



New Sylteskolan in Trollhättan

Contents

Overview

About Serneke	1
The year in brief	2
1,000 schools in 10 years	3
CEO Statement	4
Organization and business model.....	5
Construction offering	6
Project Development	7
Extensive need for housing	8

Strategy

Our future plan.....	9
Trends in the market and surroundings	10
Strategy for increased profitability	11
Karlatornet – an eventful year	12
Innovative urban planning.....	13

Sustainability

Our view of sustainability.....	14
Our focus areas.....	15
A safe and secure work environment	16
A stimulating workplace	17
Environmentally aware choices	19
More exercise for the people	21
Governance and Framework	22
Ethical approach and considerate business	23

The share.....	24
Board of Director's Report	26
Risks and risk management	30
Corporate Governance Report	33
Multi-year summary	42
Financial definitions.....	44
Financial reports.....	47
Notes	61
Audit Report	90
Annual General Meeting.....	93

The audited Annual Report of Serneke Group AB (publ), 556669-4153, consists of pages 26-89. The Annual Report is published in Swedish and English, and the Swedish is the original version. Sustainability priorities are integrated into the complete report.



“A part of the preparations for a fourth tower”

During the year, the new entrance to the Swedish Exhibition & Congress Center was completed. Shahroz Sahba is the Regional Manager for Region West.

The remodeling of Entrance 8, which is located on the west side of the exhibition center, towards Skånegatan, entails substantially improved logistics and access to both the exhibition and congress halls. The project also involves preparing for the construction of the Swedish Exhibition & Congress Center's fourth tower, +One, which is scheduled to commence in a couple of years.



Next generation society builder

Serneke is an innovative construction group with a strong endeavor to belong and to add something new. For the customers, the community and the next generation.

Innovative thinking and comprehensive

Serneke provides comprehensive services in construction and project development. The goal is to be perceived as the most innovative, committed and dynamic company in the industry. Focus is on large and more challenging projects where our competitive advantages make the biggest difference.

A collaborating organization

The operations in construction and project development are conducted in close cooperation with the customers. Good conditions are thereby created for high efficiency, good control and a good final result.

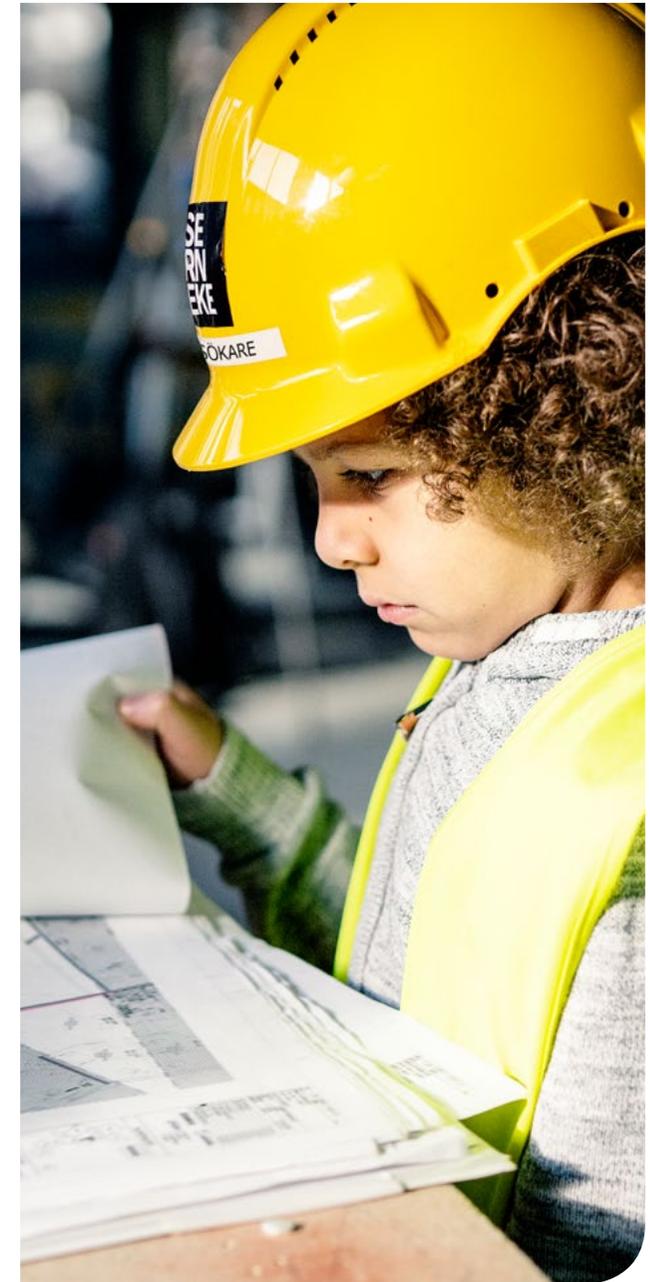
The operations are divided into five geographic regions: West, East, South, North and Central.

1,100 employees

Serneke has employees of various ages, with various origins and different backgrounds. But there is one thing that brings us together – the unwavering desire to belong and add something new. At the end of 2019, there were around 1,100 employees.

A strong community involvement

Community involvement permeates everything we do. By virtue of our size, we have both an opportunity and a responsibility to contribute to a more sustainable development. Through our activities, we contribute to the development of towns, cities and society as a whole. We also believe that it goes hand in hand with long-term growth and good profitability.



The year in brief

2019 was characterized by major challenges, of both an internal and external nature. During the year, extensive focus was on having the courage to change and think in new ways – all with the aim of creating conditions for a stronger organization, long-term sustainable growth and increased profitability.

Important events and major projects

New organization and reduced costs

During the year, a review of the business was conducted, which resulted in a new region-based organization. The overall objective is to increase collaboration within the Group and at the same time strengthen local entrepreneurship and professionalism. As another part of this work, it was decided in March 2020 to introduce changes that entail reduced

costs of around SEK 200 million per year. The changes, which affect up to 100 positions, are expected to have full effect at the beginning of 2021.

Completion of multiple major transactions

During the year, several large transactions were completed. Among the largest were the divestment of a rental property portfolio to Trenum for a total value of SEK 1.6 billion, the sale

of a property to the City of Gothenburg and the final agreement regarding Sävle Airport.

Sale of Karlatornet postponed

In the middle of January 2020, an agreement was reached with Oaktree Capital Management on the sale of a majority interest in Karlatornet. However, due to the concern caused by the coronavirus in the global financial market, Oaktree decided in March 2020 to postpone the

final agreement signing. As a consequence, activity in the project was reduced to a minimal level.

Several agreements regarding public service properties

During the year, several agreements were signed regarding public service properties. Among these were a major framework agreement with Specialfastigheter and the agreement with Lejonfastigheter regarding a new aquatics center in Linköping.

Financial development

INCOME, SEK MILLION

6,725

OPERATING PROFIT, SEK MILLION

-84

OPERATING MARGIN, %

-1.2

ORDER BOOKINGS, SEK MILLION

8,601

ORDER BACKLOG DECEMBER 31, 2019, SEK MILLION

8,943

KEY INDICATORS

SEK M	2019	2018
Revenue	6,725	6,516
Operating profit/loss	-84	595
Operating margin, %	-1.2	9.1
Earnings per share, SEK after dilution	-3.66	26.16
Equity per share, SEK after dilution	96.92	100.47
Equity/assets ratio, %	38.0	40.9
Net debt	1,224	552
Net debt/equity ratio, %	56.2	24.3
Order bookings	8,601	4,692
Order backlog	8,943	6,382

SALES AND EARNINGS



Consolidated income amounted to SEK 6,725 million (6,516), an increase of 3 percent. Operating loss amounted to SEK 84 million (profit: 595) and the operating margin was a negative 1.2 percent (positive: 9.1). The external order book grew strongly during the year. At year-end, it amounted to SEK 8,943 million (6,382).



1,000 schools in 10 years

Until 2025, the number of children in compulsory school is expected to increase by around 20 percent, which means that 250,000 more students than today need a place at school. To make this possible, between 800 and 1,200 new compulsory schools are needed in Sweden. One of them, Sylteskolan, is being built in Trollhättan right now.

>> Tangible shortage of schools throughout Sweden

The number of children and adolescents in a preschool class and compulsory school will increase sharply in the next few years. This trend places extensive demands on extensive investments in both new and existing schools.

The shortage of schools exists throughout Sweden. According to Statistics Sweden's forecast of population growth, around 1,000 new schools will need to be built in the next ten years to meet the actual need.

Extensive renovation needs

In addition to new construction, the technical improvement of existing school buildings is also needed. The majority of all schools in Sweden are built in the 1960s and 1970s and a large number of them are facing extensive renovation needs.

SERNEKE & SCHOOLS

11 SCHOOL PROJECTS

In the past year, Serneke had 11 different school projects under way.

“Sylteskolan should seethe with life”

One of Serneke's largest on-going school projects is the conversion and extension of Sylteskolan in Trollhättan. Kenth Fagerberg is Serneke's Site Manager.

“The new Sylteskolan is a huge project that will serve as inspiration for other school projects throughout Sweden. In addition to premises for compulsory schools, the buildings will also house a large new gym, a district library and a before- and after-school recreation center. Both in terms of the indoor and outdoor environment, we are setting a new standard. Every detail is well-conceived. What is extra enjoyable is that both students and teachers are given the opportunity to express their opinions. Among other things, this has resulted in a larger schoolyard, covered seating and a drinking fountain.”



“Full focus on strengthening profitability”



» How would you describe the development in 2019?

“It was clearly a challenging year. Looking at the financial development, we aren't satisfied. We are meeting the challenges with considerable humility, but also with extensive resolve and drive.”

What is this development due to?

“The foremost reasons include costs for capacity that was on “standby” at Karlastaden, a

negative development for our civil engineering operations and changed accounting regulations. In addition, the final agreement on Sève Airport also negatively impacted the profit for the year overall. Our long-term investment in collaboration agreements in 2018 and 2019 also had a negative impact. We believe that this will be repaid in future years, in pace with the agreements leading to production.”

What is now being done to increase profitability?

“Among the foremost measures is the establishment of a new organization. Entrepreneurship and proximity to the local business have always been the core of our offering and what has taken us where we are today. To strengthen this and create even better conditions for business in the entire value chain, both construction and development, we have now broken up the former business areas and instead introduced a region-based organization. The regions are given full earnings responsibility and authority to drive our entire offering – close to the customers. We are convinced that this will lead to lower costs, greater competitiveness, improved profitability and an even greater participation among our employees.

At the end of March 2020, it was decided to implement efficiency improvements and reduce costs. What does this mean?

“This entails an adaptation of the cost situation for the new Serneke Sweden and the more efficient way of working that this organization is aiming for. The current situation in the world

with the effects of COVID-19 also requires further drive in the adaptation. These measures reduce costs throughout the organization and mean that up to 100 positions will be served notice of termination. Altogether, the measures mean that around SEK 200 million will be freed up annually with full effect from the beginning of 2021.”

Previously, there was extensive focus on growth. What does it look like moving forward?

“Since our inception, we have been a company intensely focused on growth. Our aim has always been to challenge the top players, and thereby change the game plan in the construction market. A certain volume is required in order to seriously compete for the biggest, most exciting projects. This is where we are now. Today, there are very few projects that we cannot take as a result of our size. With this as a starting point, focus is now on strengthening profitability.”

How do you view the development in the market in general?

“It's a little double. On one hand, we perceive more caution, not least in the housing sector. We

also note that the lead times until decisions among the customers, municipal and private, are getting longer. At the same time, our own order bookings during the year were strong and the order backlog at year-end was 40 percent higher than the year before.”

As a consequence of the novel coronavirus, the sale of Karlatornet has been postponed. What happens now?

“In the middle of January 2020, we reached an agreement with Oaktree Capital Management on the sale of 80 percent of Karlatornet. A process has since been under way to complete bank financing and transaction documentation, which was to have been concluded in the first few months of 2020. Due to the concern caused by the coronavirus in the global financial market, our intended partner has now decided to postpone the final agreement signing. Of course, it's a disappointment that we cannot keep the timetable for the completion of the transaction we had set up. But the situation that has arisen in the world is one we have no control over.”

What consequences will this decision have?

“We have to take responsibility for the entire company and will therefore take the steps necessary. They of course include minimizing the activity in the project until further notice.”

How would you describe the focus in 2020?

“A given focus for us is to get the financing of Karlatornet in place and then resume production. In addition to this, our number one priority is strengthening profitability and adapting to the current market situation. In this work, the establishment of the new organization is an absolutely central part. We will also continue to develop our offering. We believe in partnership, collaboration and transparency – to work towards common objectives where everyone has full transparency. We will now take this perspective with us as we look ahead.”

“ Our number one priority is strengthening profitability.”

New organization and increased collaboration

Strong entrepreneurship, closeness to the local business and committed employees have always been the core of Serneke's offering. To strengthen this and create even better conditions for business, both in construction and project development, it was decided in 2019 to introduce a new organization.



Serneke has 20 offices throughout Sweden. The headquarters are in Gothenburg.

The new organization is based on five regions: West, East, South, Central and North. In each region, there is Serneke's entire offering of services within the construction operations and project development.

The regions have the full business responsibility, as well as authority to drive and develop the offering to the customers.

Construction operations

All of the Group's civil engineering and infrastructure-related operations are conducted within the construction operations.

Project Development

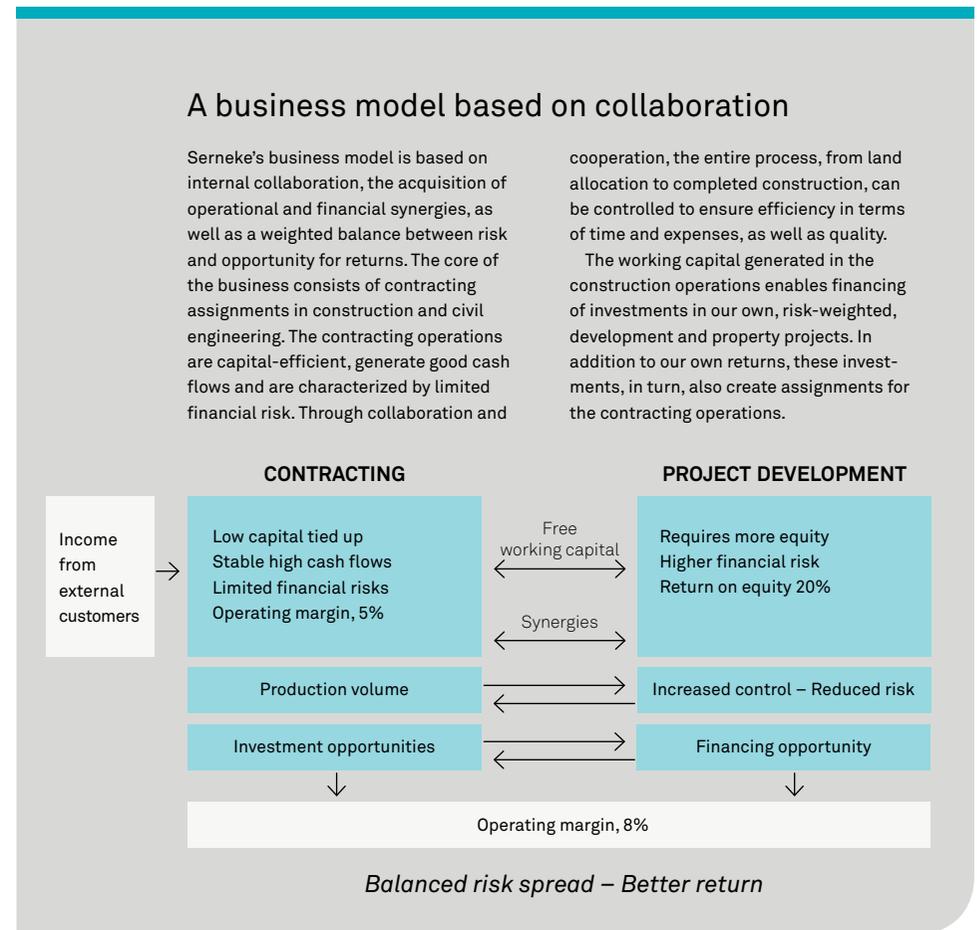
Project Development includes the development of housing and commercial properties. The projects are conducted under the

company's own direction or in collaboration with third parties through associates and joint ventures.

High degree of collaboration

The overall objective of the new organization is to increase competitiveness, reduce costs, improving profitability and create an even greater sense of involvement among the employees.

Through the reorganization, closer cooperation is enabled both internally and together with customers and partners. Conditions are thereby created for superior efficiency and utilization of skills.



A strong construction offering...

Construction and civil engineering-related projects are conducted in the contracting operations. There are both private and public actors among the customers.

Serneke offers comprehensive services in the construction sector, focusing on major construction contracts in the metropolitan regions. The operations mainly comprise housing construction and commercial and public properties. Within the scope of the construction offering, all kinds of services are also provided within the excavation and civil engineering sectors: earthworks, foundations, infrastructure, electrical grids, power plants, harbor contracts, industry projects and concrete works.

The business area's customers mainly comprise municipal and private property companies, state-owned companies, major project development companies, industrial companies, central government, municipalities and county councils, authorities and developers of commercial centers.

Development 2019

The demand for housing and public service properties, both from private and public clients, continued to be stable during the year. During the year, large new residential projects included agreements with Västerbyhem for 194 apartments in Upplands-Väsby, with Framtiden Byggutveckling for 125 apartments in Gothenburg and with Wählin Fastigheter for both new construction and renovation of apartment in Solna. Other large projects included the new aquatics center in Linköping and several large school projects, including in Arvika, Falkenberg and Vänersborg.

Focus 2020

Focus in 2020 will be on strengthening profitability. The objective is to maintain the strong position in Western Sweden and at the same time continue to strengthen the position in the other regions.

EXAMPLES OF PROJECTS

LINKÖPING'S NEW AQUATICS CENTER

During the year, construction began of a new aquatics center in Linköping. Besides the competition pool, the aquatics center will house an exercise pool, rehab pool and various areas for play, exercise and relaxation. The facility is expected to be completed in the summer of 2022.



NEW SHOPPING CENTER INAUGURATED IN KUNGÄLV

In April 2019, Kongahälla Center was inaugurated. With space for 100 stores and restaurants over around 37,000 square meters of retail space, the project is the largest shopping center venture in the Gothenburg region in ten years. Kongahälla Center was built through a partnering contract with the property company Adapta.



194 STUDENT APARTMENTS IN UPPLANDS-VÄSBY

During the year, an agreement was signed with Väsbyhem to build 194 apartments, of which the majority are apartments for young people. The project is a first phase in the development of the Väsby station area, where a total of 1,000 new homes, offices, retailing and service in a location close to public transport are now being planned. The apartments are scheduled for completion at the end of 2021.



COLLABORATION ON A NEW SCHOOL IN ARVIKA

Serneke and the municipal company Arvika Fastighets AB signed a collaboration agreement in 2019 regarding the development of a new middle school in Arvika. The new school is planned for completion in 2021.

CAMPUS ESKILSTUNA

In 2019, a new campus was completed for Mälardalen University in Eskilstuna. The campus is located in central Eskilstuna.

... and an exciting project portfolio

The project development portfolio consists of land for development of residential and commercial properties in attractive locations with a focus on metropolitan regions in Sweden. From an earlier focus on acquisition of land and properties, as well as planning work, projects are now conducted in every phase.

The Business Area Project Development is responsible for acquisitions and development of projects and development properties. The operations mainly comprise acquisitions of developed or undeveloped land that is being refined into residential and commercial properties. The development of project and development properties takes place in-house or together with cooperative partners. The customers are mainly comprised of private individuals, tenant owner associations, private housing companies and publicly financed tenants – but also property companies or companies that need premises for their commercial operations.

Development 2019

During the year, projects are conducted in every phase, from planning and construction to housing sales. During the year, extensive energy was devoted to the sale of a majority interest in Karlatornet. Due to the concern caused by the coronavirus in the global financial market, Serneke's intended partner decided in March 2020 to postpone the final agreement signing.

Other major events included the sale of properties in Malmö and Gothenburg, the sale of a rental apartment portfolio comprising around 875 apartments to Trenum AB and the completion of the sale of Säve Airport to Castellum.

At year-end, six productions were being conducted excluding Karlastaden, of which one was through a joint venture.

Focus 2020

The strategy moving ahead is based continuing to invest in projects with a low risk profile, at the right price and in good locations that over time have a good return in the market. Focus in 2020 will be on continued implementation. As the majority of projects enter production, the exchange with the construction operations in Serneke will increase.

EXAMPLES OF PROJECTS



MAGASINHUSEN PROJECT IN LANDSKRONA

Magasinhusen in northern Borstahusen, Landskrona, is one of Serneke's first proprietary projects in region South. Here, 99 new apartments are being built of brick that reflects Landskrona's historic warehouses and Borstahusen's marine architecture.



TREVÅGOR IN HELSINGBORG

Close to the sea, in the Oceanhamnen area in Helsingborg, Serneke has built 49 apartments. Occupancy began in March 2020.



CIRKUSTOMTEN PROJECT IN GOTHENBURG

After an international land allocation competition, the City of Gothenburg chose Serneke as the actor to develop the attractive Cirkustomten in Lorensberg, a stone's throw away from Avenyn and Götaplatsen in central Gothenburg. The vision is to build around 250 apartments, in the form of both tenant-owner and rental apartments. In addition, plans are also being made for public activities, such as restaurants, stores – and possibly also a hotel.



VÄSTRA SJÖSTADEN IN TRELLEBORG

Serneke and Midroc signed a declaration of intent with Trelleborg Municipality concerning development of a new city district in central Trelleborg, with room for around 1,000 new homes, service premises and a new beach and promenade. The first detailed development plan is expected to be finished in 2020.

Extensive need for housing

Sweden is growing like mad. Among the main drivers are a higher average life expectancy, extensive immigration and a high birth rate. The development is expected to contribute to a continued high demand for homes and a continued construction of homes. 783 of them are being built in Stora Råbylund in Lund.

» Strong population growth driving demand

As the population is growing, the need for housing is also increasing. On average, around 64,000 new homes per year would need to be built to meet the need.

Around 75 percent of the additional housing need is expected to be in the three metropolitan regions, Stockholm, Gothenburg and Malmö-Lund.

Extensive renovation needs

In addition to continued extensive need for new construction, there are also large parts of the Million Homes Program that are facing renovation needs. The

properties are often behind in maintenance and have extensive renovation needs. In total, the Million Homes Program properties consist of more than 900,000 residential units, most of which are owned by municipal property companies in major cities.

SERNEKE & HOMES

> 4,000

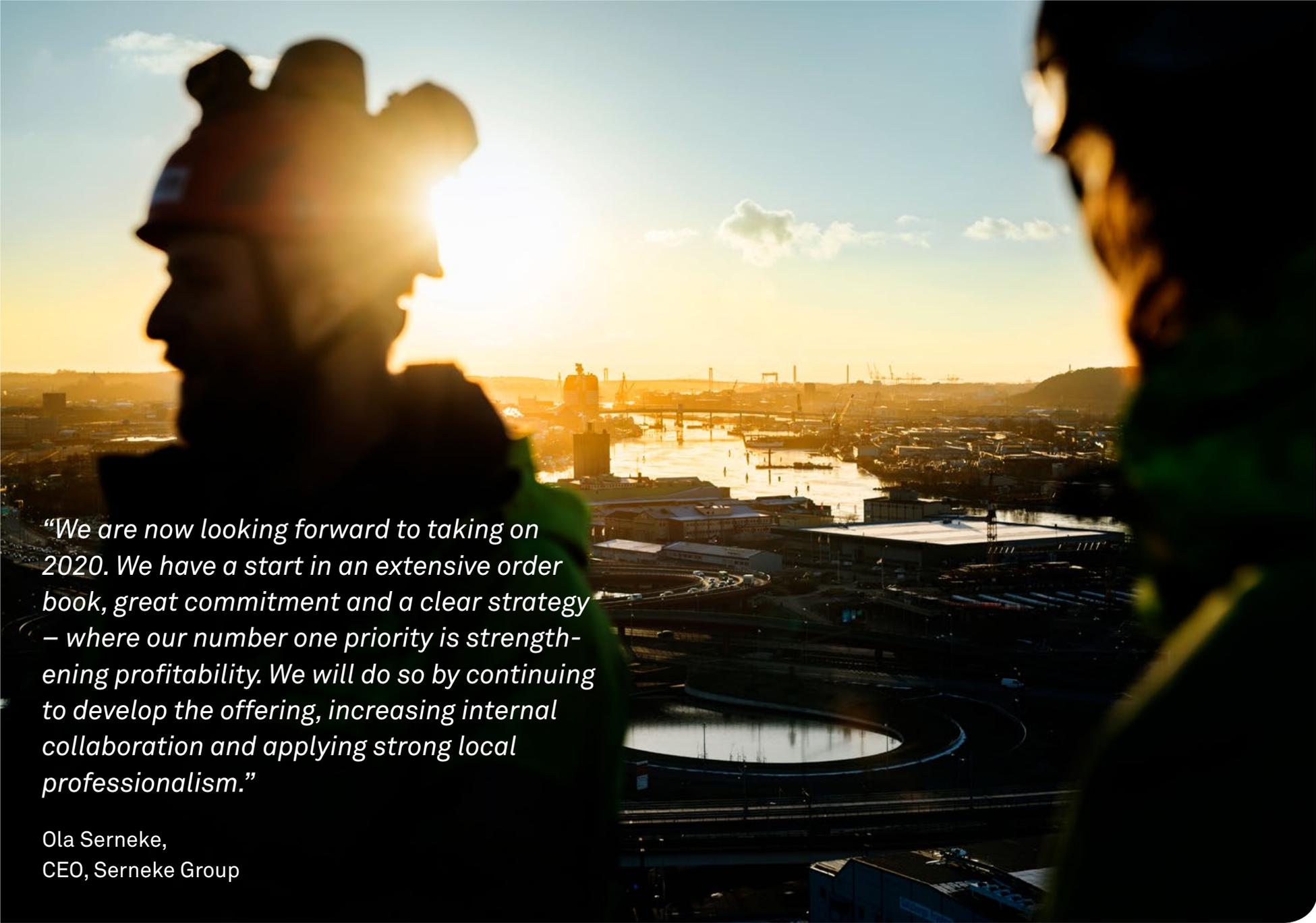
homes under construction at the end of 2019

“Good homes for the future”

At the end of 2019, an agreement was signed with Magnolia Bostad for the construction of nearly 800 apartments in Stora Råbylund in Lund. Kristian Jansson is the Regional Manager for Serneke South.

“Serneke and Magnolia have implemented many successful projects throughout Sweden. This project is a continuation of this good cooperation. The multi-family dwellings are divided into a total of 12 buildings of four to six floors. Within the area, three underground parking garages, above-ground parking and parks are also being built.”



An aerial photograph of an industrial port or harbor at sunset. The sun is low on the horizon, creating a warm, golden glow over the water and buildings. In the foreground, the dark silhouettes of several people are visible, looking out over the scene. The port features various industrial structures, including large buildings, cranes, and a prominent circular structure in the lower right. The sky is a mix of blue and orange, with a few clouds.

“We are now looking forward to taking on 2020. We have a start in an extensive order book, great commitment and a clear strategy – where our number one priority is strengthening profitability. We will do so by continuing to develop the offering, increasing internal collaboration and applying strong local professionalism.”

Ola Serneke,
CEO, Serneke Group

Trends in the market and surroundings

Serneke's business is affected by several major trends in the market and the surrounding world. The main ones include greater demand for turnkey contracts and collaboration agreements, ever stricter procurement requirements and a tough competition for experienced employees.

Greater demand for turnkey contracts and collaboration agreements

In recent years, turnkey contracts and collaboration agreements have become more common. In turnkey contracts, the builder takes a comprehensive responsibility and does everything from project engineering to the selection and purchase of materials and construction. Collaboration and partnering is a structured way of working that means that the developer and contractor work closely towards common goals and with extensive understanding for each other's needs, challenges and businesses.

Stricter procurement requirements and greater transparency

The procurement requirements have become increasingly more stringent in recent years. From previously having mainly focused on price, today, requirements are often set regarding minimum sales and special environmental and quality certifications. In addition to this, requirements are often set on the skills of individual project members.

