
Date of income recognition:					
At a specific time	11	0	81	0	92
Over time	5,519	866	330	-291	6,424
Total income	5,530	866	411	-291	6,516

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 leasing. 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		Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Income current period		2,253	1,991	6,725	6,516
Income corresponding to previous period		1,991	1,732	6,516	5,605
Income change		262	259	209	911
Adjustment for structural effect		0	-1	0	-1
Total organic growth		262	258	209	910
Total organic growth (%)		13.2%	14.9%	3.2%	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 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.			
		Dec 31 2019	Dec 31 2018		
Calculation of capital employed					
Total assets		5,734	5,555		

Indicator	Definition	Purpose	
	Deferred tax assets	0	0
	Less non-interest-bearing liabilities including deferred tax liabilities	-2,132	-2,291
	Capital employed	3,603	3,264
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.	
		Dec 31	Dec 31
	Calculation of average capital employed	2019	2018
	Dec 31, 2019 (3,603) + Dec 31, 2018 (3,264) / 2	3,433	
	Dec 31, 2018 (3,264) + Dec 31, 2017 (2,516) / 2		2,890
		Dec 31	Dec 31
	Calculation of return on capital employed	2019	2018
	Profit after net financial items	-111	558
	Plus financial expenses	36	75
	Average capital employed	3,433	2,890
	Return on capital employed	-2.2%	21.9%
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.	

Indicator	Definition	Purpose
Return on equity	Profit for the period as a percentage of average shareholders' equity. Accumulated interim periods are based on rolling 12-month earnings.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's capacity to generate a return on the capital shareholders have placed at the Company's disposal.

Indicator	Definition	Purpose															
		<table><tr><td></td><td>Dec 31</td><td>Dec 31</td></tr><tr><td>Calculation of average shareholders' equity</td><td>2019</td><td>2018</td></tr><tr><td>Dec 31, 2019 (2,179) + Dec 31, 2018 (2,272) / 2</td><td>2,226</td><td></td></tr><tr><td>Dec 31, 2018 (2,272) + Dec 31, 2017 (1,821) / 2</td><td></td><td>2,047</td></tr></table>		Dec 31	Dec 31	Calculation of average shareholders' equity	2019	2018	Dec 31, 2019 (2,179) + Dec 31, 2018 (2,272) / 2	2,226		Dec 31, 2018 (2,272) + Dec 31, 2017 (1,821) / 2		2,047			
		Dec 31	Dec 31														
	Calculation of average shareholders' equity	2019	2018														
	Dec 31, 2019 (2,179) + Dec 31, 2018 (2,272) / 2	2,226															
	Dec 31, 2018 (2,272) + Dec 31, 2017 (1,821) / 2		2,047														
		<table><tr><td></td><td>Dec 31</td><td>Dec 31</td></tr><tr><td>Calculation of return on shareholders' equity</td><td>2019</td><td>2018</td></tr><tr><td>Profit/loss for the period</td><td>-82</td><td>604</td></tr><tr><td>Average shareholders' equity</td><td>2,226</td><td>2,047</td></tr><tr><td>Return on equity</td><td>-3.7%</td><td>29.5%</td></tr></table>		Dec 31	Dec 31	Calculation of return on shareholders' equity	2019	2018	Profit/loss for the period	-82	604	Average shareholders' equity	2,226	2,047	Return on equity	-3.7%	29.5%
		Dec 31	Dec 31														
	Calculation of return on shareholders' equity	2019	2018														
	Profit/loss for the period	-82	604														
	Average shareholders' equity	2,226	2,047														
Return on equity	-3.7%	29.5%															
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.															
	<table><tr><td></td><td>Dec 31</td><td>Dec 31</td></tr><tr><td>Calculation of EBITDA</td><td>2019</td><td>2018</td></tr><tr><td>Operating profit</td><td>-84</td><td>595</td></tr><tr><td>Depreciation</td><td>50</td><td>24</td></tr><tr><td>EBITDA</td><td>-34</td><td>619</td></tr></table>		Dec 31	Dec 31	Calculation of EBITDA	2019	2018	Operating profit	-84	595	Depreciation	50	24	EBITDA	-34	619	
	Dec 31	Dec 31															
Calculation of EBITDA	2019	2018															
Operating profit	-84	595															
Depreciation	50	24															
EBITDA	-34	619															
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.															

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

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Presentation of the Interim Report for January–December 2019

On February 5, 2020 at 9:00 a.m. (CET), Serneke Group will comment on this Year-End 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-q4-2019>. 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 59