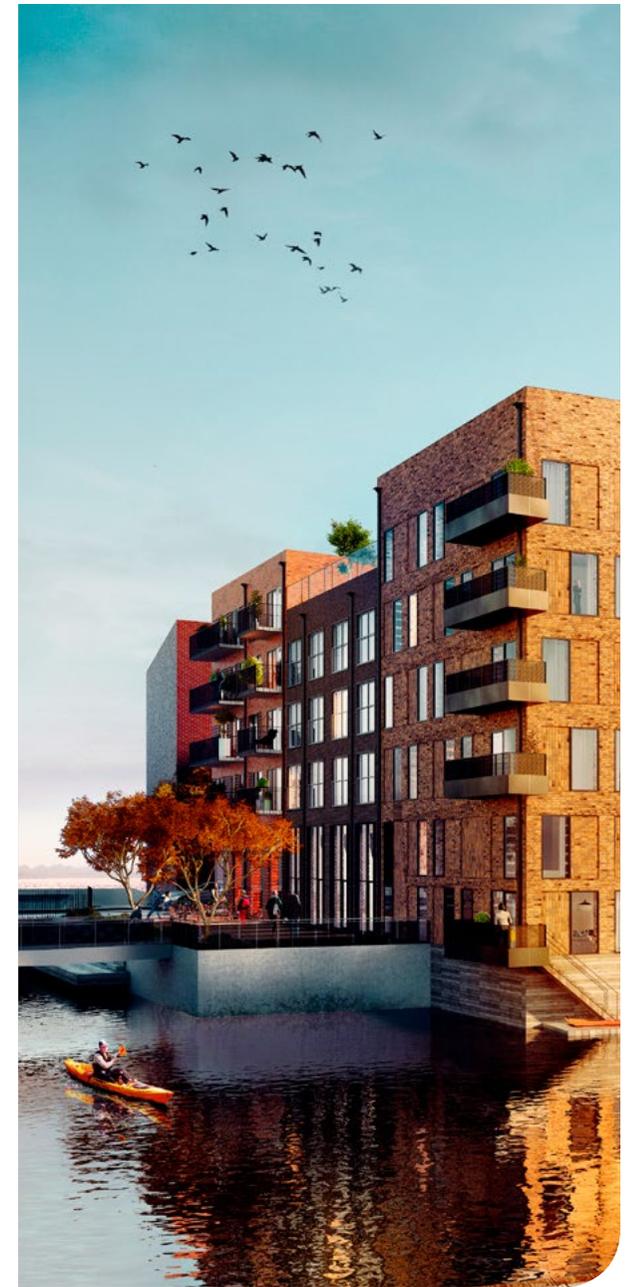


Employer brand increasingly important

Competition among talented, experienced and dedicated employees is high. Serneke's ability to identify, develop, attract and retain the right employees with the right skills and attitude is crucial to the Group's continued success. Employees' skills and performance are crucial for achieving set goals and continuing to develop as a company.

Structural shortage of housing and public service properties

The rapidly growing Swedish population has a positive effect on the construction industry through the increased demand for housing, public properties, commercial properties and infrastructure investments. Altogether, the National Board of Housing, Building and Planning estimates that on average 64,000 new residences need to be built during the period 2018 to 2027 to meet demand.



Strategy for increased profitability

Serneke's strategy aims to ensure a long-term growth with good profitability. Central elements of the strategy moving forward are comprised of a more internal collaboration, a greater focus on local professionalism, an active commitment to society and the courage to think in new ways and beyond the most obvious.

Greater collaboration – internally and externally

The new organization improves the conditions for collaboration within the Group. Conditions are thereby created for a strengthened customer offering and greater internal efficiency within planning, estimates and project implementation.

Focus on major construction projects

The core of Serneke's operations in the future will also consist of construction and civil engineering projects. The overall focus is on larger projects where Serneke's competitive advantages make the biggest difference.

Own project development

Part of the cash flow generated in the construction operations will be used for investments in project development. The projects are generally characterized by low risk and have good market prospects.

Strong local professionalism

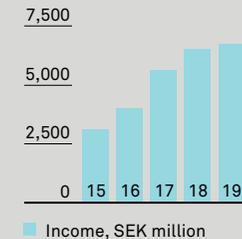
Serneke's strengths have always included the local roots and the delegated professionalism. This will be further strengthened in the future. Through the new regional breakdown, the regions are given full earnings responsibility and authority to drive the offering to the customer. The goal is to thereby enable lower costs, higher competitiveness and improved profitability.



Financial targets

GROWTH

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



PROFITABILITY

The long-term target for the construction operations is an operating margin of 5 percent. Project Development aims for a return on capital employed of 20 percent. For the Group as a whole, this represents a long-term target of maintaining an operating margin of 8 percent.



CAPITAL STRUCTURE

The equity/assets ratio shall exceed 25 percent and the liquidity reserve shall amount to the equivalent of 5 percent of income in the last twelve months.



Karlstaden:

An eventful year for Karlatornet

Throughout 2019, intensive work was conducted on Karlatornet. The activities included the casting of the base plate, construction of the core and framework and the preparatory ground work for surrounding buildings. In parallel, work was also under way to secure financing of the project.

By casting the bottom plate at the end of May 2019, the extensive foundation laying of Karlatornet was completed. The 58 bored piles, which were anchored in the rock between 45-75 meters down into the ground, was then casted together with an almost four-meter thick and 1,000 m² base plate. During the year, the casting of the core and framework also began. In March 2020, Karlatornet's core had been casted up to eight floors above ground.

Contract signing postponed

At the beginning of 2020, an agreement was reached with Oaktree Capital Management ("Oaktree"). Through the agreement, Serneke would remain a part-owner of Karlatornet and continue as the principal contractor for the construction of the Nordic region's tallest building. Serneke would also remain as the sole owner of the other development rights in Karlstaden, consisting of around 150,000 square meters of developable space for mixed development divided into seven blocks.

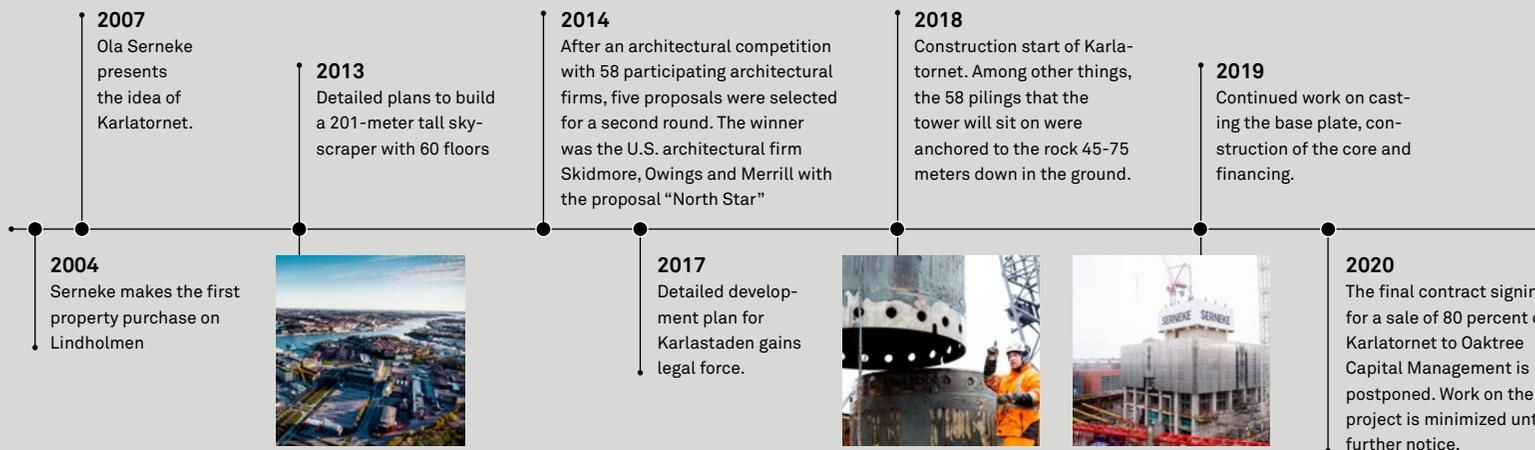
However, due to the concern caused by the coronavirus in the global financial market, Oaktree decided in March 2020 to postpone the final agreement signing. As a consequence, activity in the project was reduced to a minimal level.



“A situation we have no control over”

The sale of Karlatornet is postponed. The reason is the uncertain situation in the global financial markets caused by the coronavirus pandemic. Ola Serneke is the CEO of Serneke Group.

“Of course, it's a disappointment that we cannot now keep the timetable for the completion of the transaction we had set up. But the situation that has arisen in the world is one we have no control over. Given the state of affairs right now, we are forced to take responsibility for the entire company. Until further notice, we will therefore minimize activity in the project. However, we still believe in the project and of course will not give up on our plans or the work done.”



Innovative urban planning

Regular physical activity having a strong effect on both physical and mental health is well known. Despite this, there are still too many people who exercise too little. Smarter urban planning and increased availability of exercise facilities could change this. Perhaps the plans in Barkarby City outside Stockholm could serve as inspiration?

» Building cities that promote health

Public health is one of our time's major challenges. Even though social development has meant that we live longer and generally have better well-being, the percentage of health problems caused by our lifestyle choices is growing. Moreover, the disparities in health between different socio-economic groups are growing.

Important to have exercise facilities – close to the home

Access to exercise facilities is important to promote a physically active lifestyle. And the facilities that encourage several different kinds of physical activity also have good chances of stimulating meetings between

people and different groups in society. Today, there is a tangible lack of facilities for organized sports, individually organized exercise and spontaneous sports. And they should preferably be close to home or work. There is still much to do here.

SERNEKE & EXERCISE

5 Examples of on-going projects: Barkarby City, Aquatics Center in Linköping, Central YMCA Sports and Cultural Center in Stockholm, sports halls in Kungsbacka and Novahallen in Floda.

“We are building for exercise and sports!”

In Barkarby City, plans are now being made for homes, hotels, stores, restaurants – and a roughly 1.2-km cross-country skiing trail indoors. Mats Grönlund is the Project Manager at Serneke.

“We consider it a matter of course to take public health, integration and education into account in the planning of new neighborhoods. By building for exercise and sports combined with schools, culture and business, we generate the conditions for these aspects. We want to be involved in realizing this together with the Municipality of Järfälla.”



Our view of sustainability

At Serneke, we believe that focused sustainability work and strong community involvement go hand-in-hand with long-term growth with good profitability. By virtue of our size, we have both an opportunity and a responsibility to contribute to a more sustainable development. Through our business, we contribute to developing cities, towns and society in general. The tenant-owner association Solkvarteret in Malmö is a good example of this.

» Greater interest in sustainable projects

More and more people are choosing to live in cities. Urbanization has been taking place for a long time, but accelerated quickly in recent years. 85 percent of Sweden's population lives in the metropolitan regions and the larger towns today. This trend places extensive demands on the construction of new areas, as well as the further development of existing areas.

Properly done, this can contribute to continued growth and a better, safer and more inclusive community. At the same time, this trend also entails environmental challenges. In construction, large amounts of material resources and energy

are used. In addition to this is also the impact on use and in connection with demolition.

Within the construction industry and among the clients, knowledge and interest in sustainability increased strongly in recent years. This is noticed among other things through a strong increase in the number of projects with some kind of environmental certification.

SERNEKE & SUSTAINABILITY

23 implemented environmentally certified projects 2019.

"Malmö's smartest homes"

The Solkvarteret tenant-owner association consists of 83 apartments in an intelligent and sustainable apartment building in the Hyllie district of Malmö. Carl Knutsson is the Project Developer at Serneke.

"The Solkvarteret tenant-owner association is a bold project that stands out not only for design, but also with new and innovative solutions. The solar panels give the residents access to renewable energy, and there are batteries that store energy to be able to be used even when the sun is not shining. The energy from the elevator's braking is also utilized."



Our focus areas

The central parts of Serneke's sustainability work focus on an active commitment to society and minimizing the risk of injury to persons, property and the environment, as well as continuously reducing the direct and indirect impact on the environment. Other areas that are highly relevant for the construction industry are social responsibility, ethics and anti-corruption issues. There are also structured efforts being conducted regarding these issues in connection with all activities carried out within the Group.

ABOUT THE SUSTAINABILITY REPORT

This statutory sustainability report is submitted by the Board of Serneke Group AB, but does not form part of the formal annual report. Serneke's business model is presented on page 5 and the sustainability framework on pages 14-23. Governance and outcome regarding the work environment are described on page 16, the environment on pages 19-20, human rights on page 22 and anti-corruption on page 23. Risk descriptions can be found on pages 30-32. Unless otherwise stated, the information relates to the entire Serneke Group, including subsidiaries.



A safe and secure work environment

All construction operations include work activities that may be associated with risks for the individual employee. Serneke conducts extensive efforts to minimize the risk of serious incidents and accidents to the greatest degree possible.

The basis of a safe and secure work environment is about identifying and addressing risks early on, but also learning from the incidents and accidents that occur.

Coordination responsibility for the work environment

The fact that there are most often several different contractors in a single project affects the work environment and safety at the work site. In most of our projects, we have the coordination responsibility for the work environment, which means that we, among other things, demand risk assessments and job preparation plans from all contractors to ensure that everyone works safely. We also have responsibility for coordinating the daily jobs so that the various contractors do not subject each other to risks.

Identifying risks

Work environment-related issues, physical as well as social, constitute an integral part of daily operations and are in focus both at the Group and regional levels and in the projects. There is collaboration at all levels in terms of health and safety aspects.

Preventative measures

Serneke works actively to identify risks, both overall and in each project. The work is based on a regular annual overall risk assessment, in which different types of operational risks are analyzed, assessed and monitored. Collected data on incidents and accidents, as well as outcomes from employee surveys and health surveys are used as a basis. The risk analysis is then used to develop the relevant measures and a plan to implement them.

A new system for reporting and follow-up

In 2019, the implementation of a new system support was concluded, the Work Environment Information System (IA), with a focus on reporting and follow-up

of work environment events. The system makes it possible to share information within the Group on work environment events, investigations and actions, in real time. IA was developed by the Confederation of Swedish Enterprise, the Trade Union Confederation (LO), PTK, AFA Försäkring and their member industries.

“Keep the zero”

Since 2018, Serneke has been affiliated with the collaboration project “Keep the zero” with the overall purpose of preventing and eliminating accidents in the construction industry. A number of actors are behind the project that in various ways are involved in the various phases of a building project, both entrepreneurs and developers. Among the main focus areas are leadership and culture, knowledge and expertise, common approaches and standards, for both requirement setter and client.

FOLLOW-UP OF INCIDENTS AND ACCIDENTS

In addition to annual follow-up procedures, structured and regular monitoring of risk observations, incidents and accidents takes place at both the Group and regional level. Within the project, a risk analysis is always done of all work steps and actions are taken to help or minimize the risks. Serneke has a Quality, Environment and Work Environment department (KMA) that visits the Group’s projects to monitor and identify improvement areas. Once a year, joint meetings with safety officers are held to review procedures and improvement areas.

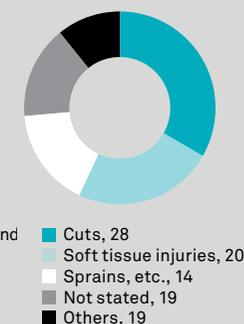
OUTCOME 2019

In 2019, reporting turned around compared with the year before and there are more incidents than accidents. Incident reporting increasing partly indicates a greater safety focus and possibly that it is now easier to report work environment events through the IA app. Based on reported events, it can be noted that the most common cause of risk observations is a fall from a height. For incidents, the most common cause is being struck by flying or falling debris. The most common cause for accidents is contact with a sharp object, which also contributed to the most common injury type being a cut. Lost time injury amounted to 6.8 in 2019.

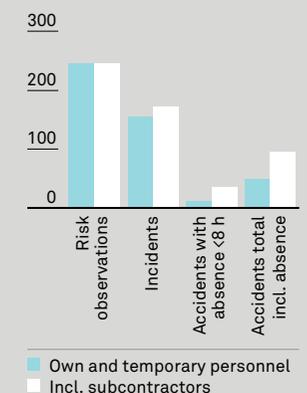
ACCIDENT RATE



THE MOST COMMON KIND OF ACCIDENTS AND INJURIES



INCIDENT REPORTING



A stimulating workplace

Serneke has a strong employer brand characterized by ambitious, long-term growth objectives. This provides a good opportunity for employees who want to develop and grow in responsibility.

Serneke's ability to identify, develop, attract and retain the right employees with the right skills and attitude is crucial to the Group's continued success. Employees' skills and performance are crucial for achieving set goals and continuing to develop as a company.

Continuous development of the employee offering

Competition among talented, experienced and dedicated employees is high. At Serneke, continuous work is conducted to develop the employee offering. This is partly done by striving to offer market-based terms of employment and benefits, as well as by offering good opportunities to develop skills, as well as a stimulating, safe and healthy work environment. In addition to extensive external recruitment, goal-oriented work is also carried out to enable internal mobility and career development.

A year of consolidation and organizational development

At year-end, the number of employees in the Group was 1,125. During the year, the work was largely about consolidating the Group's operation, with a particular focus on organizational development. During the autumn, a large reorganization was carried out with the aim of moving decisions and resources closer to the local business. Recruitments have been made in all areas of the Group, both in the core business and our staff functions. The high portion of white-collar employees, nearly three fourths of the total number of full-time employees, provides good possibilities to govern and control the entire process from tender to delivery.

Skills development

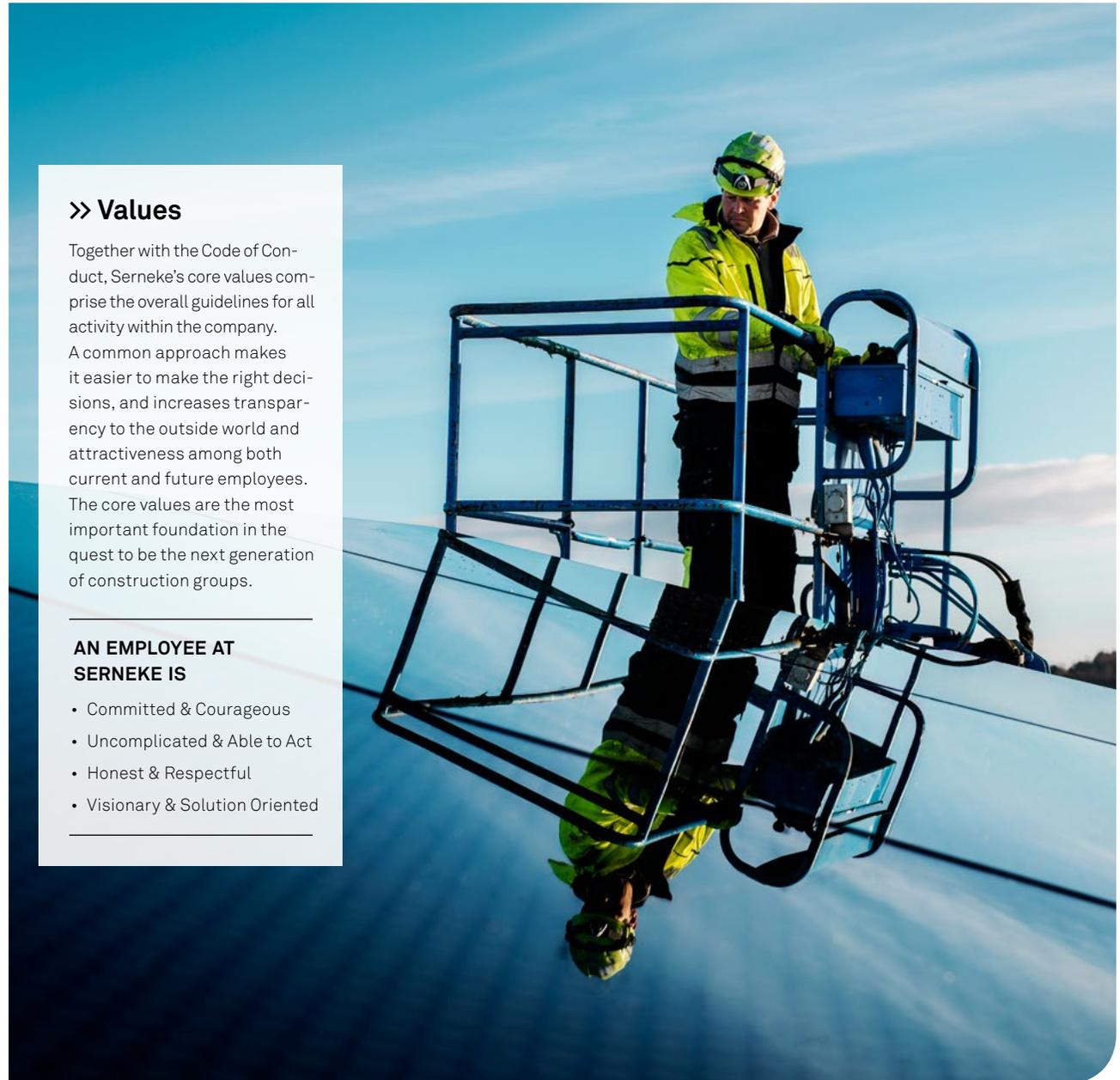
Serneke offers a large range of continuous skills development for all personnel. In addition to the compulsory courses in areas such as health and safety and environmental protection, opportunities for further training are offered based on function and skills profile. The courses are based on our overall strategic development in combination

» Values

Together with the Code of Conduct, Serneke's core values comprise the overall guidelines for all activity within the company. A common approach makes it easier to make the right decisions, and increases transparency to the outside world and attractiveness among both current and future employees. The core values are the most important foundation in the quest to be the next generation of construction groups.

AN EMPLOYEE AT SERNEKE IS

- Committed & Courageous
- Uncomplicated & Able to Act
- Honest & Respectful
- Visionary & Solution Oriented



with a structured skills inventory at an individual level. In recent years, the number of implemented training hours increased sharply, not least as a result of higher investments in contract law and internal business systems.

In 2019, the initiative continued with Serneke's internal management program – Serneke Management Academy. During the year, around 55 managers participated in the program, where they received an opportunity to obtain in-depth knowledge in management and Serneke's management strategy. In addition to this, educational efforts took place in the form of a simplified version of the Serneke Management Academy for talents and

identified future managers in the organization.

Equality and diversity

Everyone within Serneke, regardless of gender identity, ethnicity, sexual orientation, age, religion or other beliefs is given the same opportunity of recruitment and career development. Diversity and equality are undisputed values and we are convinced that a clear position strengthens our brand in relation to both customers and employees.

Since 2015, the proportion of women in the organization increased from 10 percent to 18.5 percent. The stated objective is that both men and women should be represented among final candidates in all recruitment processes. The

goal for 2020 is to reach a 40 percent gender distribution in all recruitment and senior positions. In 2019, the percentage was 24.5 percent.

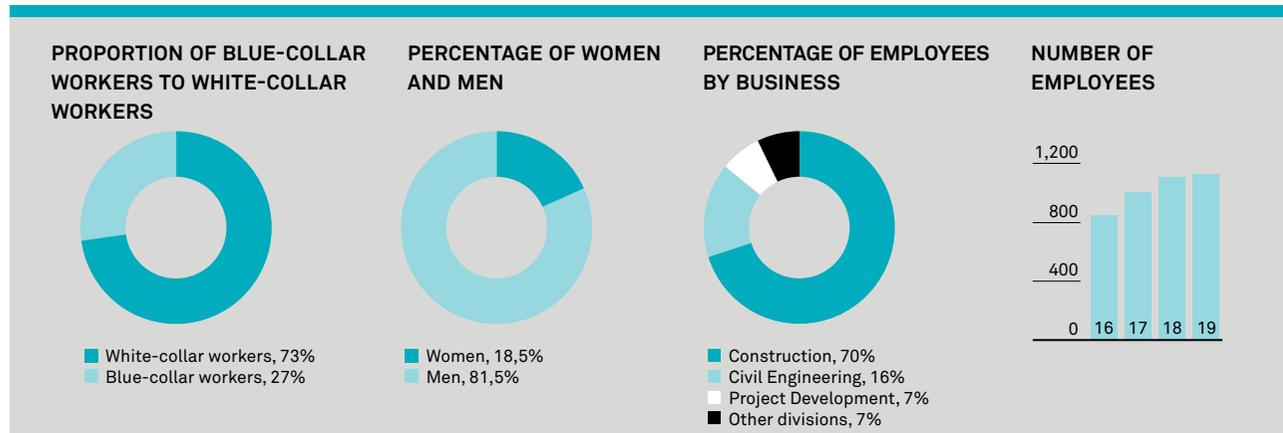
Health promotion

At Serneke, movement is encouraged. In addition to health care contributions, a variety of exercise opportunities are provided. The Company's own sports association Serneke IF arranges ski trips, running training, yoga and cycling, as well as the possibility to participate in many different exercise competitions. Serneke also has an internal Health Promotor with the task of continuing to develop the health promotion work, increasing knowledge and

understanding and inspiring a sound lifestyle. The health-promoting work is also something that contributes strongly to Serneke's culture and creates joy and community for employees in various roles and regions.

Periodic employee surveys

A great focus is placed on measuring and following up the employees' attitude and the initiatives undertaken within the Group. Since 2018, web-based pulse measurements are taken at frequent intervals. With this tool, we are building a feedback culture to create a work environment with continuous follow-up, greater transparency and increased opportunities to more quickly take the right kind of action.



Environmentally aware choices

Serneke strives to continuously reduce consumption of resources and environmental impact in all business areas. The work occurs at all levels of the organization and is an integral part of all activities within the Group, from purchasing that takes this into consideration to sorting and handling of waste.

One of the construction and civil engineering industry's biggest sustainability challenges is to reduce the environmental impact from construction and production. The construction industry uses large amounts of material resources and energy. According to the Swedish National Board of Housing, Building and Planning's environmental indicators, the industry accounts for around 20 percent of the greenhouse gases and 30 percent of the energy consumption and the waste in Sweden. For several years, Serneke has made active efforts to continuously make improvements in all stages of the value chain. These efforts are conducted within our own organization, but also in collaboration with customers, partners and suppliers.

Direct and indirect impact

The environmental impact of construction and civil engineering projects comprises a direct impact from the project itself and an indirect impact as a consequence of the operation and use of the property or building. Serneke strives to minimize the environmental impact through the entire value chain, both in the building phase and the operating and final phase. Through planning, active choices and good documentation, the environmental performance is optimized. In the investment properties, continuous work is conducted to improve the efficiency of the energy use and to offer tenants and visitors good possibilities for environmentally smart action.

Climate impact

Among the processes with the highest climate impact in the construction phase is the production of construction materials, mainly cement and steel. The buildings' energy consumption after completion also contributes to the climate impact, but decreases as the buildings become more energy efficient

and electricity production transitions to more renewable sources. In 2019, work continued to map and measure climate impact from Serneke's operations. At a company level, greenhouse gases are estimated according to the guidelines of the Green House Gas Protocol. Today, Serneke's climate survey encompasses Scope 1 and Scope 2, meaning direct emissions from the company's own transports and purchased energy. The reporting of production fuel is made difficult by the company owning few of its own vehicles and work machines, but instead engaging subcontractors including machinery and fuel. This combined with several large transactions in 2019 gives a low key indicator for climate impact (0.5). The key indicator is probably not fully representative of the actual climate impact, which is why focus in the future is to find effective measurement methods for the total direct emissions and the indirect climate impact in Serneke's value chain, from for example material production and the buildings' environmental impact

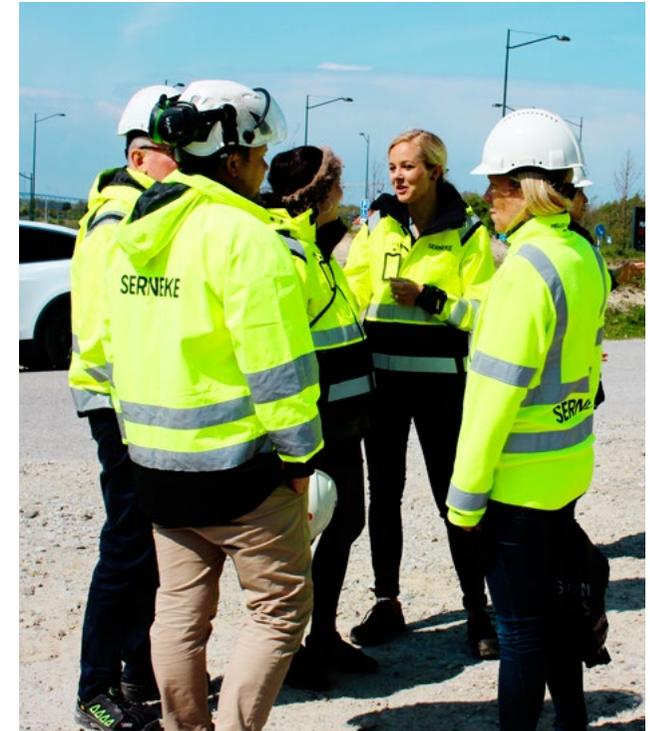
after completion. On a project level, focus was on developing a model to implement climate estimates in projects. Doing climate estimates early enables better prerequisites to adjust material selections and selections of transports to get a lower climate impact.

Climate neutrality 2045

Serneke is behind the national road map for climate neutral construction and shares the objective of being climate neutral by 2045. The road map was developed by the Swedish Construction Federation, industry representatives, researchers and the organization the Fossil Free Sweden Initiative. The objective is to unite politicians, authorities and industry actors in the vision for a climate-neutral industry. In May 2019, Serneke also signed the Local Road Map Malmö 2030 (LFM30).

Energy consumption and transports

Serneke conducts a systematic effort with the aim of reducing energy use from the operations and minimizing the impact from



LOCAL ROAD MAP MALMÖ 2030

LFM30 is an industry initiative and rallying of forces for a climate neutral construction and civil engineering sector in Malmö by 2030. Malmö is the first in Sweden with this kind of local initiative. With a goal-oriented local climate effort, it is hoped that rings are made in the water that make a difference nationally and even internationally. Serneke actively participates in the work with representatives in reference and workgroups. Read more at <http://lfm30.se/>.

transports. Energy mapping is done continuously in every part of the operations.

Serneke's vehicle fleet comprises service vehicles and company cars; vehicles and work machines for production are leased and procured in the projects. In order to reduce the environmental impact from transports, the company is gradually working to replace fossil-powered vehicles with hybrid solutions. Together with procured fuel suppliers, work is under way to map the location of large projects and match them with refilling stations that can provide renewable fuels, such as HVO.

Outcome 2019

In 2019, a new system for energy follow-up was implemented, Vitec Energi. Through the system, the energy consumption could be more easily continuously monitored. In terms of total sales (MWh/SEK million), energy consumption was the same during the year as in the previous year (5.1 MWh/SEK million). Both operating energy and building energy have decreased while energy for transports increased.

The energy consumption varies depending on the construction and civil engineering projects phase and scope, which makes it difficult to extrapolate any trends in the statistics. Too further improve the follow-up,

measurement of fuel consumption from transports and work machines in production will be the focus moving forward.

Investments in renewable electricity

In the middle of 2019, solar cells were installed on part of the roof of Prioritet Serneke Arena, which is the property in the Group including our interest holdings, with the largest energy consumption. From when the installation was completed until year-end, 96.26 MWh of electricity was produced. In terms of total electricity consumption in the Group, renewable electricity accounted for approximately 99 percent (98) in 2019.

Materials – and resource efficiency

Resource consumption and waste management constitute one of Serneke's highest priority environmental issues. The construction and civil engineering industry accounts for about one-third of all waste generated in Sweden and about a quarter of the hazardous waste. The objective for the Group is minimizing material and resource consumption and thereby the waste amounts, reducing the proportion of waste that goes to landfills and increasing the sorting of waste from building production.

In order to achieve the goals, greater precision is needed in the calculation of material amounts, selection of materials with low negative environmental impact and that the waste generated is handled in the right way. By at least assessing all chemical products in BASTA's database, it is ensured that hazardous content is avoided. In 2019, 70 percent of Serneke's projects worked on the material assessment in Byggsvaru-bedömningen or SundaHus.

Outcome 2019

The amount of building and construction waste in relation to sales decreased in the past year, from 1.8 times in 2018 to 1.6 times in 2019. The sorting degree increased, which unfortunately the landfill fraction also did.

In 2019, Serneke signed a framework agreement with a small number of waste contractors. Through strategic cooperation with selected framework agreement contractors, the work is strengthened to achieve set waste targets.

Biodiversity

New buildings in the cities not only affect the cityscape, but also the conditions for biodiversity in the area. Through well-designed buildings and proactive solutions, conditions are provided to preserve biodiversity. Serneke strives to have

as little negative impact on the natural environment as possible. In 2019, an inspiration bank was developed. It provides examples of solutions that promote biodiversity, such as green roofs, plants that benefit bees and insects and insect hotels.

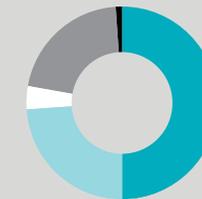
Environmentally certified projects

We have extensive experience and are well-versed in working with different types of environmental certifications. Within the organization, there is qualified competence within the certification systems BREEAM, LEED, the Nordic Swan ecolabel, and the Sweden Green Building Council. Through the certifications, systematic work on environmental and sustainability issues is facilitated all the way from planning to operation. Examples of this include more efficient use of energy in operation, a healthier indoor climate and reduced use of building materials with hazardous substances.

Outcome 2019

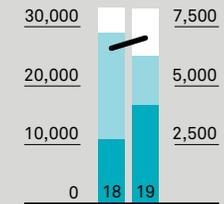
In 2019, around 50 percent of Serneke's on-going projects with a tender amount of over SEK 30 million worked based on the requirements in one of the aforementioned certification systems.

WASTE



■ Material recycling, 50
■ Energy extraction, 24
■ Landfill, 4
■ Mixed for post-sorting, 21
■ Hazardous waste*, 1

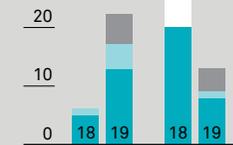
ENERGY CONSUMPTION



■ Operation
■ Buildings
■ Transports
— Rate of consumption

ENVIRONMENTALLY CERTIFIED PROJECTS

30 Completed In progress



■ Sweden Green Building Council
■ Nordic Swan Ecolabel
■ Breeam
■ Leed
■ Like Sweden Green Building Council

GREENHOUSE GAS EMISSIONS

	2019
Greenhouse gas emissions CO ₂ E (ton) (scope1+2+3)	2,925
Of which scope 1	2,242
Of which scope 2	566
Of which scope 3	117
Net sales (SEK million)	6,725
CO ₂ E (ton)/SEK million ¹⁾	0.5

¹⁾The reporting of production fuel is made difficult by the company only owning a few of its own vehicles and work machines, but instead engaging subcontractors including machinery and fuel. This combined with several large transactions in 2019 gives a low key indicator for climate impact (0.5).

More exercise for the people

Physical activity entails a number of positive health effects, both physical and mental. At the same time, we know that too many young people exercise too little. It is therefore important to stimulate and provide the conditions for more exercise among children and young people. All of Sweden's associations are making a huge contribution here.

» The associations contribute to better health

In many ways, voluntarily organized sports form the hub of the work for a positive development for children and young people. In addition to better fitness and pure health aspects, sports provide training in cooperation with others, conflict management, handling of both successes and setbacks – and a possibility of meeting friends outside school.

The hub of this work is extensively comprised of local sports associations, often conducted

voluntarily. Today, around two million people in Sweden are involved in roughly 20,000 sports associations.

SERNEKE & SPONSORSHIP

The overall goal of Serneke's sponsorship program is to strengthen the brand and at the same time contribute to a better society.

“ For the next generation”

Serneke supports a large number of associations and sports clubs. Catharina Gorthon is the Marketing Manager at Serneke and is responsible for sponsorship.

“Serneke seeks to contribute to a better society. This approach permeates our entire organization and is deeply rooted in our culture and is reflected in our brand. Sponsorship is an important tool to take our responsibility as a society builder and a responsible society actor together with various actors. This also contributes to a sense of community and pride internally. Several of the projects we support aim to contribute to safe environments, good role models and a meaningful leisure time in disadvantaged areas.”



Governance and Framework

As a complement to the existing legislation, Serneke's Board of Directors and management have together formulated and adopted a framework that sets the guidelines for Serneke's actions as a responsible company and employer. The framework consists of both internal regulations and guidelines as a link to external principles and recommendations. Key regulations and guidelines are presented below.

Code of Conduct

The Code of Conduct describes Serneke's guidelines for employees, suppliers and partners. The company's attitude to gifts and bribes is described here. It applies to the Board of Directors and all employees of Serneke. All employees must abide by its principles in their daily work. Serneke's Group Management is responsible for compliance with the Code.

Group policies

With the aim of clarifying regulations and instructions, Serneke has adopted several policies. The Purchasing Policy clarifies ethical standpoints, internally and towards suppli-

ers. The Environmental Policy describes Serneke's comprehensive approach to environmental issues and overall principles for the management and monitoring of the environmental work. The Work Environment Policy describes the framework for the physical, organizational and social work environment. The Diversity and Equal Opportunity Policy describes Serneke's ambitions with regard to gender equality, diversity and equal opportunity issues. The Alcohol and Drug Policy describes Serneke's view of alcohol and drugs.

Global Compact

Serneke adheres to both the UN Global Compact and the Universal Declaration of Human Rights. The Global Compact was introduced in 1999 by the UN former Secretary General Kofi Annan and is currently, with over 10,000 corporate members from 161 countries, the largest global initiative for corporate responsibility and sustainability issues. Corporate members commit themselves to live up to ten principles on human rights, environment, labor standards and anti-

corruption, and respect these throughout the value chain.

Human rights and working conditions

Serneke follows the International Labor Organization's (ILO) eight Core Conventions. This regards basic human rights in the workplace.

Serneke also supports and respects the UN's Universal Declaration of Human Rights and the International Labor Organization's (ILO) international program on the elimination of child labor (IPEC). The principles are applied through supplier evaluations and audits; follow-up tools that are directly linked to the goals in the Code of Conduct. Through a close and long-term cooperation with suppliers and contractors, shortcomings are caught and addressed in collaboration.

Industry-wide agreements

In addition to the aforementioned framework, Serneke adheres to a number of industry-wide agreements and guidelines. Among them are the "Keep the zero" (collaboration to prevent accidents in the construction industry), the shared

road map for how the construction and civil engineering sector can enable a transition to a fossil-free Sweden, the Local Road Map Malmö 2030 and an industry-wide agreement that aims to combat bribes and corruption in the publicly financed construction and property sector.

Certifications

In 2019, Serneke Bygg AB and Serneke Anläggning AB were certified according to ISO 14001:2015 (environment), ISO 1090:2 (quality), EN 1090:2 (construction steel). As of 2020, it is Serneke Sweden that is certified according to ISO 14001:2015 (environment), ISO 9001:2015 (quality) and Nyberg Svets (a company in the Group) that holds the certification EN 1090:2 (construction steel).



ORGANIZATION AND RESPONSIBILITY

Serneke's operating activities are conducted based on a regional structure. The ongoing sustainability efforts are in close cooperation with clients and customers. Collaboration and the central support functions enables high quality and a continuous exchange of experience. The CEO is responsible for the continuous reporting to the Board of Directors.

MONITORING AND CONTROLS

The construction and civil engineering industry is subject to extensive regulations and continuous external review regarding environmental and technical aspects as well as safety and working environment laws. Along with the internal regulations and clear processes regarding internal control, these control procedures ensure a consistently high level of quality. The principal external controls include audits in relation to ISO certification and re-certification, audits from customers and clients, inspections by the Swedish Work Environment Authority and the Swedish Tax Agency's control of personnel ledgers and the trade unions' job site and workplace inspections and ongoing monitoring.

Ethical approach and considerate business

For Serneke, it is important to act ethically. It strengthens competitiveness and contributes to a high level of trust among employees, customers, suppliers, capital market and society as a whole.

Serneke respects the laws and regulations of the jurisdiction where we operate. The corporate Code of Conduct describes the basic principles of how managers and employees throughout the organization are to conduct their daily work and contact with suppliers, competitors and other third parties.

Whistle-blower system

If an employee discovers something that violates Serneke's Code of Conduct, values, policies or applicable law, there is the possibility of anonymously and through a third party reporting improprieties over the WhistleB service. The purpose of the function is to ensure that any irregularities are brought to the attention of Serneke in the event the communication channel via the immediate supervisor or HR function is not possible for some reason. In 2019, no cases were received with a bearing on Serneke's operations, employees or management.

Anti-corruption

We have zero tolerance for all forms of corruption, including all types of bribery and corruption. Serneke's Code of Conduct also defines policies on gifts, drugs and alcohol, and potential conflicts of interest. In 2019, no cases were reported linked to corruption.

Industry agreement on bribery

In December 2015, several major players in the Swedish construction industry signed an agreement to combat bribery and corruption in the publicly-funded construction and property sector. Apart from several nationwide construction companies, the Swedish Construction Federation and the Swedish Association of Local Authorities and Regions are parties to the agreement.

The overall aim of the agreement is to meet external demands for greater transparency. In addition to principal positions, it also provides concrete guidance on topics such as business entertainment and sponsorship. Serneke wholeheartedly backs the agreement and it is compulsory for all white-collar employees to attend the training provided in

the subject by the Swedish Construction Federation.

Purchasing

On a larger scale, purchasing activities and supplier relationships are regulated in accordance with the applicable Code of Conduct, adopted purchasing policy and environmental policy. At the project level, the purchasing work is also governed by defined requirements from clients and customers. It can be anything from special materials to ensuring the projects at the overall level meet specific assessment criteria, such as SundaHus and Byggvarubedomningen, or requirements of new start work and interns. Environmental considerations should always be used as a parameter in each procurement process.

Serneke has a number of cooperation agreements with recurring suppliers where the cooperation is followed up twice a year. The set agenda for this meeting has the follow-up of the Code of Conduct as a standing item.

In 2019, two project groups worked to evaluate Serneke's need for IT support and to clearly define Serneke's

purchasing process. The background of these project efforts is the need to create a clear structure in the purchasing work both in the purchasing department and out in the projects. The goals of a new IT support is to obtain control of suppliers and contractors and develop a traceability from the tender phase to the after-market phase in the respective procurement.

Subcontractors

In the construction and civil engineering projects, the work is often conducted together with subcontractors and collaborative partners. To ensure that all procured parties comply with the guidelines that Serneke and the client set up, clarity in contractual terms and communication early on are important. The documentation for both tender requests and contracts includes the Code of Conduct and the rules of safety and order as contractual terms.

With the supplier level in several stages, Serneke strives to promote transparency and ensure that these terms are also regulated in agreements with third parties (supplier's sub-suppliers). By keeping personnel ledgers in InfoBric, or a similar

system, it is ensured that everyone who is in the work area is approved according to ID06.

In order to achieve financial sustainability, checks are done in each procurement through credit rating tools, the Swedish Tax Agency and continuous monitoring of contractors'

financial status to capture changes at an early stage. Financial sustainability is, however, also achieved through a close relationship with contractors and a good continuous dialog. Many risks are captured through long-term cooperation with contractors.

AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

To the General Meeting of SERNEKE Group AB (publ), corporate identity number 556669-4153

Assignments and responsibilities

The Board is responsible for the sustainability report for the financial year 2019 on pages 14-23 and for its preparation in accordance with the Annual Accounts Act.

Focus and scope of the audit

Our audit has been conducted in accordance with FAR's recommendation RevR 12 Auditor's opinion on the statutory sustainability report. This means that our review of the Sustainability Report has another focus and is substantially less in scope compared with the focus and scope of an audit conducted in accordance with International Standards on Auditing and generally accepted auditing practices in Sweden. We believe this audit provides us with sufficient grounds for our statement.

Statement

A sustainability report has been prepared.

Gothenburg, April 14, 2020
Deloitte AB

Harald Jagner
Authorized Public Accountant

The Share

Serneke's Class B share is listed on Nasdaq Stockholm. Serneke is in the Small Cap segment and belongs to the sector index of Industrials and Construction & Materials, according to Nasdaq Stockholm's classification.

The price paid for Serneke's Class B share decreased by around 3 percent in 2019. The highest price during the year was reached on January 8 at SEK 69.3 and the lowest price on May 13 at SEK 43.3. The price at year-end corresponded to a market capitalization of around SEK 1,434 million.

In total in 2019, 6,792,686 shares were traded, corresponding to a turnover rate of 38 percent. The combined value of the trade in the Class B share amounted to SEK 373,087,109. The average daily turnover amounted to 27,171 shares or SEK 1,492,348.

Shareholders

At December 31, 2019, there were 7,332 shareholders, an increase of 1,130 shareholders compared with the preceding year. At the same time, the largest shareholder was Ola Serneke Invest AB, with 26.21 percent of the number of shares

and 56.95 percent of the number of votes. The second largest shareholder was Lommen Holding AB, with 17.20 percent of the number of shares and 12.78 percent of the number of votes. The remaining shares and votes were owned by institutional investors and private individuals in Sweden and abroad.

Dividend policy

Serneke's long-term dividend policy is to distribute 30-50 percent of net profit after tax for the previous financial year.

Incentive program

Serneke's permanent employees have had the opportunity to subscribe to convertibles in Serneke Group AB (publ).

A convertible program expired on August 26, 2019. The conversion price was SEK 120 and no conversion to new shares therefore took place.

At the Annual General Meeting on May 3, 2017, another long-term convertible program was adopted for employees in the Group. The program means that the Company raises a convertible loan of a maximum nominal value of SEK 20 million through the issue of convert-

ibles. The subscribed amount amounted to approximately SEK 7.6 million, which means that a maximum of 48,503 Class B shares can increase share capital by no more than SEK 4,850.30 at full conversion. The conversion rate was fixed at SEK 157.70. The convertibles fall due September 8, 2020, provided conversion has not taken place before this date. The convertibles will carry a fixed annual interest rate of 2.6 percent. At December 31, 2019, no convertibles had been converted.

At the Annual General Meeting on May 3, 2018, it was resolved to introduce share savings programs for the employees for 2018, 2019 and 2020. Participation in the programs presupposes that the employee acquires and keeps Class B shares in Serneke during the term of the program. The participants who keep the savings shares during the savings period of around three years and are also employed during the period will, after the end of the respective savings period, receive 0.5 Class B shares in Serneke, so-called matching shares, for every savings share attributable to such a savings period at no

cost. In addition to matching shares, participants will also be able to receive at no cost more Class B shares in Serneke, so-called performance shares, on condition that the participant is employed in the Group during the entire savings period and that certain performance requirements are met.

The maximum number of shares covered by the programs amounts to 1,353,120 Class B shares corresponding to around 5.5 percent of the number of shares issued after dilution and around 1.9 percent of the number of votes after dilution.

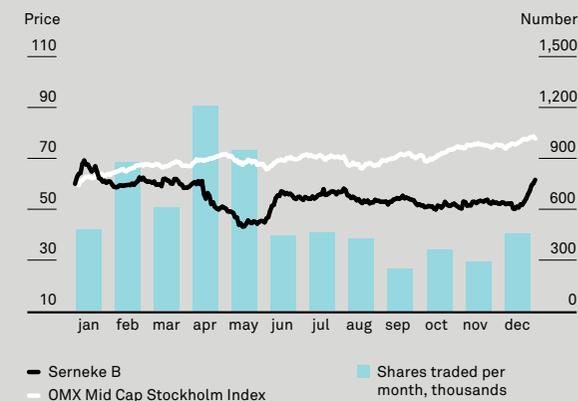
The Annual General Meeting resolved in accordance with the Board's proposal that the supply of matching and performance shares in accordance with the program shall be ensured by the Company buying back Class B shares. Until the next Annual General Meeting, the Board was authorized to buy back a maximum of 400,000 Class B shares. In 2018, a total of 814,987 Class B shares had been bought at a value of SEK 65 million and in 2019 no shares were bought back.

KEY PERFORMANCE INDICATORS PER SHARE

SEK M	2019	2018
Profit/loss before dilution	-3.66	26.37
Profit/loss after dilution	-3.66	26.16
Weighted average number of shares before dilution	22,433,465	22,905,389
Weighted average number of shares after dilution	22,558,676	23,085,392
Cash flow from operations, before dilution	-28.75	11.57
Cash flow from operations, after dilution	-28.75	11.48
Shareholders' equity, before dilution	97.13	101.28
Shareholders' equity, after dilution	96.92	100.47
Provision at December 31	61.7	60.1
Dividend, SEK ¹⁾	0	0

1) Board's proposal to the 2020 Annual General Meeting

SHARE PERFORMANCE 2019



SERNEKE'S TEN LARGEST SHAREHOLDERS, DECEMBER 31, 2019

Name	Class A shares	Class B shares	Total number of shares	Percentage shares, %	Percentage of votes, %
Ola Serneke Invest AB	3,710,000	2,382,844	6,092,844	26.21	56.95
Lommen Holding AB	540,000	3,457,803	3,997,803	17.20	12.78
Christer Larsson i Trollhättan AB	380,000	497,000	877,000	3.77	6.20
Ledge Ing AB	330,000	476,061	806,061	3.47	5.45
Vision Group i väst AB	250,000	552,288	802,288	3.45	4.40
Svolder Aktiebolag	–	1,293,400	1,293,400	5.56	1.87
Cliens fonder	–	855,000	855,000	3.68	1.23
Nordnet Pensionsförsäkring AB	–	354,379	354,379	1.52	0.51
Försäkringsbolaget Avanza Pension AB	–	299,397	299,397	1.29	0.43
Bert-Åke Eriksson	–	271,687	271,687	1.17	0.39
Total, 10 largest	5,210,000	10,439,859	15,649,859	67.32	90.21
Other shareholders	–	6,783,606	6,783,606	32.68	9.79
Total	5,210,000	17 223,465	22,433,465	100.0	100.0
Repurchased shares	–	814,987	814,987		
Total shares registered	5,210,000	18,038,452	23,248,452		

SHARE CAPITAL DEVELOPMENT

Date	Event	Change in number of shares	Class A shares	Class B shares	Total number of shares	Change in share capital	Total share capital	Par value per share
2004	Founding of Company	1,000			1,000		100,000	100
2005	New share issue	4,000			5,000	400,000	500,000	100
2011	Bonus issue/share split	9,995,000	5,000,000	4,995,000	10,000,000	500,000	1,000,000	0.10
2012	New share issue	478,000		478,000	10,478,000	47,800	1,047,800	0.10
2012	New share issue	1,047,670		1,047,670	11,525,670	104,767	1,152,567	0.10
2013	New share issue	2,717,256	360,000	2,357,256	14,242,926	271,725.6	1,424,292.6	0.10
2014	New share issue	286,000		286,000	14,528,926	28,600	1,452,892.6	0.10
2015	Exchange of convertibles	1,309,586		1,309,586	15,838,512	130,958.6	1,583,851.2	0.10
2015	New share issue	727,273		727,273	16,565,785	72,727.3	1,656,578.5	0.10
	New share issue in conjunction with the initial public offering	5,681,818		5,681,818	22,247,603	568,181.8	2,224,760.3	0.10
2016	Exchange of convertibles	467,249		467,249	22,714,852	46,724.9	2,271,485.2	0.10
2017	Exchange of convertibles	533,600		533,600	23,248,452	53,360	2,324,845.2	0.10
2018	Conversion	0	-150,000	+150,000	23,248,452	0	2,324,845.2	0.10

OWNERSHIP STRUCTURE, DECEMBER 31, 2019

Number of shares	Number of shareholders	Number of shares	Percentage of shares, %
1–1,000	6,697	1,379,914	8.0
1,001–10,000	525	1,585,181	9.2
10,001–100,000	90	2,496,343	14.5
100,001–	20	11,762,027	68.3

Source: Euroclear and Serneke

SHARE CLASS, NUMBER OF SHARES AND NUMBER OF VOTES, DECEMBER 31, 2019

Share class	Shares	Votes
Class A shares	5,210,000	5,210,000.0
Class B shares	17,223,465	1,722,346.5
Total	22,433,465	6,932,346.5

ANALYSTS MONITORING SERNEKE

Erik Granström, Carnegie
erik.granstrom@carnegie.se

Niclas Höglund, Nordea
niclas.hoglund@nordea.com

SHARE CAPITAL AND VOTES

Share capital amounts to SEK 2,324,845.20 distributed over 23,248,452 shares, each with a quota value of SEK 0.10. Each Class A share carries one (1) vote and each Class B share carries one tenth (0.1) of a vote.

SHARE INFORMATION

Name Serneke Group B
Exchange Nasdaq Stockholm
Listed since November 24, 2016
Listing Small Cap Stockholm
Sector Construction & Materials
Symbol SRNKE B
Currency SEK
ISIN Code SE0007278841

Board of Director's Report

The Board and Chief Executive Officer of Serneke Group AB (publ), corp. ID no. 556669-4153 hereby present the Annual Report and Consolidated Financial Statement for the 2019 financial year. Serneke Group AB, headquartered in Gothenburg, Sweden, is the Parent Company of the Group.

Operations

The Group provides comprehensive services in the construction operations of construction and civil engineering and project and property development for property companies, industrial companies and commerce in both the private and public sectors.

Serneke's operations are focused on the three metropolitan regions of Stockholm, Gothenburg and Malmö, which are the Group's most important markets even if the Group is also expanding geographically to regional growth regions.

Business concept

Serneke provides comprehensive services in construction and property development. The goal is to be perceived as the most innovative, committed and dynamic company in the industry. Focus is on large and more challenging projects where Serneke's

competitive advantages make the biggest difference.

Order bookings and order backlog

For the period January-December 2019, the order bookings increased to SEK 8,601 million (4,692). The underlying market

is deemed to still be good even if the Group is experiencing a slow-down in some segments. At the end of 2019, the order backlog was SEK 8,943 million, compared with SEK 6,382 million at year-end 2018.

Revenue

Consolidated income for 2019 amounted to SEK 6,725 million (6,516), an increase of 3 percent compared with the corresponding period in the preceding year. The income from the construction operations Construction and Civil Engineering amounted to SEK 6,530 million (6,396), an increase of 2 percent. Project development income amounted to SEK 568 million (411) and was mainly attributable to property sales.

Earnings

The consolidated operating loss was SEK 84 million (profit: 595). The construction operations accounted for SEK 30 million

(100) of the operating profit. For the full-year, Construction had an operating margin of 1.6 percent (1.6), accounting for SEK 95 million (90). The operating loss from Civil Engineering was SEK 65 million (profit: 10). The operating profit/loss was negatively impacted by write-downs in existing projects at the same time that the overhead costs increased in relation to the reduced sales. The operating loss from Project Development was SEK 55 million (profit: 487). The operating profit/loss was impacted by a final agreement regarding Säve Airport with the buyer Castellum. The agreement entails a final settlement of the remaining supplemental purchase consideration with an earnings effect of a negative SEK 90 million. The previous year's operating profit was impacted by a revaluation effect in connection with the acquisition of the remaining 50 percent of the Karlastaden project of

MULTI-YEAR, THE GROUP

SEK M	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016
Income statement				
Revenue	6,725	6,516	5,605	3,978
Operating profit/loss	-84	595	419	411
Profit after net financial items	-111	558	401	394
Profit/loss for the year	-82	604	323	394
Key indicators				
Growth, %	3.2	16.3	40.9	28.0
Organic growth, %	3.2	16.2	39.1	28.0
Operating margin, %	-1.2	9.1	7.5	10.3
Equity/assets ratio, %	38.0	40.9	41.3	42.7

INCOME

SEK M	Jan-Dec 2019	Jan-Dec 2018
Construction	5,867	5,530
Civil Engineering	663	866
Project Development	568	411
Eliminations and Group-wide	-373	-291
Total	6,725	6,516

OPERATING PROFIT/LOSS

SEK M	Jan-Dec 2019	Jan-Dec 2018
Construction	95	90
Civil Engineering	-65	10
Project Development	-55	487
Group-wide	-59	8
Total	-84	595

SEK 229 million when the existing holding was revalued to fair value and the sale of S ave Airport to Castellum with SEK 271 million.

The operating margin for the Group was -1.2 percent (9.1). Net financial items were negative in an amount of SEK 27 million (37). During the year, capitalized loan expenses on project and development properties amounted to SEK 46 million (0). The recognized tax for the year amounted to SEK 29 million (46) and the positive tax effect is primarily related to non-taxable income and a change in deferred tax related to loss carryforwards.

Earnings for the year amounted to SEK -82 million (604).

Financial position

On December 31, 2019 the equity/assets ratio was 38 percent (40.9). At the end of the period, consolidated cash and cash equivalents, including unutilized credit facilities, amounted to SEK 692 million (789).

Shareholders' equity amounted to SEK 2,179 million (2,272). The change is comprised of the loss for the year of SEK 82 million, a changed accounting policy for tenant-owner apartment projects, which entailed an

adjustment of the net profit/loss before tax in equity of a negative SEK 25 million attributable to the periods 2016-2018, share-based remuneration of SEK 15 million and a change in convertible debentures of a negative SEK 1 million.

At December 31, 2019, net borrowing amounted to SEK 1,224 million (552) and the change was mainly comprised of interest-bearing liabilities attributable to now consolidated tenant-owner apartment projects of SEK 308 million, interest-bearing leasing liabilities connected with IFRS 16 of SEK 199 million and a lower cash and cash equivalents. The net debt/equity ratio was 56.2 percent (24.3). Unutilized committed credit facilities amounted to SEK 530 million (400) at year-end.

Capital structure

On January 16, 2020, Serneke announced that an agreement had been reached with Oaktree Capital Management on a sale of 80 percent of Karlatornet. A process to complete bank financing and transaction documents was to have been concluded in the first months of 2020. On March 24, Oaktree notified that they had decided to postpone the final contract signing due to the concern the

coronavirus caused in the global financial markets.

Combined with the special challenges caused by the COVID-19 pandemic, this entails strains on Serneke's capital structure. A long-term sustainable capital structure is a prerequisite for continued operations and in order for both the company and Group to fulfill their obligations in both the short and long terms.

The Board of Directors and management have therefore initiated an action program effective immediately with the aim of ensuring a sustainable capital structure. The company holds a dialogs with its main bank regarding an increase in the credit facility to handle the short-term financing need. As a consequence of the deferred sale of Karlatornet, immediate actions are taken to minimize the activities in the project. A review of the Group's project portfolio is under way with the aim of reducing tied-up capital and to free up liquidity. In the new organization, which was launched at year-end, further efficiency improvements are being made and decisions have been made regarding notifications of terminations in order to reduce costs in the current year by SEK 200 million in the com-

pany's core business and thereby improve the business' cash flow.

The Board's assessment is currently that enough liquidity will be obtained upon the implementation of the aforementioned measures to ensure continued operations. In addition to this, conversations are being held with selected advisers to plan well in advance for a new share issue if necessary.

Cash flow

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 (272). The change in working capital is mainly attributable to tenant-owner apartment productions under the company's own management and investments in Karlastaden of a negative SEK 484 million. The cash flow from investing activities amounted to an inflow of SEK 211 million (outflow: 477) and pertained mainly to the early redemption of supplementary purchase considerations for S ave Airport in agreement with Castellum of SEK 300 million.

Cash flow from financing activities amounted to SEK 207 million (170) and mainly relates

to newly raised construction credits for tenant-owner apartment projects in progress.

Cash flow for the period amounted to an outflow of SEK 227 million (42).

Sales

Sale of property on Lindholmen

On November 25, Serneke sold a property on Lindholmen for a purchase consideration of SEK 173 million. The divested property is directly adjacent to the future city district Karlastaden. The property comprises a premises area of 9,800 square meters. The sale entailed a positive earnings effect of around SEK 20 million and a positive liquidity effect of more than SEK 100 million.

Sale of the rental property portfolio

On December 18, Serneke signed an agreement with Trenum AB for the sale of a rental property portfolio. The sale includes five land areas with associated housing projects, where Serneke will provide project development and construction contracts for a total of around 875 homes. The agreed property value is based on the buyer obtaining investment support in connection with the completion of the property. In the event that

the detailed development plan is not accepted, which the Group had assessed as very likely to be approved, this could have a significant impact on performance. The transaction generated a positive liquidity effect of SEK 95 million and impacted the operating profit/loss positively in an amount of SEK 60 million.

Other significant events during the year

Merger of the business areas

Project Development and Property Management

During the year, a reorganization was carried out 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. In connection with the merger, a review was done 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 215 million and has not entailed any effect on profit.

Säve Airport agreement

On December 23, an agreement was reached with Castellum to settle the remaining purchase consideration in the Säve Airport deal, which was carried out between the companies in December 2018. The financial effect entailed a negative earnings impact of SEK 63 million and a positive liquidity of SEK 300 million. Through the agreement, Serneke's responsibility for the decontamination of pollutants in the area also ended, which entailed a reversal of an environmental provision of SEK 38 million.

Other significant events after year-end

New organization from January 1, 2020

In 2019, it was decided to introduce a new organization and from year-end, the Group organizes its core business into five

regions: South, West, East, Central and North, which are under Serneke Sweden. In each region, there is Serneke's entire offering of services within the construction operations and project development. The responsibility for a shared business with a strong local base rests with the regions that have full responsibility and powers to conduct the entire offering to the customers, which comprise construction, civil engineering and project development operations.

In connection with the new organizational structure, the earlier business areas of Construction, Civil Engineering and Project Development are disappearing. Group Management is also changing and from 2020 will consist of seven members. On January 10, it was announced that Anders Arfvén would become the President of Serneke Sweden and receive the main national responsibility for all five regions.

Sale of Karlatornet postponed

On January 16, 2019, Serneke announced an agreement with Oaktree Capital Management ("Oaktree") regarding the sale of 80 percent of Karlatornet, in the city district of Karlastaden on Lindholmen in Gothenburg. Due

to the concern caused by the coronavirus in the global financial market, Oaktree has decided to postpone the final agreement signing. As a consequence of the postponed transaction, Serneke has taken immediate actions and reduced the activity in the project to a minimal level.

Outbreak of coronavirus

Until the global outbreak of the coronavirus, the beginning of 2020 was on a par with 2019. It is now clear that the Group will be negatively impacted by the pandemic, the overall effects of which are not yet surveyable. A prolonged pandemic could result in lower income and worse earnings. The company is very carefully monitors developments and has elevated preparedness to act through cost savings, among other factors.

Outlook

Demand in the Swedish construction market is deemed to be stable and there is an underlying need for both housing and public service properties. Urbanization is driving the development of commercial properties and investments in public services. Several major infrastructure projects are in the

pipeline, which directly and indirectly create business opportunities for Serneke. With a strong foothold in Sweden's three metropolitan regions at the same time that the Group continues its expansion geographically to strategic growth regions, the Group is well-positioned to continue to grow.

Environment and sustainability report

In accordance with Chapter 6 Section 11 of the Swedish Annual Accounts Act, the company has chosen to prepare the sustainability report as a report separate from the annual report. The sustainability report is found in the annual report on pages 14-23.

Employee

In 2019, the average number of employees amounted to 1,170 compared with 1,070 in the preceding year.

The Group's future development is contingent on retaining existing dedicated and skilled employees and attracting new ones. Serneke has, therefore, declared a strategic objective to be recognized as the most attractive employer in the industry. Through continuous dialog and responsiveness, Serneke wants to create personal devel-

opment opportunities in a challenging environment. With stimulating projects and a belief in the ability of our employees, Serneke wants to provide a corporate culture of great personal responsibility and participation. With a systematic and prioritized work environment through all stages of the process, we strive for a safe and secure work environment that encourages personal growth and commitment.

Work of the Board in 2018

Serneke's Board consists of seven members. In 2019, the Board held 16 minuted meetings in addition to continuous contacts. The Board of Directors is responsible for the organization and management of the company's affairs, including establishing targets and strategy, ensuring procedures and systems for monitoring the stated targets, ongoing assessment of the Group's financial position and evaluating operational management. In general, the Board addresses issues that are of material significance to the Group. In addition to the issues incumbent on the Board to address according to the Board's formal work plan, main issues during the year were strategic decisions on reorganization,

property transactions and financing. A separate description of the Board's work is presented by the Corporate Governance Report on page 38.

Remuneration to senior executives

According to the Swedish Companies Act, a resolution is to be made at the Annual General Meeting on guidelines for remuneration and other terms of employment for senior executives. "Senior executives" refers to Serneke's Group Management.

The Board of Directors at the Annual General Meeting in 2020 put forward a proposal for a decision regarding these payments, including that they should be commercially competitive. The full proposal will be published in conjunction with the invitation to the Annual General Meeting. Current employment is not different from the future proposal principles.

During the year, the company chose to deviate from the guiding principle and remunerate three senior executives with remuneration equivalent to one monthly salary as compensation for an unusually high work load in a situation that was critical to the company.

PARENT COMPANY

The operations of Serneke Group AB (publ) consist mainly of Group Management and Group-wide services. Annual sales amounted to SEK 178 million (143) and there was an operating loss of SEK 14 million (profit: 30). In the first quarter of 2018, a reversal was done with regard to a reservation for a dispute the outcome of which was in the Serneke's favor.

The Share

Serneke's Class B share has been listed on Nasdaq Stockholm since November 2016. For more information, please refer to page 24 under "The Share".

Dividend policy & proposed dividend

Serneke's long-term dividend policy is to distribute 30 to 50 percent of net profit after tax for the previous financial year. The Board of Directors proposes no dividend for the 2019 financial year.

Proposed appropriation of earnings

The Annual General Meeting has at its disposal the following amounts, SEK

Profit/loss brought forward	-286,475,572
Share premium reserve	802,570,581
Profit/loss for the year	-102,159,048
Total	413,935,961

The Board proposes that the unappropriated earnings be distributed as follows, SEK:

Dividend	-
Carried forward:	413,935,961
Total	413,935,961

Risks and risk management

The ability to identify, assess, manage and monitor risks plays a central role in the management of Serneke. The goal is to implement the Group's strategy with a well-thought-out and well-balanced risk level. Future events can affect the business operations both positively and negatively.

In Serneke's operations, there are several different types of risk, external risks and operational and financial risks. Operational risks are related to the daily operations and can apply to tenders or project develop-

ment, 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. Each business area man-

ages 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.

Furthermore, the Board is responsible for ensuring that accurate information is provided to the Company's stakeholders, that the Company complies with laws and regulations and that

the Company develops and implements internal policies and ethical guidelines. A risk analysis for the Group is conducted annually in conjunction with the Board of Directors decides on the update of the

Group's risk policy. The CEO and management are responsible for compliance with policies. Related party transactions and internal control are reported to the Board on a monthly basis.

Risk	Description of the risk	Management
EXTERNAL RISKS		
Economic growth	The contracting and property sectors are largely affected by macroeconomic factors such as general economic trends, growth, employment, production rates and trends in prices for new housing and commercial premises, changes in infrastructure, inflation and interest rates. If there were to be a negative trend in one or more of these factors, this could have a material adverse effect on Serneke's operations, performance and financial position.	Serneke closely monitors macroeconomic developments and continuously focuses on efficiency improvements and cost control.
Demography	Population growth and migration flows affect housing demand. Serneke strives to be active in regions with sustained population growth, such as the metropolitan regions of Stockholm, Gothenburg and Malmö. There is nonetheless a risk that changing patterns of population growth and migration flows will negatively affect the conditions for Serneke's operations, which could have a negative effect on Serneke's operations, performance and financial position.	Serneke carefully monitors demographic trends and strives to be active in regions of sustained population growth.
Competitive situation	Serneke operates in an industry that is exposed to competition. Among other factors, Serneke's future competitive opportunities rely on Serneke's capacity to anticipate future changes and react quickly to existing and future market needs. Serneke may be forced to make costly investments, restructuring or price reductions to adapt to a new competitive situation, which could have a negative effect on Serneke's operations, performance and financial position.	Serneke focuses on distinguishing the offer by being more innovative, to think in new and different and work smarter and more cost-effective.
OPERATIONAL RISKS		
Risks related to production	In contracting operations, the primary limitation of operational risk normally occurs in the tender process. Tenders that are not sufficiently elaborate, or based on inaccurate calculations, can lead to both lower earnings, loss of internal control, and increased costs. The risk that the planning process is delayed, detailed development plans are not approved or that building permits or other permits required for the construction or renovation are not obtained or are delayed.	Before submitting a tender, resources are always hedged for management of the projects. In the tenders submitted, it is always ensured that identified risks can be estimated and managed. Serneke has in recent years gained some experience from large and complex projects and hired senior expertise in risk analysis, cost estimation and project management.

Risk	Description of the risk	Management
Price development during the project's production time	The risk that the property market developed negatively during the project, which can make the property difficult to sell.	Always aiming for sales prior to or in conjunction with the start of production. Established process with clear analytical and decision-making structure that takes into account market outlets before an investment is made.
Pollution, work environment and environmental risks	Serneke's construction and civil engineering operations have an environmental impact for which Serneke is responsible. In connection with property acquisitions within the framework of the project development operations, there is also a risk of the acquired property having previously been contaminated. Depending on the scale of any pollution, this could have a negative impact on Serneke's brand, operations, performance and financial position. Serneke's operations also include risks related to the work environment. Accidents or serious incidents can incur liability and negative publicity, which could have a negative effect on Serneke's brand, operations, performance and financial position.	Measures related to pollution, occupational health and environmental risks normally handled as part of ongoing operations.
Risks related to the development of projects and properties	In addition to the contractor risk (where applicable), the development of projects and properties, both residential and commercial, under the Company's own auspices and with partners, also entails development, sales and value risk. The realization of such risks could result in additional capital being tied up, but also losses.	Serneke has competent employees supported by ongoing training and the most current industry experience. An important element is the Group's collective experience from similar projects and the solutions developed for special situations.
FINANCIAL RISKS (SEE NOTE 4 FINANCIAL RISK MANAGEMENT)		
Interest rate risk	In addition to shareholders' equity, Serneke's operations are financed through borrowing. Interest expenses are primarily affected by the level of current market interest rates and the credit institutions' margins, as well as the strategy chosen by Serneke in fixing interest rates. Market interest rates are mainly affected by the anticipated rate of inflation. Shorter-term rates are affected primarily by the Riksbank's "repo rate", which acts as a monetary policy instrument. In periods with rising inflation expectations, interest levels are expected to rise, which could have a negative effect on Serneke's performance and cash flow.	Financial policy governs the handling of Serneke's interest rate risk. Prevailing interest rates are continuously monitored.
Liquidity risk	Serneke's payment commitments consist primarily of expenses for materials and subcontractors, as well as personnel expenses. Should Serneke lack sufficient liquidity to meet its payment commitments, this could have a negative effect on Serneke's operations, financial position and performance.	The Group continuously monitors its liquidity with monthly reporting to the Board and management. Liquidity planning takes place on a running basis with a focus on both short- and long-term needs.
Refinancing risk	Refinancing risk is the risk that financing cannot be secured or renewed on maturity, or can only be obtained or renewed at significantly increased expense. The Company primarily finances its operations through shareholders' equity, borrowing and the Company's own cash flow. There is a risk that it will not be possible to raise additional capital or that it can only be obtained on terms that are unfavorable for Serneke. Although the Group currently has access to long-term financing, Serneke could, in the future, breach its financial covenants and other commitments under credit and loan agreements due to general economic conditions or disruptions in the capital and credit markets. If the Company fails to obtain the necessary capital in the future, this could have a negative impact on the Company's operations, financial position and performance. If the Company fails to refinance its loan agreements or can only obtain refinancing of its loan agreements at significantly increased expense, this could have a material adverse effect on the Company's operations, financial position and performance.	The Group's external financing needs are monitored regularly by management and the Board. The Group's financing activities are centrally organized, which provides a good overview of their financial positions.
Risk of commitments in loan agreements and debenture loans	Serneke's borrowings from credit institutions and the issued debenture loan contains commitments. If a Group company were to breach any of the obligations included in a loan agreement or the terms of the debenture, this could result in the loan being terminated, and even in other loan agreements being terminated as a result of so-called cross-default provisions. A termination of this kind could have a negative effect on Serneke's operations, performance and financial position.	Group fulfillment of loan conditions and covenants is continuously monitored by the Board and management.

Risk	Description of the risk	Management
Credit and counter-party risk	Uncertainty in the external environment and in the financial markets may mean that customers, suppliers and subcontractors encounter difficulties with their financing. This could also cause planned investments to be delayed, as well as difficulties in meeting existing commitments. Serneke may suffer losses that have a negative effect on its operations, financial position and performance.	The Group's finance policy regulates the handling of credit risks and counter party risks. Credit rating of each new customer is done regularly. The financial situation for existing customers and suppliers is continuously monitored for the early identification of warning signs.
Risk on sale of properties and development rights	On the disposal of properties and development rights, different assessments and estimates may be made regarding the likelihood of various factors, such as changes to detailed development plans and outstanding commitments, which could have a highly significant impact on the Group's performance and financial position. Outstanding commitments may also be difficult to identify by their nature and extent. A sale may be conditional on a future detailed development plan being accepted. In the event that the detailed development plan is not accepted, the occurrence of which had been assessed by the Group as highly probable, there could be significant impact on performance and financial position.	In all significant sales transactions, managers in the business area along with the CFO perform an assessment of outstanding commitments and other uncertainties. These estimates are updated regularly.
Risk at revenue recognition	The profit of contracts is recognized in pace with completion before final profit results are known. Miscalculation can lead to misleading accounting and/or strategic decisions being based on incorrect information.	Construction projects are followed up by management monthly. Through clear processes for project management and continuous follow-up of production estimates, work done and final cost forecasts, it is ensured that reporting is accurate and the strategic decisions are made on the right grounds.
Disputes	Serneke operates in an industry in which disputes occur, both with clients and suppliers. Large-scale and complicated disputes can be costly, time and resource intensive and may disrupt normal operations, which could have a negative impact on Serneke's brand, operations, performance and financial position.	Disputes are regularly monitored and followed up on monthly by management. Through decentralized earnings responsibility and leadership, a customer-focused organization is created that works closely with clients and subcontractors to minimize the risk of disputes.

Corporate governance

Good corporate governance is about ensuring that companies are managed sustainably, responsibly and as efficiently as possible. A high level of trust among shareholders, legislators and society is crucial to the companies' freedom to realize their strategies to generate value.

The central external and internal steering instruments for Serneke are the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the Code), the Articles of Association adopted by the Annual General Meeting, the Board of Directors' formal work plan, instructions for the Board's committees, the instructions for the CEO including the instructions for financial reporting and policies adopted by the Board.

Serneke's Board is responsible for the organization and management of the Company's affairs. The CEO is responsible for ensuring the operating management of the Company takes place according to the Board's guidelines and instructions. In addition, the CEO in dialog with the Chairman of the Board compiles an agenda for the Board meetings and is otherwise responsible for preparing information and decision documentation for the Board.

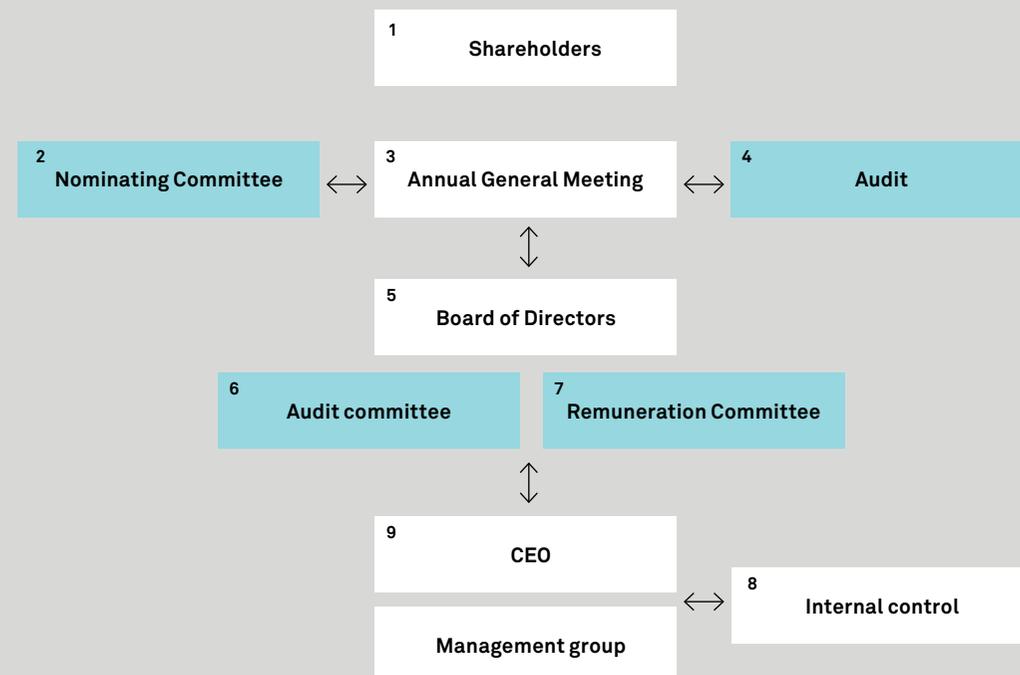
1. Shareholders

The Serneke Group consists of 214 subsidiaries. The Parent Company is the Swedish limited liability company Serneke Group AB, the Class B shares of which are listed on the Nasdaq Stockholm exchange in the Mid Cap segment since November 24, 2016.

Share capital in Serneke is represented by Class A and B shares. Each Class A share entitles the shareholder to one vote and each Class B share to one-tenth (0.1) of a vote. All shares carry equal rights to the Company's assets and profits. As of December 31, 2019, there were 7,332 shareholders.

The largest shareholder is Ola Serneke Invest AB with a participating interest of 26.21 percent. The second largest shareholder, Lommen Holding AB, owns 17.20 percent. The larger primary shareholders in Serneke exercise an active ownership role. The Board and Group Management control a total of 70.2 percent of the

Serneke's governance structure



votes and 46.3 percent of the capital in the Company. The Articles contain no reservations about voting restrictions.

As of December 31, 2019, where there were no outstanding authorizations from the Annual General Meeting to the Board to issue new shares. The Annual General Meeting authorized the Board to decide on the buy-back of a maximum total of 400,000 Class B shares on one or more occasions in the time until the next Annual General Meeting.

For further information on the ownership structure, trading and share performance, see pages 24-25 of the Annual Report.

2. Nominating Committee

The rules regarding the composition of Serneke's Nomination Committee was decided at the 2019 Annual General Meeting. According to them, the Nomination Committee shall consist of the four largest shareholders in the Company by votes, who then have a right to appoint one member each to the Nomination Committee. If one of the four largest shareholders, in terms of votes, declines to exercise the right to appoint a member to the Nomination Committee, the next largest shareholder is then given the opportunity to appoint a member. These four owner representatives, together with Chairman

of the Board, form Serneke's Nomination Committee.

The largest shareholders by votes shall be determined on the basis of a list of registered shareholders provided by Euroclear Sweden AB as of the last bank day in September.

The Nomination Committee submits recommendations to the Annual General Meeting, including proposals for the chairman of the Annual General Meeting, the number of members of the Board to be elected by the Annual General Meeting, the Chairman of the Board and other Directors elected by the Annual General Meeting, fees and other remuneration to each of the members of the Board and to Directors serving on the Board's committees. The Nominating Committee makes further proposals for the election of auditors, remuneration to the auditors, principles for appointing the Nomination Committee and the instruction for the Nomination Committee.

Nomination Committee's work prior to the 2019 Annual General Meeting

The composition of the Nomination Committee was announced on November 5, 2019. Ahead of the 2020 Annual General Meeting, the Nomination Committee consists of the following members:

- Carl Sandberg (Chairman of the Nomination Committee),

appointed by Ola Serneke Invest AB and representing 56.9 percent of the vote at September 30, 2019, and 56.9 percent at December 31, 2019,

- Ludvig Mattsson, appointed by Lommen Holding AB and represented 12.8 percent of the votes at September 30, 2019, and 12.8 percent at December 31, 2019,
- Christer Larsson, appointed by Christer Larsson in Trollhättan AB and represented 6.2 percent of the vote at September 30, 2019, and 6.2 percent at December 31, 2019.
- Sofia Åstenius, appointed by Ledge Ing AB and representing 5.4 percent of the votes at September 30, 2019, and 5.4 percent at December 31, 2019,
- Kent Sander, Chairman of the Board of Serneke Group AB.

Prior to the 2020 Annual General Meeting, the Nomination Committee held five minuted meetings. The Nomination Committee's proposal is available on the corporate website www.serneke.se.

For its work, the Nomination Committee reviewed the internal evaluation of the Board's work, the Chairman of the Boards account of the Board work and the Company's internal strategy, as well as interviewed individual Board members. The Nomination Committee deems that the proposed members altogether

have the breadth and expertise necessary.

In drafting its proposal, the Nomination Committee applied section 4.1 in the Code as the diversity policy, whereby the Nomination Committee took into account that the Board, with regard to the Company's Boards operations, phase of development and circumstances otherwise, shall have a suitable composition characterized by diversity and breadth in terms of the competence, experience and background of the AGM-elected members.

In consideration of the above, the Nomination Committee received a good basis for assessing if the Board's composition is satisfactory, if the need for competence, breadth and experience on the Board is satisfied and to submit proposals on the election of auditors.

Shareholders have had the opportunity to submit suggestions and comments regarding the Nomination Committee's work for the 2020 Annual General Meeting.

3. General Meeting

The right of shareholders to make decisions in Serneke's affairs is exercised through the highest decision-making body, the Annual General Meeting, or Extraordinary General Meeting. The meeting resolves on matters such as amendments to the Articles of Association, election

of the Board of Directors and auditors, adoption of the income statement and balance sheet, discharge from liability of the Board and Chief Executive Officer, allocation of profit or loss, principles for appointing the Nomination Committee and guidelines for remuneration to senior management.

According to the Articles of Association, notice to attend the Annual General Meeting will be issued through publication by mail, in Swedish print media and on the Company's website. An announcement that an invitation has been issued shall be published simultaneously in Swedish financial daily Dagens Industri.

Right to participate in General Meetings

To participate in a General Meeting, shareholders must notify Serneke no later than on the date specified in the invitation to attend. This day may not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and not fall earlier than the fifth weekday prior to the meeting. Shareholders wishing to have matters considered at the General Meeting must produce a written request to the Company's Board of Directors. Such a request should normally reach the Board no later than seven weeks before the General Meeting.

Annual General Meeting 2019

The Annual General Meeting 2019 was held on May 8, 2019 at the Company's headquarters in Gothenburg. Overall, 63.5 percent of the total number of shares and 88.2 percent of the total number of votes were present. The accounts for 2018 were adopted and the Board Members and the CEO were discharged from liability. A decision was also taken on the election of directors and auditors and fees to Board members and auditors. The Meeting also resolved in accordance with the Board's proposal to adopt a share savings program for the employees for 2019 and 2020. For more information on the share savings program, see page 24 in the annual report.

Annual General Meeting 2020

Annual General Meeting 2020 will be held on Tuesday, May 5, 2020 in the Company's premises at Kvarnbergsgatan 2 in Gothenburg, Sweden. Shareholders wishing to take part in Annual General Meeting must be registered as shareholders in the shareholders' register maintained by Euroclear Sweden AB as of Tuesday, April 28, 2020, and have notified the Company of their attendance, no later than the same date.

4. Audit

The Company's auditors review the annual accounts and annual report and the Company's ongoing operations and routines to then rule on the financial statements and the administration by Board of Directors and the CEO. After each financial year, the auditors shall submit an audit report to the Annual General Meeting. Each year, the Company's auditors report their observations from the audit and their assessment of the Company's internal control to the Board in person.

According to the Articles of Association, the Annual General Meeting shall appoint at least one and at most two auditors or one or two authorized public accounting firms. The 2019 Annual General Meeting elected the accounting firm Deloitte AB as the Company's auditor, with authorized public accountant Harald Jagner as the principal auditor, for the period extending until the end of the next Annual General Meeting. Harald Jagner is a member of FAR. The Annual General Meeting also resolved that remuneration of the auditor would be paid according to an approved invoice. For information on remuneration of auditors, see Note 9.

The auditors participated in seven meetings of the Board's Audit Committee and in two Board meetings during the year.

5. Board of Directors

After the Annual General Meeting, the Board of Directors is the highest decision-making body. The Board of Directors is responsible for the organization and management of the company's affairs, including establishing targets and strategy, ensuring procedures and systems for monitoring the stated targets, ongoing assessment of the Company's financial position and evaluating operational management. Furthermore, the Board is responsible for ensuring that accurate information is provided to the Company's stakeholders, that the Company complies with laws and regulations and that the Company develops and implements internal policies and ethical guidelines. The Board also appoints Serneke's Chief Executive Officer and sets salaries and other remuneration to the Chief Executive Officer based on guidelines adopted by the Annual General Meeting.

Composition of the Board of Directors

The elected members of the Board are elected by the Annual General Meeting for the period until the conclusion of the next Annual General Meeting. According to the Articles of Association, the Board of Directors shall consist of no less than three (3) and no more than nine

(9) ordinary members elected by the General Meeting, without deputies. Board Members are presented on pages 39-40.

Chairman of the Board

The Chairman of the Board is responsible for ensuring that the Board's work is carried out efficiently and that the Board discharges its duties. In particular, the Chairman shall organize and lead the Board's efforts to create the best possible conditions for this work.

The Chairman's task is to ensure that new members of the Board receive adequate initial training and other training that the Chairman and such new members of the Board agree to be appropriate, that members of the Board regularly update and deepen their knowledge of the Company, that the Board receives sufficient information and documentation for its work, that the proposed agenda for Board meetings is adopted after consultation with the Chief Executive Officer, that the Board's decisions are implemented and that the work of the Board of Directors is evaluated annually.

The Chairman is responsible for contacts with the owners regarding ownership issues and for conveying the view of the owners to the Board. The Chairman is not part of Group Management and also does not par-

ticipate in the operating work in the company.

The work of the Board of Directors

The Board follows written procedures that are reviewed annually and adopted at the constituent meeting. These rules of procedure regulate the Board's work, tasks, decision-making within the Company, Board meeting procedure, the Chairman's responsibilities and an appropriate division of tasks between the Board and the CEO. Instructions regarding financial reporting and instructions for the Chief Executive Officer are also defined in conjunction with the constituent Board meeting.

The work of the Board is also based on an annual meeting schedule that meets the Board's needs for information. The meeting plan shall be designed so that the meetings coincide with the production of quarterly reports, financial statements and financial statements. The Board as a whole handles matters of internal control incumbent upon the Board. In addition to Board meetings, the Chairman of the Board and the Chief Executive Officer maintain an ongoing dialog concerning the management of Serneke.

The Board meets according to an annual schedule and must

hold at least five regular meetings between Annual General Meetings. In addition to these meetings, further meetings can be arranged to address issues that cannot be postponed to any of the regular meetings. During the 2019 financial year, the Board has held 16 meetings, for all of which minutes were recorded.

Evaluation of the work of the Board

Evaluation of the Board is conducted within the framework of the work of Nomination Committee. The Board also performs an annual evaluation of its work, including planning for the year.

The Board's evaluation of its work has been carried out with the assistance of external consultants, through questionnaires and individual interviews with the Board Members and the CEO. The result of the interviews have since been compiled by the consultant and submitted to the Board. The Committee has also taken note of the evaluation report.

The Board's evaluation indicated that the Board work functioned well and that opinions regarding the evaluation for 2019 were taken into account, but that there is room for some further improvements. The evaluation also showed that the Board is a well-composed

group with extensive commitment and that the members contribute broad expertise and have extensive experience from various areas that are relevant to Serneke's operations.

Remuneration to the Board of Directors

The 2019 Annual General Meeting resolved that fees totaling SEK 2,250,000 would be paid to the Board, with the Chairman receiving SEK 750,000, each of the other members of the Board not employed by the Company receiving SEK 250,000, the Chairman of the Audit Committee receiving SEK 100,000 and the other two members receiving SEK 50,000. For work in the Remuneration Committee, no fee is payable to the chair (included as a part of the Chairman of the Board members ordinary compensation) and SEK 25,000 each to the other two members. The Nomination Committee's proposal on remuneration prior to the 2020 Annual General Meeting is presented by the convening notice for the Annual General Meeting.

Board Committees

Serneke's Board has two ordinary committees: the Audit Committee and the Remuneration Committee. The work conducted in the committees is reported continuously to the Board. The committees shall be

seen as working committees for the Board and do not take over responsibility that is incumbent on the Board as a whole.

6. Audit committee

During the year, the Audit Committee was comprised of Mari Broman, Ludwig Mattsson and Anna Belfrage. The Audit Committee's main task is to monitor Serneke's financial reporting, monitor the efficiency of the Company's internal control, internal audit and risk management with respect to financial reporting and make recommendations and suggestions to ensure reporting accuracy. The Audit Committee shall, in cooperation with Serneke's auditor, ensuring audit planning, monitoring, and auditing status for the annual report and consolidated financial statements and the conclusions of the Supervisory Board of Public Accountants' quality control.

In addition, the audit committee shall oversee the impartiality and independence of the auditor, and in particular, where appropriate, pre-approve all other permitted services the auditor provides.

The Audit Committee also evaluates the audit work and informs ahead of appointment of auditor, the Company's nomination committee on the results of the evaluation and assists the Nomination Committee in preparing proposals for

appointment of auditors and audit fees.

The Board of Directors believes that the requirement that at least one Board Member shall be independent and have accounting or auditing skills has been met.

The Audit Committee held nine minuted meetings in 2019. In these meetings, the auditor's review of the financial statements and the Company's internal controls has been reported and discussed.

7. Remuneration Committee

The Remuneration Committee consists of Kent Sander (Chair), Anna-Karin Celsing and Fredrik Alvarsson. The CEO presents matters not involving remunerations to the CEO.

The Remuneration Committee is responsible for reviewing and recommending to the Board the principles for the terms and remuneration of the Company's senior executives.

The Remuneration Committee shall evaluate the CEO annually. Questions concerning the CEO's terms of employment, remuneration and benefits are prepared by the Remuneration Committee and approved by the Board.

An important part of the Remuneration Committee's tasks is to ensure that the right skills are available in the Group's key positions. The Committee conducts an annual

review and evaluation of the management organization based on specific criteria and requirements to meet future needs. The evaluation takes place both as individual conversations and with the CEO presenting.

The Committee has had two meetings regarding remuneration and a number of reconciliations by telephone and e-mail throughout the year.

8. Internal control

The Board's responsibility for internal control is regulated in the Code and the Swedish Companies Act, which requires that information on the principal features of Serneke's system of internal control and risk management in connection with financial reporting be included each year in the Corporate Governance Report – and the Code.

The Company has established and complies with an internal control plan adopted by the Board. The plan is based on the COSO framework structure and comprises the continuous monitoring of five critical business processes, and for each process a number of controls are then carried out of essential activities and events.

Among other things, the Board shall ensure that Serneke has good internal control and formalized routines ensuring that the established principles for financial report-

ing and internal control are adhered to and that there are effective systems for monitoring and controlling the Company's operations and the risks with which the Company and its operations are associated.

The overall purpose of the internal control is to ensure to a reasonable extent that the Company's operating strategies and targets are monitored and that the owners' investments are protected. The internal control shall also ensure that the external financial reporting is, with a reasonable degree of certainty, reliable and prepared in accordance with good accounting practices and applicable laws, that regulations are complied with and that the requirements imposed on listed companies are met. Serneke's policies and instructions are reviewed annually. This report on Serneke's internal control is prepared in accordance with the Swedish Code of Corporate Governance and mainly includes the following components.

Control environment

The Board bears the overall responsibility for internal control regarding financial reporting. To create and maintain a functioning control environment, the Board has adopted a number of policies and governance documents that regulate the financial reporting. These

primarily comprise the Board's agenda, instructions for the CEO and instructions for financial reporting. The Board has also adopted specific authorizations and a financial policy. The Company also has a financial manual containing principles, guidelines and process descriptions for accounting and financial reporting.

This manual is updated regularly to reflect changes in legal requirements, listing requirements and/or accounting standards. The handbook is also a detailed time and activity plan for the Company's financial closing and reporting process. Dates of reporting are published in the Group's financial calendar, available via its website.

The Board has also established an Audit Committee whose main task is to monitor the Company's financial position, monitor the effectiveness of the Company's internal control, internal audit and risk management, to stay informed about the auditing of the financial statements and to review and monitor the impartiality and independence of the auditor. The Board also receives reports from the Serneke's auditor.

Risk assessment

The Board receives further information on risk management, internal control and

financial reporting by the auditor through the Audit Committee or Board meetings with the auditor present.

In a special risk assessment document, Serneke's Board has identified and evaluated the risks incurred in the Company's operations, and assessed how the risks can be managed. Within the Board, it is primarily the Audit Committee that is responsible for continuously assessing the Company's risk situation, after which the Board also conducts an annual review of the risk situation.

The significant risks that Serneke has identified are misstatement of the financial statements and the valuation of ongoing projects, contracts, control and documentation of IT risks and the loss or misappropriation of assets on the sale of subsidiaries and properties. The Company has established procedures to prevent and detect irregularities and fraud that could materially affect the company's financial position.

Control activities

Control activities mitigate the risks identified and ensure accurate and reliable financial reporting. The Board is responsible for internal control and monitoring of Company management. This involves both internal and external control activities, and by reviewing and monitoring the Company's gov-

ernance documents. An important part of Serneke's control activities include standardized reporting and clear and documented work procedures and responsibilities. Controls are carried out monthly both manually and automatically by system support, and compiled in a report to the CFO who then informs the CEO and Board of the outcome.

Management and review

Continuous monitoring of performance outcomes occurs at multiple levels in the Group, both at the corporate level and at the Group level. Budget and forecasts are reviewed. The results are analyzed by the contracting operations and the administrative and accounting departments.

The teams report to the CEO and Board of Directors. According to the Board's instructions to the Audit Committee, the Committee shall annually have at least one meeting where the Company's auditors attend without the presence of employees in Serneke. The auditors shall report on audit scope and on their observations made during the audit and internal control. The proceedings of the Audit Committee meetings are entered in the minutes, which are provided to the Board.

Need for internal audit

The efficiency of the internal audit is largely dependent on the Company's organizational structure and size of the organization. Serneke has a relatively small organization in which the financial, economic and rental administration is conducted from the company's offices in Gothenburg. Review of financial statements and accounts is conducted monthly of the various functions within the Company and those of the Company management and the Board. Overall, this means that it is not considered necessary to conduct a separate internal audit.

Monitoring

Compliance with the internal controls and their efficacy is monitored on an ongoing basis. The CEO ensures that the Board continuously receives reports on the development of the Company's operations, including the development of the Company's profits and financial position, as well as information about significant events.

9. Chief Executive Officer and Management

The role of the Chief Executive Officer is subordinate to the Board of Directors and the main task is to attend to the ongoing management of the Company and its day-to-day operations.

The Board's rules of procedure and instructions for the Chief Executive Officer clarify which issues the Company's Board of Directors shall decide on and which decisions should be made by the Chief Executive Officer. The Chief Executive Officer also produces reports and essential documentation necessary to make decisions at Board meetings and presents the material at Board meetings.

In addition to the CEO, Serneke has five senior executives, see page 41.

During the 2019 financial year, Serneke had 10 senior executives. In connection with the new organizational structure that became effective January 1, 2020, the Group Management of Serneke Group AB was changed to encompass Ola Serneke, President and CEO; Michael Berglin, Deputy CEO; Anders Arfvén, President of Serneke Sweden (beginning July 1, 2020); Anders Düring, CFO; Jonas Fjellman, HR Director; Robin Gerum, Business Development Manager and Daniel Modéus, General Counsel. See page 41.

Remuneration to senior executives

In 2019, a total of SEK 19.3 million was paid in fixed remuneration to the Company's senior executives (Group Manage-

ment). The total gross remuneration paid to the CEO and Group Management, including base salary, pension premiums, car and health insurance benefits amounted to SEK 24.4 million in 2019, of which SEK 4.1 million constituted remuneration to the CEO.

Principles for remuneration to senior executives

The Annual General Meeting of May 8, 2019 adopted the following guidelines for remuneration and other terms of employment for senior executives. In this context, "senior executives" refers to the CEO and other senior managers in the Serneke Group. These remuneration guidelines also apply to Board Members to the extent they receive compensation for services rendered to the Serneke Group beyond their roles as members of the Board.

Work of the Board in 2019

● FEBRUARY/MARCH

Board of Directors

- Year-end report
- Dividend proposal
- Preparation for the Annual General Meeting
- Corporate Governance Report
- Board evaluation
- Audit Status financial audit

Audit committee

- Audit Status financial audit
- Evaluation auditors

Remuneration Committee

- Evaluation of the work of the CEO and management team as well as planning for future needs
- Overall wages and conditions policy for the Group
- Remuneration to senior executives, including the proposed guidelines for Annual General Meeting decisions

● APRIL/MAY

Board of Directors

- Interim Report first quarter
- Audit Plan
- Evaluation of incentive programs

Statutory Meeting

- Board and Committees rules of procedure, the CEO's instruction
- Members of the Audit and Remuneration Committee

Audit committee

- Audit plan

● JULY

Board of Directors

- Interim Report second quarter

● SEPTEMBER/OCTOBER

Board of Directors

- Interim Report third quarter
- Strategic development, evaluation, strategic direction and goals

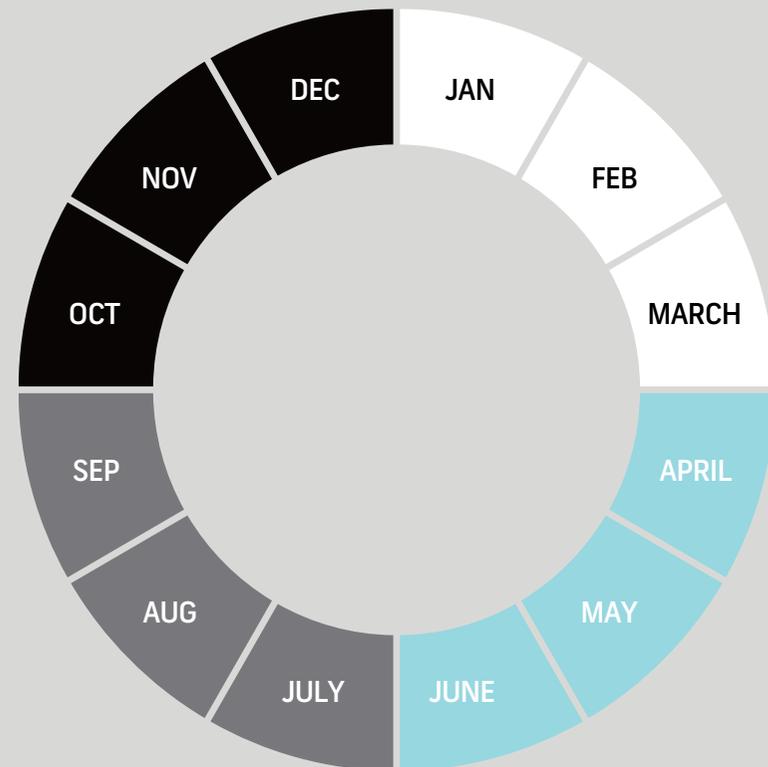
Audit committee

- Evaluation of internal controls and risk management
- Review of the auditors' examination of the interim report
- Review of policies

● DECEMBER

Board of Directors

- Budget and business objectives
- Corporate governance
- Monitoring and evaluation of the Board's work



Board of Directors



	KENT SANDER	MARI BROMAN	LUDWIG MATTSSON	OLA SERNEKE
Born	1953	1951	1983	1971
Nationality	Swedish	Swedish	Swedish	Swedish
Function	Member of the Board and Chairman of the Board since 2017. Chairman of the Remuneration Committee.	Board member since 2015. Chairman of the Audit Committee.	Member of the Board since 2012. Member of the Remuneration Committee and Audit Committee.	Member of the Board since 2004 and CEO since 2008.
Education	Graduate Business Administrator, Stockholm University.	MA in political science, Gothenburg University.	Graduate Business Administrator, Stockholm School of Economics.	Master of Engineering, Chalmers University of Technology.
Experience	More than 30 years' experience of senior positions in international telecom and high-tech IT companies. Kent Sander has been the CEO of TruePosition, held the position of Executive VP Sales at Ericsson in the U.S. and the Chairman of the Board of Transmode.	Deputy CEO, Riksbyggen, chairman and member of the Boards of several property companies and industry bodies.	CEO of Gavia Group, assignments in the Gavia Group and assignments in the Lommen Group.	President and CEO of Serneke Group AB. Founder of Serneke Group AB.
Other assignments	Chairman of the Boards of Tobii AB, OnePhone Holding AB, Triboron International AB and Mr Green & Co AB. Member of the Boards of Expander Business Consulting AB, BT OnePhone Ltd and Incell International AB.	Chairman of the Board of IQ Samhällsbyggnad AB and Sharing Capabilities AB. Member of the Boards of Forserum Safety Glass AB and ChromoGenics AB.	Chairman of the Board of Adapta Fastigheter AB and Deputy member of the Board of other companies in the Adapta Group. Chairman of the Board of Lommen Invest AS and member of the Boards of other companies in the Lommen Group. Chairman of the Board of Spisa Holding AB and member of the Boards of Ativo Finans AB, Ånglagården Holding AB, Ånglagården Fastighetsutveckling AB and GBG Nya Arena Drift och Event AB.	Member of the Boards of Ånglagården Fastighetsutveckling AB and Göteborgs Nya Arena drift och event AB. Member of the Boards and President of Ola Serneke Invest AB, Landskrona Fröfabriksutvecklings AB. Member of several cooperative societies and, in addition, several assignments as Chairman of the Board, member of the Board or President of companies within the Serneke Group.
AGM-approved remuneration	SEK 750,000	SEK 350,000	SEK 325,000	—
Holdings in Serneke Group AB, own and related parties, Dec 2019	0 shares	909 Class B shares in Serneke Group AB (publ).	540,000 Class A shares and 3,457,803 Class B shares in Serneke Group AB (publ).	3,710,000 Class A shares and 2,382,844 Class B shares in Serneke Group AB (publ).
Independent of major shareholders	Yes	Yes	No	No
Independence to the Company and its management	Yes	Yes	Yes	No
Member of committee	Remuneration Committee	Audit committee	Audit committee	Not a member
Meeting attendance	Board meetings 16/16 Remuneration Committee 2/2	Board meetings 16/16 Audit Committee 10/10	Board meetings 16/16 Audit Committee 10/10 Remuneration Committee 2/2 (until April 2019)	Board meetings 16/16

Board of Directors



	ANNA-KARIN CELSING	ANNA BELFRAGE	FREDRIK ALVARSSON
Born	1962	1962	1969
Nationality	Swedish	Swedish	Swedish
Function	Board member since 2018. Member of the Remuneration Committee.	Board member since 2019.	Board member since 2019.
Education	Graduate Business Administrator, Stockholm School of Economics.	Graduate Business Administrator, Lund University.	Engineer, Lund University and IFL from the Stockholm School of Economics.
Experience	Head of Investor Relations Swedbank, CIO Ratos, former member of the Boards of the Swedish Financial Supervisory Authority, Tengbom, the Royal Opera. Consultant in strategy, financing and corporate governance.	Until the end of May 2019, Chief Financial Officer (CFO) of Södra Skogsägarna also in charge of purchasing and IT, former acting President of Beijer Electronics, CFO of ABS Group in the Cardo Group and before that various roles in such industrial companies as Dresser Wayne Fueling Systems, Obducat, Lund Eastern Energy and Åkerlund & Rausing.	President of CA Fastigheter, Project Development Manager of Hemsö Fastighets AB and several different positions in NCC, Kungsliden and Vasakronan.
Other assignments	Chairman of the Board of Sveriges Television AB, member of the Boards of Landshypotek Bank AB, Lannebo Fonder AB, OX2 Group and Volati AB.	Conducts his own consultancy operations. Member of the Boards of Mycronic AB, NOTE AB, Ellevio AB and Isofol Medical AB.	Partner and President of SHH Samhällsfastigheter AB.
AGM-approved remuneration	SEK 275,000	SEK 300,000	SEK 275,000
Holdings in Serneke Group AB, own and related parties, Dec 2019	0 shares	0 shares	0 shares
Independent of major shareholders	Yes	Yes	Yes
Independence to the Company and its management	Yes	Yes	Yes
Member of committee	Remuneration Committee	Audit committee	Remuneration Committee
Meeting attendance	Board meetings 15/16 Remuneration Committee 2/2	Board meeting 8/16, (8/9 after election) Audit Committee 6/10, (6/6 after election)	Board meeting 8/16, (8/9 after election) Remuneration Committee 0/2 (no meetings were held after the election)

Management



	OLA SERNEKE	MICHAEL BERGLIN	ANDERS DÜRING	DANIEL MODÉUS	JONAS FJELLMAN	ROBIN GERUM
Born	1971	1973	1965	1970	1979	1987
Nationality	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish
Function	CEO	Deputy CEO	CFO	General Counsel	HR Director	Director of Business Development
Employed since	2002	2012	2017	2018	2017	2017
Education	Master of Engineering, Chalmers University of Technology, 1998.	Structural engineering program, University of Borås, 1994, and upper-secondary engineering program, Sven Erikson upper-secondary school, Borås, 1992.	Executive MBA Finance & Accounting, University of Gothenburg, 1998 and MSc Business Administration, University of Gothenburg, 1990.	Graduate in Law, University of Lund, 1998.	M.Sc. Political Science, University of Gothenburg 2005.	M.Sc. Finance and Investments, Rotterdam School of Management, 2012, and B.Sc. Business Administration, University of New Hampshire, 2011.
Experience	President and CEO of Serneke Group AB. Founder of Serneke Group AB.	Head of a claims department, Folksam 2000–2012 and assignments in NCC and Skanska in 1994–2000.	CFO KappAhl AB (publ.) 2013–2017, CFO Volvo IT 2007–2013, Group Controller & CIO Ballingslöv 2003–2006. Worked as a consultant at Arthur D. Little and Andersen Consulting, 1990–2003.	Modéus Advokatbyrå 2012–2018, lawyer Stockholms Byggmästareföreningen 2007–2011, Advokatfirman Foyen 2005–2007, Celsius Advokatbyrå 2000–2005.	Senior positions in HR since 2008. 2011–2017 within IAC Group, most recently as the HR Director Europe.	Corporate Finance at Carnegie Investment Bank 2012–2017 and Private Equity at Liberty Lane Partners 2011.
Other assignments	Member of the Boards of Ånglagården Fastighetsutveckling AB and Göteborgs Nya Arena drift och event AB. Member of the Boards and President of Ola Serneke Invest AB, Landskrona Fröfabriksutvecklings AB. Member of several cooperative societies and, in addition, several assignments as Chairman of the Board, member of the Board or President of companies within the Serneke Group.	Several assignments in the Serneke Group as a Board member. Also assignments as a member of the Boards of associated companies and joint ventures, such as Ånglagården Fastighetsutveckling AB and Göteborgs Nya Arena drift och event AB.				
Holdings, Dec 2019	3,710,000 Class A shares and 2,382,844 Class B shares in Serneke Group AB (publ).	269,482 Class B shares in Serneke Group AB (publ).	7,916 Class B shares in Serneke Group AB (publ).	8,243 Class B shares in Serneke Group AB (publ).	3,100 Class B shares in Serneke Group AB (publ) and 634 convertibles in Serneke Group AB (publ).	12,622 Class B shares and 25,364 convertibles in Serneke Group AB).

Multi-year summary

SEK M	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2015
Income statement					
Revenue	6,725	6,516	5,605	3,978	3,107
Operating profit/loss	-84	595	419	411	128
Profit after net financial items	-111	558	401	394	112
Profit/loss for the year	-82	604	323	394	137
Balance sheet					
Non-current assets	661	1,094	1,682	1,160	408
Current assets	5,073	4,461	2,722	2,277	1,244
Total assets	5,734	5,555	4,404	3,437	1,652
Shareholders' equity	2,179	2,272	1,821	1,469	453
Non-current liabilities	1,435	1,289	980	764	398
Current liabilities	2,120	1,994	1,603	1,204	801
Total equity and liabilities	5,734	5,555	4,404	3,437	1,652
Orders*					
Order bookings	8,601	4,692	6,400	5,539	5,094
Order backlog	8,943	6,382	7,965	7,041	5,125
Staff					
Average number of employees	1,170	1,070	942	779	618

MULTI-YEAR SUMMARY

SEK M	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2015
Key indicators					
Growth, %	3.2	16.3	40.9	28.0	72.6
Organic growth, %	3.2	16.2	39.1	28.0	51.8
Operating margin, %	-1.2	9.1	7.5	10.3	4.1
Earnings per share, SEK, before dilution	-3.66	26.37	13.94	22.40	8.49
Earnings per share, SEK, after dilution	-3.66	26.16	13.81	21.22	8.11
Cash flow before financing	-434	-212	-272	-156	32
Cash flow from operations per share, before dilution	-28.75	11.57	2.03	2.56	2.23
Cash flow from operations per share, after dilution	-28.75	11.48	2.01	2.42	2.13
Working capital	3,237	2,467	1,119	1,073	443
Capital employed	3,603	3,264	2,516	1,985	670
Return on capital employed, %	-2.2	21.9	21.6	31.8	19.0
Return on equity after taxes, %	-3.7	29.5	19.6	41.0	37.4
Equity per share, SEK, before dilution	97.13	101.28	78.33	64.67	27.35
Equity per share, SEK after dilution	96.92	100.47	77.73	62.83	25.79
Equity/assets ratio, %	38.0	40.9	41.3	42.7	27.4
Net debt	1,224	552	254	-37	223
Net debt/equity ratio, %	56.2	24.3	13.9	-2.5	49.2
Average number of shares before dilution	22,433,465	22,905,389	23,169,394	17,590,630	16,141,542
Average number of shares after dilution	22,558,676	23,085,392	23,396,120	18,567,901	16,891,542

Financial definitions

KEY INDICATORS	DEFINITION	PURPOSE																					
Revenue	Within the construction operations, income is reported in accordance with the percentage-of-completion method. This income is recognized in pace with construction projects within the Company being completed. For project development, revenues and gains on disposals of land and development rights are recognized at the point in time at which the material risks and benefits are transferred to the buyer, which normally coincides with the transfer of ownership, as well as other income, such as rental income. In the Parent Company, income corresponds to invoiced income of Group-wide services and rental income.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's earnings capacity.																					
Growth	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.																					
	<table border="1"> <thead> <tr> <th>Calculation of organic growth</th> <th>Jan-Dec 2019</th> <th>Jan-Dec 2018</th> </tr> </thead> <tbody> <tr> <td>Income current period</td> <td>6,725</td> <td>6,516</td> </tr> <tr> <td>Income corresponding period previous period</td> <td>6,516</td> <td>5,605</td> </tr> <tr> <td>Income change</td> <td>209</td> <td>911</td> </tr> <tr> <td>Adjustment for structural effect</td> <td>0</td> <td>-1</td> </tr> <tr> <td>Total organic growth</td> <td>209</td> <td>910</td> </tr> <tr> <td>Total organic growth (%)</td> <td>3.2</td> <td>16.2</td> </tr> </tbody> </table>	Calculation of organic growth	Jan-Dec 2019	Jan-Dec 2018	Income current period	6,725	6,516	Income corresponding period previous period	6,516	5,605	Income change	209	911	Adjustment for structural effect	0	-1	Total organic growth	209	910	Total organic growth (%)	3.2	16.2	
Calculation of organic growth	Jan-Dec 2019	Jan-Dec 2018																					
Income current period	6,725	6,516																					
Income corresponding period previous period	6,516	5,605																					
Income change	209	911																					
Adjustment for structural effect	0	-1																					
Total organic growth	209	910																					
Total organic growth (%)	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 in 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.																					
Working 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.																					

FINANCIAL DEFINITIONS

KEY INDICATORS	DEFINITION	PURPOSE																									
Capital employed	Consolidated total assets less deferred tax assets less non-interest-bearing liabilities including deferred tax liabilities. For the business areas, the net of Group-internal receivables and liabilities is also deducted.	In the Company's view, the key indicator allows investors, who so wish, to assess the total capital placed at the Company's disposal by shareholders and creditors.																									
	<table border="1"> <thead> <tr> <th>Calculation of capital employed</th> <th>Dec 31, 2019</th> <th>Dec 31, 2018</th> </tr> </thead> <tbody> <tr> <td>Total assets</td> <td>5,734</td> <td>5,555</td> </tr> <tr> <td>Other deferred tax assets</td> <td>0</td> <td>-</td> </tr> <tr> <td>Less non-interest-bearing liabilities including deferred tax liabilities</td> <td>-2,131</td> <td>-2,291</td> </tr> <tr> <td>Capital employed</td> <td>3,603</td> <td>3,264</td> </tr> </tbody> </table>	Calculation of capital employed	Dec 31, 2019	Dec 31, 2018	Total assets	5,734	5,555	Other deferred tax assets	0	-	Less non-interest-bearing liabilities including deferred tax liabilities	-2,131	-2,291	Capital employed	3,603	3,264											
Calculation of capital employed	Dec 31, 2019	Dec 31, 2018																									
Total assets	5,734	5,555																									
Other deferred tax assets	0	-																									
Less non-interest-bearing liabilities including deferred tax liabilities	-2,131	-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.																									
	<table border="1"> <thead> <tr> <th>Calculation of average capital employed</th> <th>Dec 31, 2019</th> <th>Dec 31, 2018</th> </tr> </thead> <tbody> <tr> <td>December 31, 2019 (3,603) + December 31, 2018 (3,264) / 2</td> <td>3,433</td> <td></td> </tr> <tr> <td>December 31, 2018 (3,264) + December 31, 2017 (2,516) / 2</td> <td></td> <td>2,890</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Calculation of return on capital employed</th> <th>Dec 31, 2019</th> <th>Dec 31, 2018</th> </tr> </thead> <tbody> <tr> <td>Profit after net financial items</td> <td>-111</td> <td>558</td> </tr> <tr> <td>Plus financial expenses</td> <td>36</td> <td>75</td> </tr> <tr> <td>Average capital employed</td> <td>3,433</td> <td>2,890</td> </tr> <tr> <td>Return on capital employed, %</td> <td>-2.2%</td> <td>21.9%</td> </tr> </tbody> </table>	Calculation of average capital employed	Dec 31, 2019	Dec 31, 2018	December 31, 2019 (3,603) + December 31, 2018 (3,264) / 2	3,433		December 31, 2018 (3,264) + December 31, 2017 (2,516) / 2		2,890	Calculation of return on capital employed	Dec 31, 2019	Dec 31, 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%		
Calculation of average capital employed	Dec 31, 2019	Dec 31, 2018																									
December 31, 2019 (3,603) + December 31, 2018 (3,264) / 2	3,433																										
December 31, 2018 (3,264) + December 31, 2017 (2,516) / 2		2,890																									
Calculation of return on capital employed	Dec 31, 2019	Dec 31, 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%																									

FINANCIAL DEFINITIONS

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.																					
	<table border="1"> <thead> <tr> <th>Calculation of average shareholders' equity</th> <th>Dec 31, 2019</th> <th>Dec 31, 2018</th> </tr> </thead> <tbody> <tr> <td>December 31, 2019 (2,179) + December 31, 2018 (2,272) / 2</td> <td>2,226</td> <td></td> </tr> <tr> <td>December 31, 2018 (2,272) + December 31, 2017 (1,821) / 2</td> <td></td> <td>2,047</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Calculation of return on shareholders' equity</th> <th>Dec 31, 2019</th> <th>Dec 31, 2018</th> </tr> </thead> <tbody> <tr> <td>Earnings 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> </tbody> </table>	Calculation of average shareholders' equity	Dec 31, 2019	Dec 31, 2018	December 31, 2019 (2,179) + December 31, 2018 (2,272) / 2	2,226		December 31, 2018 (2,272) + December 31, 2017 (1,821) / 2		2,047	Calculation of return on shareholders' equity	Dec 31, 2019	Dec 31, 2018	Earnings for the period	-82	604	Average shareholders' equity	2,226	2,047	Return on equity %	-3.7%	29.5%	
Calculation of average shareholders' equity	Dec 31, 2019	Dec 31, 2018																					
December 31, 2019 (2,179) + December 31, 2018 (2,272) / 2	2,226																						
December 31, 2018 (2,272) + December 31, 2017 (1,821) / 2		2,047																					
Calculation of return on shareholders' equity	Dec 31, 2019	Dec 31, 2018																					
Earnings 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.																					
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 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.																					
Earnings per share, before/after dilution	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.																					

Consolidated income statement

SEK million	Note	2019	2018
Revenue	5, 6, 7	6,725	6,516
Production and administration expenses		-6,620	-6,273
Gross profit		105	243
Sales and administration expenses		-197	-134
Change in value of investment properties	18	-	281
Revaluation of previous holdings in joint ventures	21	-	229
Share in profit of associates and joint ventures	21	8	-24
Operating profit/loss	8, 9, 10, 11	-84	595
Financial income	12	12	38
Financial expenses	13	-39	-75
Net financial items		-27	-37
Earnings after financial items		-111	558
Taxes	15	29	46
Profit/loss for the year		-82	604
Attributable to:			
Parent Company's shareholders		-85	607
Non-controlling interests		3	-3
Earnings per share			
Earnings per share before dilution, SEK		-3.66	26.37
Earnings per share after dilution, SEK		-3.66	26.16
Weighted average number of ordinary shares before dilution, number of shares		22,433,465	22,905,389
Weighted average number of ordinary shares after dilution, number of shares		22,558,676	23,085,392

Consolidated statement of comprehensive income

SEK million	Note	2019	2018
Profit/loss for the year		-82	604
Other comprehensive income			
Items that may be reclassified to profit/loss:			
Translation differences for the year		0	0
Total comprehensive income		-82	604
Attributable to:			
Parent Company's shareholders		-85	607
Non-controlling interests		3	-3

Consolidated Statement of financial position

SEK million	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
Non-current assets			
Intangible fixed assets	17	23	23
Managed properties	18	–	213
Other tangible fixed assets	19	298	122
Participations in associated companies and joint ventures	21	145	122
Non-current interest-bearing receivables	22	37	51
Other non-current receivables	22	158	563
Total non-current assets		661	1,094
Current assets			
Project and development properties	23	3,274	2,507
Inventories	24	1	1
Accounts receivable	25	825	972
Accrued but not invoiced income	26	560	398
Prepaid expenses and deferred income	27	67	36
Other current receivables	28	184	158
Cash and bank balances		162	389
Total current assets		5,073	4,461
Total assets		5,734	5,555

FINANCIAL DEFINITIONS

SEK million	Note	Dec 31, 2019	Dec 31, 2018
EQUITY AND LIABILITIES			
Shareholders' equity	29		
share capital		2	2
Other capital contributions		821	807
Translation reserve		-1	-1
Retained earnings including profit/loss for the year		1,357	1,463
Equity attributable to Parent Company shareholders		2,179	2,271
Non-controlling interests		0	1
Total shareholders' equity		2,179	2,272
Non-current liabilities			
Non-current interest-bearing liabilities	30	962	826
Other non-current liabilities	30	162	83
Deferred tax liability	31	128	157
Other provisions	32	183	223
Total long-term liabilities		1,435	1,289
Current liabilities			
Current interest-bearing liabilities	30	461	166
Accounts payable		958	991
Current tax liabilities		12	13
Other current liabilities		227	180
Invoiced but not accrued income	26	347	532
Accrued expenses and prepaid income	33	115	112
Total current liabilities		2,120	1,994
Total equity and liabilities		5,734	5,555

Consolidated statement of changes in equity

SEK million	share capital	Other capital contributions	Translation reserve	Retained earnings including profit/loss for the year	Total equity attributable to Parent Company shareholders	Non-controlling interests	Total shareholders' equity
Opening balance as at January 1, 2018	2	806	-1	1,014	1,821	0	1,821
Total comprehensive income							
Profit/loss for the year				607	607	-3	604
Other comprehensive income							
Translation differences	-	-	0	-	-	-	0
Total other comprehensive income, after tax	-	-	0	0	0	0	0
Total comprehensive income	-	-	0	607	607	-3	604
Transactions with shareholders:							
Acquisition of non-controlling interests	-	-	-	-	-	4	4
Share-related compensation	0	1	-	-	1	-	1
Dividend	0	0	-	-93	-93	-	-93
Share repurchases	-	-	-	-65	-65	-	-65
Total transactions with shareholders	0	1	-	-158	-158	4	-158
Closing balance as at December 31, 2018	2	807	-1	1,463	2,271	1	2,272

SEK million	share capital	Other capital contributions	Translation reserve	Retained earnings including profit/loss for the year	Total equity attributable to Parent Company shareholders	Non-controlling interests	Total shareholders' equity
Opening balance as at January 1, 2019	2	807	-1	1,463	2,271	1	2,272
Total comprehensive income							
Profit/loss for the year				-85	-85	3	-82
Other comprehensive income							
Translation differences	-	-	0	-	-	-	0
Total other comprehensive income, after tax	-	-	0	0	0	0	0
Total comprehensive income	-	-	0	-85	-85	4	-82
Transactions with shareholders:							
Change in non-controlling interests	-	-	-	4	4	-4	0
Changed accounting policy, tenant-owner apartment project	-	-	-	-25	-25	-	-25
Share-related compensation	-	15	-	-	15	-	15
Convertible debentures	-	-1	-	-	-1	-	-1
Dividend	-	-	-	-	-	-	-
Share repurchases	-	-	-	-	-	-	-
Total transactions with shareholders	0	-14	-	-21	-7	0	-11
Closing balance as at December 31, 2019	2	821	-1	1,357	2,179	0	2,179

Consolidated statement of cash flow

SEK million	Note	2019	2018
Cash flow from current operations			
Operating profit/loss		-84	595
Adjustment for non-cash items	35	55	-570
Interest received		5	38
Interest paid		-28	-75
Income taxes paid		0	5
		-52	-7
Decrease (+)/increase (-) in project and development properties		-285	-62
Decrease (+)/increase (-) in inventories		0	0
Decrease (+)/increase (-) in accounts receivable		147	-127
Decrease (+)/increase (-) in receivables		-56	488
Decrease (+)/increase (-) in accrued but not invoiced		-227	-136
Decrease (-)/increase (+) in accounts payable		-34	189
Decrease (-)/increase (+) in current liabilities		47	-315
Decrease (+)/increase (-) in invoiced but not accrued income		-185	235
Cash flow from current operations		-645	265
Investment activities			
Acquisition of fixed assets		-52	-90
Acquisitions of investment properties		-2	-26
Sale of investment properties		300	222
Sale of fixed assets		0	23
Business acquisitions		-	-592
Investments in associated companies		-15	-23
Divestments/decrease of financial assets		-20	9
Cash flow from investment activities		211	-477

SEK million	Note	2019	2018
Financing activities			
New share issue	29	–	–
Borrowings	35	446	691
Convertible debenture loans raised	35	–	–
Amortization of loans	35	–258	–338
Share repurchases		–	–65
Dividend paid		–	–93
Changes in financing activities	35	19	–25
Cash flow from financing activities		207	170
Cash flow for the year		–227	–42
Cash and equivalents at the beginning of the year		389	431
Cash and equivalents at year-end		162	389

Parent Company income statement

SEK million	Note	2019	2018
Revenue	6	178	143
Sales and administration expenses	8	-192	-113
Operating profit/loss	9, 10, 11	-14	30
Impairment on participations in Group companies	20	-45	-4
Financial income	12	3	2
Financial expenses	13	-49	-48
Net financial items		-91	-50
Year-end appropriations	14	-	22
Profit after financial items and appropriations		-105	2
Tax on profit/loss for the year	15	3	-19
Profit/loss for the year		-102	-17

Parent Company statement of comprehensive income

SEK million	Note	2019	2018
Profit/loss for the year		-102	-17
Other comprehensive income		-	-
Total comprehensive income		-102	-17

Parent Company balance sheet

SEK million	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
Non-current assets			
Tangible fixed assets			
Equipment, tools, fixtures and fittings	19	13	12
Total tangible fixed assets		13	12
Financial assets			
Participations in Group companies	20	300	162
Participations in associated companies and joint ventures	21	–	10
Deferred tax assets	31	13	10
Other long-term receivables	22	3	2
Total financial fixed assets		316	184
Total non-current assets		329	196
Current assets			
Project and development properties	23	2	3
Current receivables			
Receivables from Group companies		1,711	1,553
Other current receivables	28	2	1
Prepaid expenses and deferred income	27	13	18
Total 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

SEK million	Note	Dec 31, 2019	Dec 31, 2018
EQUITY AND LIABILITIES			
Shareholders' equity	29		
<i>Restricted equity</i>			
share capital		2	2
Statutory reserve		1	1
		3	3
<i>Non-restricted equity</i>			
Share premium reserve		803	803
Profit/loss brought forward		-287	-284
Profit/loss for the year		-102	-17
		414	502
Total shareholders' equity		417	505
Non-current liabilities			
Convertible debentures	30	-	8
Non-current interest-bearing liabilities	30	699	694
Other provisions	32	2	-
Total long-term liabilities		701	702
Current liabilities			
Current interest-bearing liabilities	30	10	16
Accounts payable		22	21
Liabilities to Group companies		952	816
Current tax liabilities		1	1
Other current liabilities		6	5
Accrued expenses and prepaid income	33	14	15
Total current liabilities		1,005	874
TOTAL EQUITY AND LIABILITIES		2,123	2,081

Statement of changes in equity, Parent Company

SEK million	Restricted equity		Non-restricted equity		Total shareholders' equity
	Share capital	Statutory reserve	Share premium reserve	Profit or loss brought forward including profit for the year	
Opening balance as at January 1, 2018	2	1	803	-127	679
Profit/loss for the year				-17	-17
Total comprehensive income				-17	-17
Transactions with shareholders					
Dividend				-93	-93
Share repurchases				-65	-65
Share-related compensation				1	1
Total transactions with shareholders				-157	-157
Closing balance as at December 31, 2018	2	1	803	-301	505
Opening balance as at January 1, 2019	2	1	803	-301	505
Profit/loss for the year				-102	-102
Total comprehensive income				-102	-102
Transactions with shareholders					
Dividend				-	-
Share repurchases				-	-
Convertible debentures				-1	-1
Share-related compensation				15	15
Total transactions with shareholders				14	14
Closing balance as at December 31, 2019	2	1	803	-389	417

Statement of cash flows, Parent Company

SEK million	Note	2019	2018
Cash flow from current operations			
Operating profit/loss		-14	30
Adjustment for non-cash items	35	11	-18
Interest received		3	2
Interest paid		-49	-48
Income taxes paid		0	0
		-49	-34
Decrease (+)/increase (-) in project and development properties		1	-
Decrease (+)/increase (-) in receivables		-154	-670
Decrease (-)/increase (+) in accounts payable		1	7
Decrease (-)/increase (+) in current liabilities		-22	396
		-174	-267
Cash flow from current operations		-223	-301
Investment activities			
Purchases of tangible fixed assets		-4	-7
Disposal of tangible fixed assets		0	0
Investments in associated companies		-5	-10
Cash flow from investment activities		-9	-17
Financing activities			
New share issue	29	-	-
Borrowings	35	103	691
Amortization of loans	35	-115	-297
Share repurchases		-	-65
Dividend paid	35	-	-93
Cash flow from financing activities		-12	236
Cash flow for the year		-244	-82
Cash and equivalents at the beginning of the year		310	392
Cash and equivalents at year-end		66	310

Notes

NOTE 1 GENERAL INFORMATION

SERNEKE Group AB (publ) ("SERNEKE"), company registration number 556669-4153, is a public limited liability company registered in Sweden and headquartered in Gothenburg, Sweden. The address of the head office is Kvarnbergsgatan 2, SE-411 05 Gothenburg.

The Company's and its subsidiaries' ("the Group's") operations comprise comprehensive services in construction, civil engineering and property development. Serneke operates in both the public and private markets.

The Parent Company in the largest group in which Serneke is included is Ola Serneke Invest AB, corporate identity number 556659-5764, based in Gothenburg.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for Serneke have been prepared pursuant to International Financial Reporting Standards (IFRS) as approved by the EU, as well as interpretations from the IFRS Interpretations Committee (IFRIC).

The Group also applies the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary accounting rules for groups.

In the consolidated financial statements, items have been measured at acquisition cost, apart from with regard to certain financial instruments, which are measured at fair value. To follow is a description of the significant accounting policies that have been applied.

New accounting principles 2019

The following new accounting standards and interpretations are applied by the Group for the first time for fiscal years beginning on or after January 1, 2019.

IFRS 16 Leasing

IFRS 16 Leases was published on January 13, 2016, and replaces IAS 17 Leases. IFRS 16 introduces a 'right of use model' and for the lessee it means that essentially all leases are recognized in the balance sheet, eliminating the need to classify them as operating or finance leases. The exception is leases with a term of 12 months or less, and leases that amount to a low value. Amortization of the asset and interest expenses for the liability are recognized in the income statement. The standard includes more extensive disclosure requirements compared with the current standard.

Serneke applied IFRS 16 Leases from 1 January 2019 and does not apply the standard retroactively. The recognized right of use (ROU) assets

are 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 ROU asset is recognized under tangible fixed assets and the leasing liability under long and short 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

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 is a new interpretation of uncertainty in the handling of income tax within the scope of IAS 12 Income Taxes. An assessment shall be made as to whether or not it is likely that the tax authority or court will accept the tax treatment in the income tax return; otherwise, the effect of the uncertainty should be estimated and recognized in the financial statements as a tax liability.

The Serneke Group has no identified income tax risks and IFRIC 23 thereby has no impact on the Group's financial statements when it is applied for the first time.

New accounting policies 2020 or later

There are no new or amended accounting standards or interpretations that have been published that enter into effect in 2020 and later that are deemed to have a material impact on the Serneke Group's financial statements.

Consolidated financial statements

The consolidated financial statements cover the Parent Company Serneke Group AB (publ) and the companies over which the Parent Company has a direct or indirect controlling interest (subsidiaries). The Group has a

controlling interest over a company when it has influence over the investment object, exposure to or entitlement to a variable return from its involvement in the investment object, and an opportunity to exert its influence over the investment object to affect its return. Details of the composition of the Group are provided under Note 20.

Subsidiaries are included in the consolidated financial statements from the date of acquisition and are de-consolidated from the date that control ceases.

Consolidated earnings and components in other comprehensive income are attributable to the Parent Company's owners and to non-controlling interests, even if this results in a negative value for non-controlling interests.

The accounting policies for subsidiaries have been adjusted as required in order to make them consistent with the Group's accounting policies. All intra-group transactions, dealings and unrealized gains and losses attributable to intra-group transactions have been eliminated on preparation of the consolidated financial statements.

Transactions with non-controlling interests

Changes to the Parent Company's share in a subsidiary that result in a loss of controlling interest are recognized as equity transactions (i.e. as transactions with the Group's owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and allocated among the Parent Company's owners.

Loss of controlling interest

When the Parent Company loses its controlling interest over a subsidiary, the gain or loss on disposal is calculated as the difference between

- the sum of the fair value of the consideration received and the fair value of any remaining holdings, and
- the previous carrying amounts of the subsidiary's assets (including goodwill) and liabilities, and any non-controlling interests.

When the divested subsidiary has assets that are measured in accordance with the revaluation model or at fair value, and the attributable accumulated gains or losses have been recognized in other comprehensive income and accumulated in equity, these amounts that have previously been recognized in other comprehensive income and accumulated in equity should be recognized as though the Parent Company had divested the assets directly, which means a reclassification to profit/loss or direct transfer to retained earnings.

The fair value of the remaining shareholdings in the previous subsidiary at the point at which the controlling interest is lost is regarded as the fair value on initial recognition of a financial asset, in accordance with IFRS 9 Financial Instruments: Recognition and Measurement, or, where applicable, the acquisition cost on initial recognition of an investment in an associate or joint arrangement.

cont. Note 2

Segment reporting

An operating segment is a part of a company that pursues business operations, from which it can generate income and incur expenses, the operating earnings of which are regularly reviewed by the company's highest executive decision-maker, and for which there is separate financial information. The Company's reporting of operating segments complies with the internal reporting to the highest executive decision-maker. The highest executive decision-maker is the function responsible for allocating resources and assessing the results of the operating segments. The Company has identified Group Management as the highest executive decision-maker.

Foreign currency

Items included in the financial reports for the different units within the Group are valued in the currency used for the primary economic environment where the unit is active (functional currency). In the consolidated financial statements, all amounts are translated into Swedish krona (SEK), which is the functional and reporting currency of the Parent Company.

Foreign currency transactions are translated in the respective unit into the unit's functional currency using the exchange rates prevailing on the transaction date. Each balance sheet date, monetary items denominated in foreign currencies are retranslated at the exchange rate at that date. Non-monetary items measured at fair value in a foreign currency are retranslated at the exchange rate prevailing on the day the fair value was established. Non-monetary items measured at historical acquisition cost in a foreign currency are not retranslated.

Exchange rate differences are recognized in the income statement for the period in which they arise, with the exception of transactions that are currency hedges that satisfy conditions for hedge accounting of cash flows or of net investments, as gains and losses are recognized in other comprehensive income.

When preparing the consolidated financial statements, the assets and liabilities of foreign subsidiaries are translated into Swedish krona according to the exchange rate prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the period, unless the exchange rate has fluctuated considerably during the period, in which case the exchange rate on the transaction date is used instead. Any translation differences arising are recognized in other comprehensive income and transferred to the Group's translation reserve. On disposal of a foreign subsidiary, such translation differences are recognized in the income statement as a portion of the capital gain or loss.

Goodwill

Goodwill comprises the difference between the sum of the purchase consideration, any non-controlling interests and fair value at the acquisition date of previous shareholdings, and the fair value at the acquisition date of identifiable acquired net assets. At the acquisition date, goodwill is recognized at acquisition cost and following initial recognition is measured at acquisition cost less any impairment.

When testing for impairment, goodwill is allocated among the cash-generating units that are expected to benefit from the synergies arising as a result of the acquisition. Goodwill shall be tested annually with regard to any impairment requirement, or more often when there is an indication that the carrying amount may not be recoverable. If the recoverable amount of a cash-generating unit is established as a value lower than the carrying amount, the impairment amount is distributed. First, the carrying amount of goodwill assigned to the cash generating unit is reduced and then the carrying amount of goodwill assigned to other assets in the unit is reduced. A recognized impairment of goodwill cannot be reversed in a later period.

When a subsidiary is sold, the remaining carrying amount of goodwill is included in the calculation of the capital gain or loss.

Business combinations

Subsidiaries are reported according to the purchase method. The purchase consideration of the business combination is measured at fair value at the acquisition date, which is calculated as the sum of the fair values at the acquisition date of assets paid, arising or assumed liabilities and equity interests issued in exchange for control over the acquired business. Acquisition expenses are recognized in the income statement as they arise.

The purchase consideration also includes the fair value at the acquisition date of the assets or liabilities resulting from a contingent consideration arrangement. Changes in the fair value of a contingent consideration arising as a result of additional information received after the acquisition date regarding facts and conditions that existed on the acquisition date qualify as adjustments during the valuation period and are adjusted retroactively, with a corresponding adjustment of goodwill. All other changes to the fair value of a contingent additional consideration classified as an asset or liability are recognized in accordance with the applicable standard.

The identifiable acquired assets and assumed liabilities, as well as contingent assets, are recognized at fair value at the acquisition date, with the following exceptions:

- Deferred tax asset or liability and liabilities or assets attributable to the acquired company's contracts regarding employee benefits are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits.
- Liabilities or equity instruments attributable to the acquired company's share-based payment awards or to the exchange of the acquired company's share-based payment awards for the acquirer's share-based payment awards are measured at the acquisition date in accordance with IFRS 2 Share-based Payment.
- Fixed assets (or disposal group) classified as though they are held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with this standard.

Contingent liabilities that have been taken over in a business combination are recognized as though they are existing obligations arising from past events, the fair values of which can be reliably calculated.

In business combinations where the sum of the purchase consideration, any non-controlling interests and the fair value at the acquisition date of previous shareholdings exceeds the fair value at the acquisition date of identifiable acquired net assets, the difference is recognized as goodwill in the statement of financial position. If the difference is negative, it is recognized as a gain on an acquisition at a low price directly in profit or loss, after the difference has been reviewed.

For every business combination, previous non-controlling interests in the acquired company are measured either at fair value or at the value of the proportional share of the non-controlling interest of the acquired company's identifiable net assets.

In the event of an acquisition in stages, or 'step acquisition', the previous equity interests in the acquired company are revalued at their fair values at the acquisition date (i.e. the point at which the controlling interest is obtained). Any gain or loss is recognized in profit or loss. Any changes in the value of the previous equity interests that prior to the acquisition date were recognized in other comprehensive income, are reclassified to profit or loss on the same basis as would be required had these interests been divested.

Asset acquisitions

When an acquisition is made of shares in a subsidiary, the acquisition comprises either an acquisition of a business or an acquisition of assets. An asset acquisition has occurred if, for example, the acquired company only owns one or several properties with leases, but the acquisition does not include the necessary processes in order to pursue business activities.

When the acquisition of a subsidiary involves the acquisition of net assets that do not comprise a business, the acquisition cost is allocated among the individually identifiable assets and liabilities, based on their fair values at the acquisition date. In asset acquisitions, transaction expenses are added to the acquisition cost of acquired net assets. In asset acquisitions, no deferred taxes related to property acquisition were recognized. Any negotiated tax rebates decrease the acquisition cost of a property, which entails that the changes in value with subsequent valuation are affected by the tax rebate.

The contingent purchase consideration for acquisition of assets is recognized at fair value and included as part of the cost of the asset. The equivalent amount is reported as a liability. When changes in the assumptions of the contingent consideration is remeasured debt. Adjustments in a liability's carrying amount in subsequent accounting instances are recognized as a corresponding adjustment of an asset's acquisition cost.

Holdings in associated companies and joint ventures

An associate company is a company over which the Group exercises a controlling interest via the possibility of participating in decisions affecting the company's economic and operational strategies. These circumstances normally exist in cases in which the Parent Company directly or indirectly owns shares representing 20–50 percent of the votes.

cont. Note 2

A joint venture is a joint arrangement through which the parties that have a joint controlling interest over the business are entitled to the net assets in the business.

Associates and joint ventures are recognized in accordance with the equity method. In applying the equity method, the investment is initially valued at cost and the acquisition cost is subsequently increased or decreased to recognize the Group's share in the profit or loss of associates and joint ventures, after tax, after the acquisition date. Recognition of the associate/joint venture is adjusted so that it complies with the Group's accounting policies.

When the Group's share of the losses in an associate/joint venture correspond to or exceed its holding in the associate/joint venture (including any long-term holdings that, in spirit, comprise part of the Group's holding in the associate/joint venture), the Group does not recognize additional losses, unless the Group has taken on commitments or made payments on behalf of the associate/joint venture.

The Group performs an assessment at the end of each reporting period of whether there is objective evidence that the investment in the associate/joint venture is impaired. If this is the case, the Group calculates the impairment requirement as the difference between the associate/joint venture's recoverable amount and the carrying amount and recognizes the amount in "Share of earnings in associates" in the income statement.

For transactions between affiliates and associates/joint ventures, the portion of the unrealized gains and losses that corresponds to the Group's share of the associate or joint venture is eliminated. Dividends received from associates/joint ventures reduce the investment's carrying amount.

In the event of a step acquisition of an associate's shares, separate valuations are carried out at each acquisition date. Goodwill or surplus values are calculated for each acquisition. When bolt-on acquisitions entail that the Group acquires a controlling interest in the holding, all shares are revalued at fair value at the point at which the controlling interest is acquired. See above under the section entitled 'Business combinations' for further details regarding step acquisitions.

When the Group loses controlling influence of a subsidiary, a revaluation of the remaining share is conducted at fair value. Any gain or loss associated with the loss of control is recognized in the income statement on a separate line.

Revenue from Contracts with Customers

Under IFRS 15, income is reported according to a five-stage model:

The first stage identifies customer contracts. If two or more agreements have been entered with a customer and the pricing of one agreement is dependent on another agreement, these agreements are combined. An amendment to an agreement entails a change to an agreement approved by the parties to the agreement and exists when the parties to the agreement approve an amendment that either creates new rights and obligations for the parties to the agreement or amends existing ones. An amend-

ment to an agreement shall be recognized as a separate agreement when the extent of the agreement increases due to the addition of distinct promised goods or services, and when the price of the agreement increases by a degree of compensation reflecting the company's stand-alone sales prices for the additional goods or services promised. If the parties have not approved an amendment to the agreement, the company will continue to apply the standard to the existing agreement until the amendment to the agreement has been approved.

Stage two identifies the performance undertakings agreed to. A performance undertaking is a promise to convey to the customer a distinct product or service, or a series of distinct goods and services that are essentially the same and the follow the same pattern of conveyance to the customer. A product or service is distinct if the customer can benefit from that product or service separately or together with other resources available to the customer and if the company's promise to transfer the product or service to the customer can be distinguished from other promises in the agreement.

Stage three determines the transaction price. Fixed agreed pricing, variable compensation, possible additional purchase considerations, deductions, profit supplements, discounts and fines are taken into account. The variable compensation amount is estimated at the most probable amount, that being the most likely amount in an interval of possible compensation amounts or the anticipated value, which is the sum of probability-assessed amounts in an interval of possible compensation amounts. If the agreement includes a significant financing component, the transaction price shall be adjusted for the effect of the time value of money.

In step four, the transaction price is allocated to the various performance undertakings in the agreement if there is more than one. The allocated transaction price for each undertaking shall reflect the compensation amount to which the company expects to be entitled in exchange for the transfer of the promised goods or services to the customer, based on a stand-alone sales price.

Income is recognized in stage five, once the performance undertaking has been completed, either over time or at a specific time, and when the customer gains control of the asset. Income is recognized over time as the customer simultaneously receives and makes use of the benefits provided through the company's performance of its undertaking, when the company's performance creates or improves an asset controlled by the customer, or when the company's performance does not create an asset with an alternative use for the company and the company is also entitled to payment for its performance to date, including expenses incurred and a profit margin. Serneke consistently applies the input method to similar performance undertakings, with this method recognizing income based on the company's efforts or input to fulfill a performance undertaking in relation to the total expected input for the fulfillment of the performance undertaking. Exceptions from this expense-based input method may be expenses attributable to significant inefficiencies in the company's performance or when expenses incurred disproportionate to the process of fulfilling the under-

taking. If a performance undertaking is not met over time as described above, the company fulfills the undertaking at a specific time. This occurs at the time when the customer gains control of the promised asset. Indicators of control may be that the company is entitled to payment for the asset, the customer gains legal ownership of the asset, the company has transferred the physical holding of the asset, the customer bears the significant risks and benefits associated with ownership of the asset or the customer has approved asset. Expenses incurred in securing an agreement, that is, expenses that the company would not have had if it had not secured the agreement, are reported as an asset only if the company expects to receive compensation for those expenses. Agreements entered into at a loss for the company are expensed immediately, with provisions being made for anticipated losses on remaining work and reported in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Construction income

Income from construction contracts is 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 based on the construction contract. 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. An amendment to an agreement entails a change in scope or price (or both) to an agreement approved by the parties to the agreement. An amendment to an agreement shall be recognized as a separate agreement when the extent of the agreement increases due to the addition of distinct promised goods or services, and when the price of the agreement increases by a degree of compensation reflecting Serneke's stand-alone sales prices for the additional goods or services promised. If the parties have not approved an amendment to the agreement, Serneke will continue to apply the standard to the existing agreement until the amendment to the agreement has been approved.

In fixed price agreements, the customer pays the agreed price at agreed payment times. If the services that Serneke provided exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

If the contract is on open account based on the price per hour and costs of materials, the revenue is recognized insofar as Serneke has the right to

cont. Note 2

invoice the customer. Customers are invoiced after work done and the compensation is to be paid upon invoicing. If the services that Serneke provided exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

Serneke initiates and enters into agreements with newly established Swedish tenant-owners' associations for the construction of homes. The terms in these agreements are such that Serneke has a controlling influence and thereby consolidates the tenant-owners' associations during the construction period and until the end customer's occupancy when Serneke no longer has a controlling influence. Homes that have not yet been occupied are reported as a current-asset property.

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. The sales revenue from property sales is recognized at occupancy and the revenue is valued at the contractual transaction price. The compensation is normally due for payment when the right of ownership has been transferred. If the terms of payment exceed 12 months, the transaction price may be adjusted for effects of significant financing components. 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 revenues are recognized 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, the revenue is recognized at a time when it is completed and turned over to the customer and that there is no alternative use and Serneke has the right to payment.

Variable compensation in the form of additional purchase prices may occur in the sale of properties and development rights. Sales of properties and 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. The sales revenue and earnings are recognized when the probability is deemed to be very high and a receivable for the assessed additional purchase price is booked until payment is received. 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 IFRS 16. 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.

Dividend income

Dividend income is recognized once the shareholder's right to receive payment has been established.

Interest income

Interest income is recognized over the term using the effective interest method.

The effective interest rate is the rate that means the present value of all future receipts and disbursements during the fixed-interest term is equal to the carrying amount of the receivable.

A breakdown of income is provided in Note 6.

Employee benefits

Employee benefits in the form of salaries, bonus payments, paid holiday, paid sick leave, etc., as well as pensions, are recognized as they are earned. With regard to pensions and other post-employment benefits, these are classified as defined-contribution or defined-benefit pension plans. The Group has no pension plans that are recognized as defined-benefit plans.

Defined contribution plans

For defined-contribution plans, the Company pays fixed fees to a separate, independent legal entity and is under no obligation to pay additional fees. Expenses are charged to the Group's earnings as the benefits are earned, which normally coincides with the point at which premiums are paid.

Borrowing expenses

Borrowing expenses that are directly attributable to the purchase, design or production of an asset that out of necessity takes a considerable amount of time to complete for its intended use or sale, are included in the asset's acquisition cost up until the point that the asset has been completed for its

intended use or sale. Interest income from temporary investment of borrowed funds for the asset described above is deducted from the borrowing expenses that may be included in the asset's acquisition cost.

Other borrowing expenses are recognized in earnings in the period in which they arise.

Taxes

The tax expense consists of the sum of current tax and deferred tax.

Current tax

Current tax is calculated on taxable income for the period. Taxable income differs from the recognized profit or loss in the income statement, as it has been adjusted for non-taxable income and non-deductible expenses, as well as for income and expenses that are taxable or deductible in other periods. The Group's current tax liability is calculated in accordance with the tax rates that have been adopted or announced at the balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the tax value of assets and liabilities used to calculate taxable income. Deferred tax is recognized according to the balance sheet method. Deferred tax liabilities are recognized in principal for all taxable temporary differences, and deferred tax assets are recognized in principle for all deductible temporary differences, to the extent that it is likely the amounts can be offset against future taxable profits. Deferred tax liabilities and tax assets are not recognized if the temporary difference is attributable to goodwill, or if it arises as a result of a transaction that comprises initial recognition of an asset or liability (that is not a business combination), and that, on the transaction date, affects neither recognized nor taxable income.

A deferred tax liability is recognized for taxable temporary differences attributable to investments in subsidiaries, except in cases where the Group is able to control the timing of the reversal of the temporary differences and it is likely that such a reversal will not happen in the foreseeable future. The deferred tax liabilities that are attributable to deductible temporary differences with regard to such investments should only be recognized to the extent that it is likely the amounts can be offset against future taxable profits and it is likely that such offsetting will happen in the foreseeable future.

The carrying amount of deferred tax assets is reviewed every year-end and reduced to the extent that it is no longer likely that sufficient taxable profit will be available to offset, entirely or in part, against the deferred tax asset.

Deferred tax is calculated in accordance with the tax rates that are expected to apply for the period in which the asset is recovered or the liability settled, based on the tax rates (and tax laws) that have been adopted or announced at the balance sheet date.

cont. Note 2

Deferred tax assets and tax liabilities are offset when they relate to income tax charged by the same authority, and when the Group intends to settle the tax at a net amount.

Current and deferred tax for the period

Current and deferred tax is recognized as an expense or income in the income statement, except when the tax is attributable to transactions recognized in other comprehensive income or directly in equity. In such cases, the tax should also be recognized in other comprehensive income or directly in equity. For current and deferred tax arising on recognition of a business combination, the tax effect should be recognized in the acquisition calculation.

Tangible fixed assets

Tangible fixed assets are reported at cost less deductions for amortization and any impairment.

Acquisition cost comprises the purchase consideration, expenses directly attributable to the asset in order to put it in place and prepare it for its intended use, and estimated expenses for dismantling and removing the asset and restoring the site at which it was located. Additional expenses are only included in the asset or recognized as a separate asset when it is likely that future economic benefits that may be attributable to the item will flow to the Group, and that the acquisition cost of the item can be reliably calculated. All other expenses for repairs and maintenance and additional expenses are recognized in the income statement in the period in which they arise.

Depreciation of tangible fixed assets is expensed so that the asset's value less estimated residual value at the end of its useful life is depreciated on a straight-line basis over its estimated useful life, which is estimated to be:

Buildings and land	
– Land improvement	25 years
– Frames	50 years
– Roofs	30 years
– Interior finishes	10 years
– Fixtures and fittings	10 years
Machinery and other technical facilities	5–10 years
Equipment, tools and installations	5 years
Cars	3 years

Estimated useful life, residual values and depreciation methods are reviewed at least at the end of each accounting period, and the effect of any changes to estimates is recognized prospectively.

The recognized value of a tangible fixed asset is derecognized from the balance sheet on scrapping or sale, or when no future economic benefits are expected from its use or the scrapping/sale of the asset. The gain or

loss arising on retirement or disposal of the asset comprises the difference between any net income on disposal and its carrying amount, recognized in the period when the asset is derecognized from the statement of financial position.

Managed properties

In 2019, the Board of Directors conducted a strategic review of the Group's properties. 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.

Properties acquired for more long-term strategic development are classified as investment properties when the Group's intention with the holding was to manage it for the purpose of generating rental income and earnings from property management, or an increase in value, or a combination of the two. These properties are initially recognized at acquisition cost for each acquisition, but the properties are subsequently measured at market value in accordance with IAS 40. Any impairment needs are fully reserved when identified. See Note 18 for further information.

Acquisition of investment properties is normally recognized as an asset in connection with the point at which access to the properties occurred.

The fair value of properties is based on internal valuations. Fair value is the estimated amount that could be collected in a transaction at the point of valuation between well-informed parties that are independent of each other and who have an interest in completing the transaction. This is carried out taking account of value-driven changes that have occurred during the period of time and risk factors to consider. The assessments made affect the carrying amount in the balance sheet under 'Investment properties', and in the income statement the item 'Change in value of investment properties' is recognized. Furthermore, external valuations of the properties are conducted annually to corroborate the internal valuation.

Additional expenses are only included in the carrying amount when it is likely that future economic benefits that may be attributable to the item will flow to the Group, and that the acquisition cost of the item can be reliably calculated. All other expenses for repairs and maintenance and other additional expenses are recognized in the period in which they arise.

Operating properties

Properties that are used continually within the Group's construction and civil engineering operations are reported within the Property Management business area and classified as operating properties when the Group's intention is for the holding to be a long-term holding. These operating properties are measured at historical acquisition cost, less accumulated depreciation and any impairment losses. A provision is made for the full amount for any impairment requirement when it is deemed likely.

Acquisitions of operating properties are normally recognized as assets once binding acquisition agreements have been entered into.

Impairment of tangible fixed assets

On every balance sheet date, the Group analyzes the carrying amounts of tangible fixed assets to establish whether there is any indication that the value of these assets has declined. If such is the case, the asset's recoverable amount is calculated in order to establish the value of any impairment. Where it is not possible to calculate the recoverable amount for an individual asset, the Group calculates the recoverable amount for the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less selling costs and its value-in-use. When calculating value in use, the estimated future cash flow is discounted to present value at a discount rate before tax that reflects the current market assessment of the time value of money and the risks associated with the asset.

If the recoverable amount for an asset (or cash-generating unit) is established at a lower value than the carrying amount, the carrying amount of the asset (or cash-generating unit) is impaired to the recoverable amount. An impairment should be immediately expensed in the income statement.

When an impairment is later reversed, the asset's (cash-generating unit's) carrying amount increases to the remeasured recoverable amount, but the higher carrying amount may not exceed the carrying amount that would have been established if no impairment of the asset (cash-generating unit) had been carried out in previous years. A reversal of an impairment is recognized directly in the income statement.

Financial instruments

Financial assets

Financial assets are classified within the following valuation categories:

- Those to be valued at fair value (either through other comprehensive income or profit or loss), and
- those to be valued at amortized cost.

The classification depends on the company's business model for the handling of financial assets and the nature of the contractual cash flows that the asset gives rise to. A financial asset is valued at amortized cost if the asset is held within the framework of a business model whose purpose is to hold financial assets for the purpose of collecting contractual cash flows and where the cash flow at specific points in time consists solely of payments of capital amounts and interest on the outstanding capital amount. A financial asset is valued at fair value through other comprehensive income if the asset is held according to a business model whose objectives can be achieved both by collecting contractual cash flows and selling financial assets and where cash flows consist solely of payments of capital amounts and interest on the outstanding capital amount. A financial asset is valued at fair value through profit or loss if it is not valued at amortized cost or at fair value through other comprehensive income.

cont. Note 2

Investments in equity instruments are valued at fair value in the statement of financial position and changes in value are recognized directly in the income statement. Exceptions may be applied in the form of an irrevocable option to report value changes under other comprehensive income instead. This means that all changes in value are subsequently reported in other comprehensive income, except for dividend income, which is recognized in the income statement.

Financial liabilities

All financial liabilities are valued at amortized cost, with the exception of:

- financial liabilities valued at fair value through profit or loss (such liabilities, including derivatives that are liabilities, are subsequently valued at fair value)
- financial liabilities that arise when the transfer of a financial asset does not meet the conditions for being removed from the statement of financial position or when a continued commitment applies
- financial guarantee agreements
- a loan commitment at an interest rate below market interest rates
- a conditional additional purchase consideration recognized by a purchaser in connection with a business combination covered by IFRS 3 (any such conditional additional purchase consideration is subsequently valued at fair value with changes being recognized in the income statement)

Only when a company changes its business model for the management of financial assets, may it reclassify all relevant financial assets. Financial liabilities may not be reclassified. On initial recognition, financial assets and liabilities shall be valued at fair value plus or minus transaction costs when acquiring a financial asset or financial liability not valued at fair value through profit or loss. Accounts receivable without a significant financing component are valued on initial recognition at the transaction price. Following initial recognition, financial assets and liabilities shall be valued according to the valuation categories stated above.

Financial instruments reported in Serneke's financial statements are cash and cash equivalents, loan receivables, accounts receivable, accounts payable and loan liabilities. All financial instruments within Serneke are valued at amortized cost, except other non-current receivables available for sale and other current and non-current liabilities and additional purchase considerations that are classified and valued at fair value through profit or loss. The new rules regarding valuation do not affect Serneke.

A financial asset is removed from the statement of financial position when the contractual rights to cash flows from the financial asset cease or when the company transfers the contractual rights to receive cash flows from the financial asset or retains the contractual rights to receive cash flows but undertakes a contractual obligation to pay cash flows to one or more recipients. A financial liability is removed from the statement of financial position only when the obligation in the agreement is fulfilled, canceled or terminated.

Impairment losses

An estimate is made of anticipated credit losses on financial assets and a reserve is reported as a deduction against the asset. For receivables except for cash and cash equivalents, the simplified model is applied, which means that the loss reserve shall always be valued at an amount corresponding to the remaining maturity. The valuation of anticipated credit losses should reflect an objective and probability-weighted amount, the time value of money, reasonable and verifiable data on past events, current conditions and forecasts for future economic conditions. Historical data in the form of experience from past credit losses and current and prospective factors are used as a basis for forecasting anticipated credit losses. Serneke defines default as receivables that are overdue by more than 90 days and in those cases, an individual assessment and reservation are made. For cash and cash equivalents, the reserve is based on the banks' probability of default and prospective factors. The new impairment rules do not affect Serneke's credit losses to any material extent, meaning that opening impairment for 2018 is equal to closing impairment for 2017.

Project and development properties

Serneke regularly acquires various project and development properties. The properties that are acquired for development within the Project Development business area are classified as current assets. The Group's intention is for the properties to be sold within the near future following development, and they are therefore measured in accordance with IAS 2 Inventories. This includes direct production expenses and a reasonable proportion of indirect expenses.

These project and development properties are measured at the lower of acquisition cost and net realizable value. Net realizable value is the estimated sales price less estimated expenses for completion and estimated expenses required in order to achieve a sale.

Acquisitions of project and development properties are normally recognized as assets once binding acquisition agreements have been entered into, and where future conditional changes to detailed development plans are deemed highly likely.

Additional expenses are only included in the carrying amount when it is likely that future economic benefits that may be attributable to the item will flow to the Group, and that the acquisition cost of the item can be reliably calculated. All other expenses for repairs and maintenance and other additional expenses are recognized in the period in which they arise.

Inventories

Inventories are measured at the lower of cost and net sales value. The acquisition cost is determined through the application of the First In First Out method, (FIFO). Net realizable value is the estimated sales price less estimated expenses for completion and estimated expenses required in order to achieve a sale.

Appropriations

A provision is recognized in the balance sheet when the Group has a legal or informal obligation owing to an event that has occurred and it is likely that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made.

The amount that is set aside constitutes the best estimate of the amount required to settle the existing commitment on the balance sheet date, taking account of risks and uncertainties associated with the commitment. When a provision is calculated by estimating the disbursements expected to be required to settle the obligation, the carrying amount should correspond to the present value of such disbursements.

Where part of the amount, or the entire amount required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized separately as an asset in the statement of financial position when it is virtually certain that it will be obtained if the Company settles the obligation and the amount can be reliably calculated.

Shareholders' equity

Repurchased shares

Upon the buyback of shares, shareholders' equity is reduced by the paid purchase price including any transaction expenses.

Dividends

Dividends are recognized as a reduction of shareholders' equity after the Annual General Meeting has passed a resolution.

Related-party transactions

Related parties can be both companies and natural persons. Related companies are defined as all companies within the Group and companies in which related entities have a controlling or significant interest. Related natural persons are defined as members of the Board, senior executives and close family of the aforementioned.

For purchases and sales between affiliates and from and to related natural persons, the same pricing principles are applied as for transactions with external parties.

Accounting policies for the Parent Company

The Parent Company applies the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Application of RFR 2 entails the Parent Company, as much as possible, apply all EU-approved IFRS within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act, and observe the relationship between accounting and taxation.

The changes in RFR 2 that apply to financial years beginning on January 1, 2019, pertain to IFRIC 23 Uncertainty over Income Tax Treatments and IFRS 16 Leases. IFRIC 23 clarifies how the assessment and recognition

cont. Note 3

shall take place of a transaction where there is an income tax uncertainty. The introduction of IFRIC 23 has not had any major impact on the Parent Company. Regarding IFRS 23 Leases, RFR 2 contains an exception that means that leases can be recognized as operating leases when the Parent Company is a lessee. The changes with IFRS 16 compared with IAS 17 Leases have not had any impact on the Parent Company.

There are no announced changes in RFR 2 that apply to financial years beginning on or after 1 January 2020.

The main differences between the Parent Company and the Group are described below:

Classification and presentation

The Parent Company's earnings and balance sheet has been prepared in accordance with the schedule set by the Swedish Annual Accounts Act. The difference to IAS 1 Presentation of financial statements, which is applied for the consolidated financial statements, mainly concerns reporting of financial income and expenses, fixed assets, equity and the use of provisions in the balance sheet.

Subsidiary

Shares in subsidiaries are carried at cost in the Parent Company's financial statements. Acquisition-related costs for subsidiaries, which are expensed in the consolidated financial statements, are included as part of the acquisition cost for shares in subsidiaries.

Group contributions

Group contributions are recognized according to the alternative rule which means that both Group contributions received and Group contributions paid are recognized in the year-end appropriation.

Pensions

The Parent Company's pension commitments are determined and reported based the Pension Obligations Vesting Act. Application of the Pension Obligations Vesting Act is a prerequisite for tax deductibility.

NOTE 3 KEY ESTIMATES AND ASSESSMENTS

Significant sources of uncertainty in estimates

Detailed below are the key assumptions regarding the future, and other important sources of uncertainty in estimates as at the balance sheet date that involve a significant risk of material adjustments to carrying amounts for assets and liabilities during coming financial years.

To prepare the financial statements in accordance with IFRS and generally accepted accounting practices, management is required to make various assumptions. Assessments and estimates that affect the assets and liabilities, income and expenses, contingent assets and contingent liabilities

recognized in the year-end report, and other information. These assessments and estimates are based on historical experience and expectations regarding future events considered to be reasonable under prevailing circumstances. Naturally the actual outcome may differ considerably from these assessments and estimates if other assumptions are made, or if other conditions exist or arise.

- On the disposal of properties and development rights, different assessments and estimates may be made regarding the likelihood of various factors, such as changes to detailed development plans, assessment of multiple performance commitments and allocation of purchase consideration to the various performance items and outstanding commitments, which could have a highly significant impact on the Group's performance and financial position. Outstanding commitments may also be difficult to identify by their nature and extent. A sale may be conditional on a future detailed development plan being accepted. In the event that the detailed development plan is not accepted, the occurrence of which had been assessed by the Group as highly probable, there could be significant impact on performance and financial position.
- In connection with sales of properties and development rights, business arrangements occur that mean that the agreed property value is based on whether or not government assistance in the form of investment grants will be paid out to the buyer in connection with the completion of the property. In order to obtain investment support, there are clear criteria on what needs to be fulfilled in the newly produced property. In the event that investment support would not be obtained by the buyer, which the Group had assessed as very likely to be obtained, this could have a significant impact on performance and financial position.
- The Group's project and development properties are not valued at market value in the consolidated balance sheet, but rather valued at the lower of cost and net realizable value. Assessments and estimates of these properties can have a significant impact on the Group's carrying amounts on the assets.
- The reported earnings of ongoing construction projects are determined under the percentage-of-completion method based on the project's completion. A fundamental condition in order to assess the percentage-of-completion method is for project income and project expenses to be reliably determined. The assessment of project income and project expenses is based on a number of estimates and assumptions that rely on project managers' experience and knowledge of project management. An important assessment is modifications and supplementary work recognized as income that have not yet been approved in writing by the client. There is a risk that the final outcome of a project may differ from the gradually accumulated results.
- Within the framework of Serneke's ordinary operations, Serneke is from time to time involved in various legal disputes. In these cases, an assessment of the commitments and responsibilities as well as the

probability of the outcome is determined. The assessment is based on information and knowledge that exists in the current situation. The assessment is in any case difficult, and the final outcome may be different than predicted, which may have significant impact on the reporting and monitoring.

- Deferred tax on losses is booked in cases where they are established and expected to be used against future profits. Assessment exists whether or not future earnings can be utilized.
- Provisions for future expenses due to guarantee undertakings are recognized at the estimated amount required to settle the obligation at the balance sheet date. The estimate is based on calculations, management's assessment and experience from previous transactions.
- Goodwill is valued to the lowest of acquisition costs and recovery value. Several assumptions on estimates of future conditions are taken into account when calculating the discounted cash flow as the basis for the estimated recoverable amount. Impairment testing of goodwill in accordance with IAS 36 is presented under Note 17.
- IFRS lacks rules for how contingent considerations are to be recognized upon the acquisition of assets. For recognition of contingent considerations, Serneke has used a method that is based on similar rules for contingent considerations in accordance with IFRS 3 Business Combinations. This entails that the contingent considerations are initially measured at fair value and included as part of the acquisition value of the asset. The equivalent amount is reported as a liability. Adjustments in a liability's carrying amount in subsequent accounting instances are recognized as a corresponding adjustment of an asset's acquisition cost. For further information on conditional purchase terms, see Note 4.

NOTE 4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group is exposed through its operations to various types of financial risks. The Company's Board of Directors has ultimate responsibility for exposure, management and monitoring of the Group's financial risks. The framework that applies for exposure, management and monitoring of financial risks is established by the Board of Directors in a finance policy that is revised annually. The Board of Directors has the opportunity to deviate temporarily from the established finance policy. The Board of Directors receives regular monitoring reports.

Liquidity and financing risk

Liquidity risk refers to the risk that Serneke experiences difficulty in meeting its payment obligations as a result of inadequate liquidity. The Group's objective is to have a liquidity reserve of 5 percent of sales for the rolling twelve months, which is also a covenant requirement for the bond.

The Group works continuously to improve the liquidity situation and the Board has initiated an action program with the aim of ensuring a sustainable capital structure. The company holds a dialog with its main bank regarding an increase in the credit facility to handle the short-term financing need. As a consequence of the deferred sale of Karlatornet, immediate actions are taken to minimize the activities in the project. A review of the Group's project portfolio is under way with the aim of reducing tied-up capital and to free up liquidity. In the new organization, which was launched at year-end, further efficiency improvements are being made and decisions have been made regarding notifications of terminations in order to reduce costs in the current year by SEK 200 million in the company's core business and thereby improve the business' cash flow. The Board's assessment is currently that enough liquidity will be obtained upon the implementation of the aforementioned measures to ensure continued operations. In addition to this, conversations are being held with selected advisers to plan well in advance for a new share issue if necessary.

Long-term liquidity planning is updated every month for 12 months forward, and short-term liquidity planning occurs weekly for the coming month. At year-end, there was available liquidity as detailed below. See also Note 30

Financing risk refers to the risk of the Group being unable to obtain sufficient financing at a reasonable cost. The Group's target is to have an average remaining maturity of 18–36 months.

The line of credit with Nordea of SEK 600 million runs with a covenant that means that the Group must have an equity/assets ratio of 25 percent and a covenant that means that the Group must have a senior net debt in relation to EBITDA of 2.5 times. On the reporting date of December 31, 2019, an equity/assets ratio of 38.0 percent (40.9) and a negative debt/equity ratio were reported. For this, Nordea has provided consent to grant an exemption for the financial commitment in the credit facility agreement. This consent applies until the next reference date that falls on March 31, 2020.

On the reporting date of March 31, 2020, we did not manage a senior net debt in relation to EBITDA of 2.5. For this, Nordea has provided consent

Maturity analysis of financial liabilities, undiscounted cash flows, including interest

GROUP 2019 SEK M	Currency	Average interest rate on the balance sheet date, %	Nominal amount original currency	Amount SEK, including interest	Maturing 2020	Maturing 2021–2022	Maturing 2023 or later
Bank loans, long term	SEK	2.46%	68	74	2	41	31
Bank loans, short term	SEK	2.79%	409	420	420	–	–
Liabilities regarding financial leasing	SEK	1.25%	243	252	46	61	145
Convertible debentures	SEK	2.60%	8	8	8	–	–
Debenture	SEK	5.25%	700	755	37	718	–
Total interest-bearing financial liabilities			1,428	1,509	513	820	176
Accounts payable	SEK	–	958	958	958	–	–
Other liabilities	SEK	–	389	389	389	–	–
Total non-interest-bearing financial liabilities			1,347	1,347	1,347	–	–
Total financial liabilities			2,775	2,856	1,860	820	176

GROUP 2018 SEK M	Currency	Average interest rate on the balance sheet date, %	Nominal amount original currency	Amount SEK, including interest	Maturing 2019	Maturing 2020–2021	Maturing 2022 or later
Bank loans, long term	SEK	1.89%	81	85	2	74	10
Bank loans, short term	SEK	2.48%	127	136	136	–	–
Liabilities regarding financial leasing	SEK	1.25%	71	73	24	49	–
Convertible debentures	SEK	1.92%	22	25	16	8	–
Debenture	SEK	5.25%	700	810	37	773	–
Total interest-bearing financial liabilities			1,001	1,129	215	904	10
Accounts payable	SEK	–	991	991	991	–	–
Other liabilities	SEK	–	260	260	260	–	–
Total non-interest-bearing financial liabilities			1,251	1,251	1,251	–	–
Total financial liabilities			2,252	2,380	1,466	904	10

Further information is provided under Note 30.

to grant an exemption for the financial commitment in the credit facility agreement. This consent applies until the next reference date that falls on June 30, 2020.

GROUP	Available liquidity	
	Dec 31, 2019	Dec 31, 2018
Cash and bank balances	162	389
Unused bank overdraft	530	400
Total	692	789

Interest rate risk

Interest rate risk refers to the risk of fair values or future cash flows fluctuating as a result of changes to market interest rates. The Group's target is to have a weighted average fixed-interest term of 24 months, with a deviation mandate of +/-6 months. The Group is primarily exposed to interest risk through its loan financing. Loans carry variable interest, which means that the Group's future financial expenses are affected when market interest rates change.

A sensitivity analysis for interest risks can be found under Note 30.

cont. Note 4

Currency risk

Foreign exchange risk comprises the risk of fair values and cash flows regarding financial instruments changing as the value of foreign currencies fluctuates. The Group currently has limited in- and outflows in foreign currencies.

Credit and counterparty risk

Credit risk refers to the risk that income may be lost due to counterparties failing to meet their payments or commitments.

Credit risk in accounts receivable

Serneke's exposure to credit risk is primarily attributable to accounts receivable. A credit assessment is conducted on every new customer in order to limit the Group's credit risk. The financial situation of existing customers is also monitored continually in order to identify warning signs at an early stage.

The credit risk for housing projects with housing cooperatives is deemed to be limited, as financing of housing cooperative production occurs via bank loans, which are approved prior to the start of construction.

Credit risk also arises when the Company's excess liquidity is invested in various types of financial instruments. According to the financial policy, excess liquidity may be invested in interest-bearing bank accounts or in interest-bearing securities. According to the financial policy, the credit risk when investing excess liquidity should be reduced by only investing in counterparties with an extremely good rating. Furthermore, the financial policy states that investments should normally be spread across several counterparties or issuers.

The accounts receivable are spread among a large number of customers and no customer accounts for a significant part of the total accounts receivable as no customer accounts for more than 5.1 percent of total accounts receivable. Nor are accounts receivable concentrated to a specific geographical area. The Group therefore deems the concentration risks to be limited. See Note 25 for an aging analysis of outstanding accounts receivable and provisions for anticipated credit losses. The credit standing of receivables not yet due is deemed to be good.

The Group and Parent Company's maximum exposure to credit risk is deemed to correspond to the carrying amounts of all financial assets and is detailed in the consolidated balance sheet and notes.

Categorization of financial instruments

In accordance with IFRS 9 Financial Instruments, financial instruments are measured at amortized cost or at fair value, depending on their category. The items that have been subject to measurement at fair value are financial assets available for sale and additional considerations.

For fair value estimation of interest-bearing receivables and liabilities, future cash flows have been discounted at quoted market interest rates for remaining maturities. For non-interest-bearing assets and liabilities, such as accounts receivable and accounts payable, with a remaining maturity of less than six months, the carrying amount is deemed to reflect fair value.

Categorization of financial instruments

GROUP 2019	Financial assets and liabilities valued at air value through profit or loss	Financial assets valued at fair value through profit or loss	Amortized cost	Total carrying amount	Fair value
Financial assets					
Other long-term receivables	–	3	192	195	195
Accounts receivable	–	–	825	825	825
Other current receivables	–	–	744	744	744
Cash and bank balances	–	–	162	162	162
Total financial assets	–	3	1,923	1,926	1,926
Financial liabilities					
Convertible debentures	–	–	8	8	8
Liabilities to credit institutions	–	–	477	477	477
Debenture	–	–	695	695	700
Lease liability	–	–	243	243	243
Other short- and long-term liabilities	–	–	389	389	389
Accounts payable	–	–	958	958	958
Total financial liabilities	–	–	2,770	2,770	2,775
GROUP 2018					
Financial assets					
Other long-term receivables	–	2	612	614	614
Accounts receivable	–	–	972	972	972
Other current receivables	–	–	556	556	556
Cash and bank balances	–	–	389	389	389
Total financial assets	–	2	2,529	2,531	2,531
Financial liabilities					
Convertible debentures	–	–	22	22	22
Liabilities to credit institutions	–	–	208	208	208
Debenture	–	–	692	692	700
Lease liability	–	–	71	71	71
Other short- and long-term liabilities	–	–	260	260	260
Accounts payable	–	–	991	991	991
Total financial liabilities	–	–	2,244	2,244	2,252

cont. Note 4

Calculation of 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 tables below give details of the Group and Parent Company's classification of financial assets and liabilities measured at fair value. No significant transfers have been made between the levels during the periods. See Note 18 Investment properties for information about buildings and land valued at fair value that are attributable to Level 3. In 2019, investment properties were reclassified to project and development properties and the Group now has no properties valued at fair value.

LEVEL 1 – Financial instruments for which the fair value is established based on observable (unadjusted) quoted prices in an active market for identical assets and liabilities. A market is considered to be active if quoted prices from an exchange, broker, industry group, pricing service or regulating authority are easily and regularly available, and these prices represent actual and regular market transactions on an arm's length basis.

LEVEL 2 – Financial instruments for which the fair value is established based on valuation models that are based on other observable data for the asset or liability than quoted prices included in Level 1, either directly (i.e. as price quotations) or indirectly (i.e. derived from price quotations).

Examples of observable data within Level 2 are:

- Quoted prices for similar assets and liabilities.
- Data that may form the basis of assessments of price, e.g. market interest rates and yield curves.

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

GROUP	Level 1		Level 2		Level 3		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Financial assets								
Financial assets available for sale	–	–	–	–	2	2	2	2
Total financial assets	–	–	–	–	2	2	2	2
Financial liabilities								
Other short- and long-term liabilities	–	–	–	–	23	58	23	58
<i>Of which, additional purchase considerations</i>	–	–	–	–	23	58	23	58
Total financial liabilities	–	–	–	–	23	58	23	58

The most important item is described below:

In 2018, an asset acquisition was done of a property at an underlying property value of SEK 26 million from Ola Serneke Invest AB. The acquisition was conducted as a company acquisition and also includes an additional purchase consideration of SEK 10 million, subject to a new detailed development plan for the area gaining legal force. The fair value of the additional consideration amounts to SEK 10 million.

Capital structure

Serneke's objective for the management of capital is to secure the Group's ability to continue its operations with financial stability in order to generate a reasonable return for shareholders and benefit to creditors and other stakeholders.

Capital is defined as shareholders' equity and concerns equity attributable to shares in the Parent Company.

One of Serneke's financial targets is for the equity/assets ratio (equity divided by total assets) to exceed 25 percent. The Board believes that this level is adapted to Serneke's business and the objective is part of the Group's strategic planning. If the equity/assets ratio permanently exceeds the target, capital will be transferred to the shareholders in an appropriate form. At the end of 2019, the Group's equity/assets ratio amounted to 38 percent (40.9). The Group is subject to externally imposed capital requirements, which are detailed under Note 30.

NOTE 5 SEGMENT INFORMATION

Group

The information reported to the highest executive decision-maker as a basis for allocating resources and assessing segment earnings comprises the Group's business areas: Construction, Civil Engineering and Project Development. These business areas constitute the Group's reportable operating segments.

Operating segment

Construction: Construction conducts all of the Group's construction-related operations. The business area carries out construction projects for both external clients as well as the internal units within the Serneke Group. Operations comprise new construction of housing and commercial properties.

Civil Engineering: All of the Group's civil engineering and infrastructure-related operations are conducted within Civil Engineering. The business area carries out construction contracts for both external clients as well as the internal units within the Serneke Group. The operations consist mainly of construction and concrete work in infrastructure projects and maintenance services.

Project development: The business area develops residential and commercial properties and generates contracts for the Construction and Civil Engineering business areas.

Segment reporting is conducted based on reported income and earnings in accordance with the consolidated financial statements.

Group-wide: Other operations are reported under Group-wide and primarily comprise central companies and Group functions.

Income and operating profit by operating segment

Each business area is operationally responsible for its income statement, down to and including operating profit and operating margin. For the Project Development business area, management also follows the development of capital employed.

Internal prices between the Group's business areas are set based on the arm's length principle. Internal revenue between business areas is eliminated at the Group level.

Assets and liabilities by operating segment

Assets and liabilities for the business areas comprise capital employed. Capital employed comprises the business areas' respective total assets reduced by deferred tax assets, less non-interest-bearing liabilities and deferred income tax liabilities. Consolidated goodwill is attributed to each of the business areas responsible.

Consolidated income and profit

GROUP 2019 Amounts in SEK million	Construction	Civil Engineering	Project- development	Group-wide	Elimination	Group
External sales	5,609	555	559	2	–	6,725
Internal sales	258	108	9	145	–520	–
Total income	5,867	663	568	147	–520	6,725
Operating profit/loss	95	–65	–55	–59	–	–84
Financial income	0	0	39	–29	2	12
Financial expenses	–4	–2	–22	–9	–2	–39
Net financial items	–4	–2	17	–38	–	–27
Taxes	–1	0	21	9	–	29
Profit/loss for the year	91	–67	–18	–88	–	–82

SEK million SEK million	Construction	Civil Engineering	Project- development	Group-wide	Elimination	Total segment
ASSETS						
Goodwill	23	–	–	–	–	23
Deferred tax assets	0	0	34	–34	–	0
Participations in associated companies and joint ventures	–	0	142	2	–	144
Other fixed assets	155	24	166	149	–	494
Project and development properties	–	–	3,363	–89	–	3,274
Accrued but not invoiced	602	47	–87	–3	–	560
Other current assets	1,226	249	1,145	1,360	–2,741	1,239
Total assets	2,006	320	4,763	1,385	–2,741	5,734

OTHER SEGMENT INFORMATION SEK million SEK million	Construction	Civil Engineering	Project- development	Group-wide	Elimination	Total segment
Depreciation	–19	–6	–4	–21	–	–50
Impairment losses	–	–	–	–	–	–
Share of earnings associates and joint ventures	–	0	12	–4	–	8
Change in value of investment properties	–	–	–	–	–	–

cont. Note 5

GROUP 2018 Amounts in SEK million	Construction	Civil Engineering	Project- development	Group-wide	Elimination	Group
External sales	5,368	744	394	10	–	6,516
Internal sales	162	122	17	143	–444	–
Total income	5,530	866	411	153	–444	6,516
Operating profit/loss	90	10	487	8	–	595
Financial income	1	0	37	1	–1	38
Financial expenses	–1	0	–20	–55	1	–75
Net financial items	0	0	17	–54	0	–37
Taxes	0	0	66	–20	0	46
Profit/loss for the year	90	10	570	–66	0	604

SEK million SEK million	Construction	Civil Engineering	Project- development	Group-wide	Elimination	Total segment
ASSETS						
Goodwill	23	–	–	–	–	23
Deferred tax assets	0	0	13	–13	–	0
Managed properties	–	–	213	–	–	213
Participations in associated companies and joint ventures	–	–	127	–5	–	122
Other fixed assets	119	16	584	16	–	721
Project and development properties	–	–	2,512	–5	–	2,507
Accrued but not invoiced	374	99	0	–1	–	472
Other current assets	1,463	223	996	1,280	–2,479	1,483
Total assets	1,979	338	4,445	1 272	–2,479	5,555

OTHER SEGMENT INFORMATION SEK million SEK million	Construction	Civil Engineering	Project- development	Group-wide	Elimination	Total segment
Depreciation	–11	–4	–5	–4	–	–24
Impairment losses	–	–	0	0	–	0
Share of earnings associates and joint ventures	–	–	223	–18	–	205
Change in value of investment properties	–	–	281	–	–	281

Information regarding geographical areas

The Group conducts operations within Sweden, with three main geographical areas – West, South, East, Central and North.

NOTE 6 BREAKDOWN OF INCOME

Jan-Dec 2019, SEK million	Group					PARENT COMPANY
	Construction	Civil Engineering	Project Development	Eliminations and 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	0
Other income	17	2	67	0	86	178
Total income	5,867	663	568	-373	6,725	178
Date of income recognition:						
At a specific time	17	2	533	-	552	178
Over time	5,850	661	35	-373	6,173	-
Total income	5,867	663	568	-373	6,725	178

Jan-Dec 2018, SEK million	Group					PARENT COMPANY
	Construction	Civil Engineering	Project Development	Eliminations and Group-wide	Total	
Construction income	5,519	866	274	-291	6,368	-
Sale of properties and development rights	-	-	-	-	-	-
Rental income	0	-	56	-	56	10
Other income	11	0	81	-	92	133
Total income	5,530	866	411	-291	6,516	143
Date of income recognition:						
At a specific time	11	0	81	-	92	143
Over time	5,519	866	330	-291	6,424	-
Total income	5,530	866	411	-291	6,516	143

NOTE 7 CONTRACT ASSETS AND LIABILITIES

The following income-related contract assets and contract liabilities are recognized:

	Dec 31, 2019	Dec 31, 2018
Contract assets attributable to construction contracts	560	398
Contract assets attributable to property sales	61	405
Total contract assets	621	803
Contract liabilities – construction contracts	347	532
Contract liabilities – property sales	-	-
Total contract liabilities	347	532

CONTRACT ASSETS	Dec 31, 2019	Dec 31, 2018
Opening balance	803	319
Earned income during the year, not yet invoiced	540	682
Earned income during the year, invoiced during the year	3,278	2,204
Contract assets that were previously recognized as revenue	-90	-
Invoicing	-3,909	-2,401
Carrying amount at year-end	621	803

Assets that arise from expenses to obtain or fulfill a contract with a customer are included in Contract assets and amount to SEK 0 million. Depreciation amounts to SEK 0 million and impairment losses, which are charged to the project, amount to SEK 0 million.

CONTRACT LIABILITIES	Dec 31, 2019	Dec 31, 2018
Opening balance	532	297
Invoicing	1,990	3,671
Earned income during the year, invoiced during the year	-1,702	-3,148
Earned income during the year, invoiced previous years	-473	-288
Carrying amount at year-end	347	532

NOTE 8 OPERATING EXPENSES BY TYPE OF EXPENSE

	Group		Parent Company	
	2019	2018	2019	2018
Material	-974	-832	-	-
Subcontractors	-3,865	-3,979	-	-
Staff	-978	-843	-94	-62
Carrying amount sold project and development properties	-292	-	-	-
Other production expenses	-519	-614	-	-
Depreciation	-50	-24	-3	-2
Impairment losses	-	-	-	-
Other	-139	-115	-95	-50
Total	-6,817	-6,407	-192	-114

NOTE 9 THE AUDITOR'S FEE AND COST COMPENSATION

	Group		Parent Company	
	2019	2018	2019	2018
Deloitte				
auditing assignments	2	2	2	3
auditing-related services	1	1	1	0
tax consultancy	0	0	0	0
Consultation	0	0	0	0
Total Deloitte	3	3	3	3

Deloitte was appointed as the primary auditing firm in 2013.

	Group	
	2019	2018
EY		
auditing assignments	0	0
auditing-related services	0	0
tax consultancy	0	0
Consultation	0	0
Total EY	0	0

EY is the auditor in Karlstad Holding AB, which Serneke acquired on December 28, 2018.

NOTE 10 LEASING

As of January 1, 2019, IFRS 16 Leases is applied and Serneke is not applying the standard retroactively. The recognized right of use (ROU) assets are assigned the same value as the recognized leasing liabilities as of January 1, 2019. The transition has not had any material impact on the Groups position and performance or cash flow statement. Leases with the Serneke Group as the lessee are mainly rental agreements. In addition to rental agreements, a number of smaller leases were identified, such as vehicles, machinery and construction equipment. The ROU asset is recognized under tangible fixed assets and the leasing liability under long and short interest-bearing liabilities.

GROUP

	2019
Income statement	
Depreciation of ROU assets	-44
Interest expenses for leasing liabilities	-2
Profits or losses from ROU assets	0
Total expenses, capitalized leasing liabilities	-46
Leases of a low value and with shorter lifespans	-112
Total expenses from non-capitalized leases	-112
Total expenses from leases	-158

	Premises	Vehicles	Machinery and construction equipment	ROU assets
Acquisition cost, opening balance	0	0	0	0
Transition effect IFRS 16	96	98	1	195
Purchasing	87	52	-	139
Disposal/retirement	-5	-33	-	-38
Closing accumulated acquisition cost	178	117	1	296
Opening depreciation	0	0	0	0
Transition effect IFRS 16	-	-27	-	-27
Disposal/retirement	3	13	-	16
Depreciation for the year	-24	-20	0	-44
Closing accumulated depreciation	-21	-34	0	-55
Closing carrying amount	157	83	1	241

Leasing liabilities

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Maturity date:				
Within one year	44	24	2	1
1-5 years	199	47	4	4
Total	243	71	6	5

cont. Note 10

Maturity analysis, non-current leasing liabilities

	Group	
	Dec 31, 2019	
1–5 years	134	
Later than 5 years	65	
Total	199	

PARENT COMPANY

Operating leases – lessee

Operating lease expense for the year:

	Parent Company	
	2019	2018
Minimum lease payments	19	16
Variable payments	2	2
Total	21	18

As at the balance sheet date, the Parent Company had outstanding commitments in the form of minimum lease payments under interminable operating leases, with maturity dates as follows:

	Parent Company	
	Dec 31, 2019	Dec 31, 2018
Within one year	13	15
1–5 years	48	52
Later than 5 years	0	10
Total	61	77

The operating leases relate particularly to the rental of premises, including the Group's headquarters in Gothenburg, as well as various pieces of office equipment. The amount relating to expensed leasing also includes non-recurring rents which include production-related equipment and tools.

NOTE 11 NUMBER OF EMPLOYEES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS

AVERAGE NUMBER OF EMPLOYEES	2019		2018	
	Number of employees	Of which number of men	Number of employees	Of which number of men
PARENT COMPANY				
Sweden	81	34	62	24
Total in the Parent Company	81	34	62	24
Subsidiary				
Sweden	1,089	916	1,008	887
Total for subsidiaries	1,089	916	1,008	887
Total in Group	1,170	950	1,070	911

TOTAL SALARIES, REMUNERATION ETC.	2019		2018	
	Salaries and other remunerations	Social security contributions (of which pension costs)	Salaries and other remunerations	Social security contributions (of which pension costs)
PARENT COMPANY	52	25	38	16
		(7)		(4)
Subsidiary	584	241	518	213
		(58)		(51)
Total group	636	266	556	229
		(65)		(55)

DISTRIBUTION AMONG SENIOR EXECUTIVES AT BALANCE SHEET DATE	Parent		Subsidiary	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Women:				
Board members	3	2	0	0
other senior executives	0	0	0	0
Men:				
Board including CEO	4	3	6	9
other senior executives	8	9	0	0
Total	15	14	6	9

REMUNERATION TO SENIOR EXECUTIVES

Details in SEK thousand

2019	Basic salary/Fee	Other benefits	Pension costs	Total
Chairman of the Board Kent Sander	750	–	–	750
Board Member Mari Broman	363	–	–	363
Board Member Ludwig Mattsson	308	–	–	308
Board Member Anna-Karin Celsing	275	–	–	275
Member of the Board & CEO Ola Serneke	3,933	137	–	4,070
Board Member Anna Belfrage	200	–	–	200
Board Member Fredrik Alvarsson	183	–	–	183
Other senior executives*	15,317	1,107	3,879	20,303
Total	21,329	1,244	3,879	26,452
Of which remuneration from Parent Company	15,498	720	2,394	18,612

2018	Basic salary/Fee	Other benefits	Pension costs	Total
Chairman of the Board Kent Sander	750	–	–	750
Board Member Mari Broman	350	–	–	350
Board Member Ludwig Mattsson	325	–	–	325
Board Member Anna-Karin Celsing	275	–	–	275
Board Member Susanne Lithander**	116	–	–	116
Member of the Board & CEO Ola Serneke	3,583	367	–	3,950
Other senior executives*	13,189	1,042	3,420	17,651
Total	18,588	1,409	3,420	23,417
Of which remuneration from Parent Company	10,420	889	1,617	12,926

* Other senior executives' refers to the individuals in addition to the CEO who are members of Serneke's Group Management. At the end of 2019, Group Management comprised 9 people (10), including the CEO. In connection with the reorganization, the Group Management consists of six people as of January 1, 2020.

** Susanne Lithander left the Board of Directors in 2018. In the table above, remuneration for this person has only been included for the period in which she was a member of the Board of Directors and in her capacity as a member of the Board.

cont. Note 11

Variable remuneration

There is no variable remuneration or other bonus system in the Group.

Other benefits

Other benefits largely comprise the assessed benefit value of company cars and housing.

Pensions

The Group only has defined-contribution pension plans.

Severance pay agreements and termination

There are no agreements between the Company and the CEO regarding severance pay. The same applies to other senior executives. The period of notice shall normally be six months if the executive resigns. On termination by the Company, the period of notice shall not exceed 12 months altogether.

NOTE 12 FINANCIAL INCOME

	Group		Parent Company	
	2019	2018	2019	2018
Interest income	12	38	3	2
Exchange gains	0	0	0	0
Other	0	0	0	0
Total financial income	12	38	3	2

All interest income is attributable to financial assets measured at amortized cost.

NOTE 13 FINANCIAL EXPENSES

	Group		Parent Company	
	2019	2018	2019	2018
Interest expenses	-39	-75	-49	-48
Interest expense attributable to convertible debentures	0	0	0	0
Exchange rate losses	0	0	0	0
Total financial expenses	-39	-75	-49	-48

All interest expenses are attributable to financial liabilities measured at amortized cost. During the year, capitalized loan expenses on project and development properties amounted to SEK 46 million (0).

NOTE 14 APPROPRIATIONS

	Parent Company	
	2019	2018
Group contributions received	-	239
Group contributions paid	-	-217
Total appropriations	-	22

NOTE 15 TAX ON PROFIT FOR THE YEAR

CURRENT TAX	Group		Parent Company	
	2019	2018	2019	2018
Current tax on profit for the year	0	0	-	-
Adjustments recognized in current year regarding prior years' current tax	0	0	-	-
Total	0	0	-	-

DEFERRED TAX	Group		Parent Company	
	2019	2018	2019	2018
Deferred tax on losses	25	-20	3	-15
Deferred tax attributable to temporary differences	4	66	0	-4
Total	29	46	3	-19
Total tax	29	46	3	-19

Income tax in Sweden is calculated at 21.4 percent (22) of the year's taxable income. Tax in other jurisdictions is calculated at the tax rate that applies for the respective jurisdiction. A reconciliation is presented below between recognized profit for the year and tax expense for the year:

RECONCILIATION TAX EXPENSE FOR THE YEAR	Group		Parent Company	
	2019	2018	2019	2018
Profit/loss before tax	-111	558	-105	2
Recognized tax for the year	29	46	3	-19
Theoretical tax expense	24	-123	22	0
Difference	5	169	-19	-19
The difference is explained by				
Non-deductible tax effect of impaired assets	0	0	0	0

cont. Note 15

RECONCILIATION TAX EXPENSE FOR THE YEAR	Group		Parent Company	
	2019	2018	2019	2018
Tax effect of non-deductible expenses	-2	-15	-19	-1
Tax effect of non-taxable income	5	82	-	0
Tax effect, rolled in loss carryforwards, not booked earlier years	6	-	-	-
Tax effect of non-taxable Group contributions from subsidiaries	-	-	-	13
Tax effect of non-deductible Group contributions to subsidiaries	-	-	-	-31
Tax effect of non-taxable income from divested properties	0	57	-	-
Tax effect of share in profit of associates	2	-5	-	-
Tax effect of revaluation of associates on acquisition	-	50	-	-
Tax effect due to new tax rate 20.6 and 21.4	-7	-	-	-
Taxes attributable to previous years	0	0	-	-
Total	5	169	-19	-19

NOTE 16 BUSINESS COMBINATIONS

In 2019, no business combinations took place.

On December 28, 2018, Serneke acquired all of NREP's shares in Karlastaden Holding AB, which constituted 50 percent of the total number of shares. The purchase consideration amounted to SEK 600 million and was paid in connection with possession. As Serneke owns 100 percent of the shares, Karlastaden Holding AB with associated subsidiaries have been consolidated as of the date of possession.

The acquisition was a step-by-step business combination, which meant that Serneke valued the previously held 50-percent interest at fair value. This entailed a revaluation effect of SEK 229 million that positively impacted operating profit to a corresponding amount in 2018. The revaluation matches the difference between fair value of earlier holdings of SEK 600 million and the previous carrying amount of SEK 371 million as of possession on 28 December 2018. As a result of the step-by-step business combination, a negative goodwill item of SEK 2 million arose, which was realized over the income statement.

Karlastaden is a project that will accommodate approximately 2,000 homes and 70,000 square meters of commercial space. The area will also be the site of the Nordic region's tallest residential building, Karlatornet. The estimated project value is approximately SEK 13 billion.

2018

Purchase consideration

Liquid assets	600
Total purchase consideration	600

The assets and liabilities recognized as a result of the acquisition are the following:

Fair value

Liquid assets	13
Project and development properties	2,162
Other current receivables	28
Deferred tax liability	-175
Other non-current liabilities	-82
Current interest-bearing liabilities	-590
Accounts payable	-8
Other current liabilities	-146
Acquired identifiable net assets	1,202
Negative goodwill	-2
Acquired net assets	1,200

PURCHASE CONSIDERATION – CASH OUTFLOW

	2019	2018
Cash purchase consideration	-	600
Less: Acquired balances		
Liquid assets	-	13
Net outflow of cash and cash equivalents – investing activities	-	587

Acquisition-related costs

Acquisition-related costs of SEK 1 million are included in other expenses in the income statement and in operating activities in the cash flow statement for 2018.

NOTE 17 GOODWILL

	Group	
	Dec 31, 2019	Dec 31, 2018
Acquisition cost, opening balance	23	23
Purchasing	–	–
Impairments for the year	–	–
Closing acc. cost of acquisition	23	23

Recognized goodwill relates to Serneke Bygg Öst, SEK 23 million (23). For the goodwill value, the recoverable amount has been generated by calculating the value in use of the cash-generating unit. The calculation model is based on discounting of future forecast cash flows, which have been set against the unit's carrying amount. Future cash flows are based on five-year forecasts produced by management. No impairment requirement has been identified in accordance with IAS 36 for the cash-generating unit.

Significant assumptions that have been used when calculating the value in use**Net sales and operating margin**

Assumptions used are based on the business plan and budget established by management.

Working capital requirements and investment needs

The requirement has been assumed to be the same as that for the current fiscal year in relation to net sales.

Long-term growth rate

Long-term sustainable growth beyond the forecast period of 2 (2) percent has been used to reflect the market's long-term growth.

Discount rate

Forecast cash flows and residual values are discounted to present value with a weighted cost of capital according to WACC. In calculations that have been made of value in use, a weighted discount rate before tax has been used. The unit's pre-tax discount rate was 8 percent (8) and after tax amounted to 6 percent (6).

Sensitivity analysis

In the event of reasonable fluctuations in key assumptions, impairment testing continued to show no impairment requirement.

NOTE 18 INVESTMENT PROPERTIES

	Group	
	Dec 31, 2019	Dec 31, 2018
Opening carrying amount	213	895
Acquisitions for the year	–	36
Capital expenditures	2	76
Reclassification	–215	3
Unrealized changes in value	–	–21
Sales	–	–776
Closing carrying amount	–	213

In 2019, investment properties were reclassified to project and development properties.

NOTE 19 OTHER TANGIBLE FIXED ASSETS

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Buildings and land	33	30	–	–
Plant and machinery	8	6	–	–
Equipment, tools, fixtures and fittings	16	86	7	12
ROU assets	241	–	6	–
Closing carrying amount	298	122	13	12

BUILDINGS AND LAND	Group	
	Dec 31, 2019	Dec 31, 2018
Acquisition cost, opening balance	55	38
Purchasing	5	17
Closing accumulated cost	60	55
Opening depreciation	–25	–23
Depreciation for the year	–2	–2
Closing accumulated depreciation	–27	–25
Closing carrying amount	33	30

PLANT AND MACHINERY	Group	
	Dec 31, 2019	Dec 31, 2018
Acquisition cost, opening balance	24	11
Purchasing	3	12
Sales/scrapping	–1	–2
Reclassification	0	3
Closing acc. cost of acquisition	26	24
Opening depreciation	–12	–8
Sales/scrapping	1	0
Depreciation for the year	–1	–1
Reclassification	–	–3
Closing acc. depreciation/amortization	–12	–12
Impairment for the year	–	–6
Closing acc. impairment	–6	–6
Closing carrying amount	8	6

cont. Note 19

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Acquisition cost, opening balance	126	118	16	8
Transition effect IFRS 16	-97	-	-5	-
Purchasing	5	50	1	8
Reclassification	-	-3	-	-
Disposal/retirement	-1	-39	0	0
Closing accumulated cost	33	126	12	16
Opening depreciation	-40	-41	-4	-3
Transition effect IFRS 16	27	-	1	-
Reclassification	-	3	-	-
Disposal/retirement	0	19	0	0
Depreciation for the year	-4	-21	-2	-1
Closing accumulated depreciation	-17	-40	-5	-4
Closing carrying amount	16	86	7	12

ROU ASSETS	Group	Parent Company
	Dec 31, 2019	Dec 31, 2019
Acquisition cost, opening balance	0	0
Transition effect IFRS 16	194	5
Purchasing	140	5
Reclassification	-	-
Disposal/retirement	-38	-3
Closing accumulated cost	296	7
Opening depreciation	0	0
Transition effect IFRS 16	-27	-1
Reclassification	0	-
Disposal/retirement	16	1
Depreciation for the year	-44	-1
Closing accumulated depreciation	-55	-1
Closing carrying amount	241	6

NOTE 20 PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	Dec 31, 2019	Dec 31, 2018
Opening cost	166	127
Acquisition of participations in Group companies	92	0
Sale of participations in Group companies	-54	-
Shareholder contributions paid	101	39
Reclassification to associates	-1	-
Closing cost of acquisition	304	166
Opening impairment losses	-4	-
Impairments for the year	-45	-4
Reversed impairment losses upon sale	45	-
Closing accumulated impairment	-4	-4
Closing carrying amount	300	162

COMPANY, CORPORATE IDENTITY NUMBER	Domicile	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
		Share of equity %*	Share of equity %*	Carrying amount	Carrying amount
Serneke Construction AB, 556621-6908	Gothenburg	100%	100%	21	15
Serneke Anläggning AB, 556782-0591	Gothenburg	0%	100%	-	37
Serneke Project AB, 556688-6601	Gothenburg	100%	100%	22	0
Serneke Industri AB, 556630-8184	Gothenburg	100%	100%	1	1
Karlavagnstornet Holding AB, 556933-8964	Gothenburg	100%	100%	92	0
Serneke Fastighet AB, 556982-4914	Gothenburg	100%	100%	164	108
Serneke International AB, 559161-0273	Gothenburg	0%	100%	-	0
IFK GBG Transferintressenter AB, 559149-1625	Gothenburg	0%	54%	-	1
Serneke Invest AB, 559161-0273	Gothenburg	100%	0%	0	-
Serneke Konstruktion Management AB, 559222-7945	Gothenburg	100%	0%	0	-
Serneke Consulting AB, 559221-9041	Gothenburg	100%	0%	0	-
				300	162

*Also the share of votes

Parent Company Serneke Group AB owns 100 percent of the shares of eight of its subsidiaries. The subsidiaries are engaged in the core business, while the Parent Company provides Group-wide services. No operations are conducted in Serneke Industri AB. Directly-owned subsidiaries are reported in the table above. Other companies in the Group specified in the respective subsidiary's annual report.

NOTE 21 PARTICIPATIONS IN ASSOCIATES AND JOINT VENTURES

	Group	
	Dec 31, 2019	Dec 31, 2018
Opening amount	122	446
Acquisition of participations in associates	6	21
Shareholder contributions	4	49
Dividend	–	0
Group companies that converted to joint ventures during the year	5	–
Joint venture converted to Group company during the year	0	–400
Share in profit, after tax	8	6
Closing value	145	122

* When a Parent Company loses control of a subsidiary, the residual holding is revalued at fair value. See Note 2 Significant accounting policies.

COMPANY, ORGANIZATION	Domicile	Dec 31, 2019 Ownership share *	Dec 31, 2018 Ownership share *	Associated companies/ Joint ventures	Valuation method
Änglagården Holding AB, 556911-1015	Gothenburg	40.0%	40.0%	Associated companies	The equity method
7H Bil AB, 556629-2362	Gothenburg	30.0%	30.0%	Associated companies	The equity method
Fastighetskompaniet i Väst AB, 556735-7271	Gothenburg	0%	50.0%	Associated companies	The equity method
Herrestads Etablering AB, 556966-0086	Trollhättan	20.0%	20.0%	Associated companies	The equity method
Esstate Serneke Älvsjö Holding AB, 559157-0519	Gothenburg	50.0%	50.0%	Joint venture	The equity method
Serneke Midroc Holding AB, 559157-8876	Gothenburg	50.0%	50.0%	Joint venture	The equity method
Fastighets AB Oceanateljén, 559034-3769	Malmö	50.0%	50.0%	Joint venture	The equity method
Fastighets AB Österskans, 559165-6953	Gothenburg	50.0%	50.0%	Joint venture	The equity method
SerSund AB, 559117-6754	Gothenburg	50.0%	50.0%	Joint venture	The equity method
Fjäternvålen AB, 556223-3527	Gothenburg	46.6 %	40.0%	Associated companies	The equity method
Sustainio AB, 559196-2765	Gothenburg	25.0%	0%	Associated companies	The equity method
Serneke Malmberg Entreprenad AB, 559186-3427	Gothenburg	50.0%	0%	Associated companies	The equity method
IFK GBG Transferintressenter AB, 559149-1625	Gothenburg	40.5%	0%	Associated companies	The equity method
Consortium Builders Pty Ltd	Perth	33.0%	33%	Associated companies	The equity method

*Also the share of votes

Description of operations

- Änglagården Holding AB – The company will own, manage and develop Prioritet Serneke Arena.
- 7H Bil AB - The company's operations are sales of cars etc.
- Herrestads Etablering AB – The company conducts property development.
- Esstate Serneke Älvsjö Holding AB – The company will own and manage shares in companies that conduct project development.
- Serneke Midroc Holding AB – The company will own and manage shares in companies that conduct project development.
- Fastighets AB Oceanateljén – The company will own and manage shares in companies that conduct project development.
- Fastighets AB Österskans – The company will own and manage shares in companies that conduct project development.
- SerSund AB – The company conducts project development.
- Fjäternvålen AB – The company conducts ski facility operations.
- Sustainio AB – The company will produce computer games.
- Serneke Malmberg Entreprenad AB – The company conducts sales of goods and services related to the civil engineering sector, such as excavation, installation, culverts, road and foundation construction and construction in water treatment and environmentally friendly energy.
- IFK GBG Transferintressenter AB – The company conducts operations by investing in soccer activities.
- Consortium Builders Pty Ltd – The company conducts construction operations in Australia.

cont. Note 21

Summary of financial information

CONDENSED BALANCE SHEET	Änglagården Holding AB		Other	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Total assets	934	954	326	316
Total liabilities and provisions	613	645	194	270
Total net assets	321	309	132	46
Preferential dividend right to other co-owners1*	-7	-32	-	-
The Group's share of net assets	107	92	38	30

CONDENSED INCOME STATEMENT	Änglagården Holding AB		Other	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Revenue	68	64	147	31
Profit/loss for the year	36	23	5	-4
The Group's share of profit**	14	9	-5	-3

* An agreement between the co-owners of Änglagården Holding AB: Lommen Holding, Prioritet Finans and Serneke have signed in 2015, which means a preferential dividend of SEK 90 million for the benefit of the other co-owners before Serneke can partake of free distributable funds. In 2016 (SEK 13 million), 2017 (SEK 22 million), 2018 (SEK 23 million) and 2019 (SEK 25 million), a dividend was made to the other shareholders whereby preferential rights amounted to SEK 7 million at year-end 2019. Serneke also has a commitment in the form of an operation warranty in relation to the other co-owners in Änglagården Holding AB. The operation guarantee entails that Serneke must compensate the other co-owners for all operating earnings that fall short of SEK 51.6 million on an annual basis up until December 31, 2020. The operation guarantee has negatively affected profit for the year by SEK 8 million (5) and the closing provision for continuing commitment amounts to SEK 14 million.

** Serneke Group AB (publ) has entered into a guarantee undertaking, which means that the co-owners in Änglagården Holding AB 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. As at December 31, 2019, the associate's liability to credit institutions amounted to SEK 424 million (442).

NOTE 22 OTHER NON-CURRENT RECEIVABLES

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Opening amount	614	223	2	1
Incoming from property sales	61	406	-	-
Incoming other	37	122	1	-
Reclassification	-78	-	-	1
Settlement	-439	-137	-	-
Closing value*	195	614	3	2
<i>*of which interest-bearing</i>	37	51	-	-
<i>*including receivables from associated companies and joint ventures</i>	93	80	-	-

During the year, changed accounting policies regarding tenant-owner apartment projects entailed a reclassification from external to internal receivables.

NOTE 23 PROJECT AND DEVELOPMENT PROPERTIES

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Opening cost*	2,507	283	3	3
Purchasing	-	38	-	-
Reclassification	215	-3	-	-
Incoming via business combinations	-	2,162	-	-
Capital expenditures	694	50	-	-
Changed accounting policy regarding tenant-owner apartment projects	226	-	-	-
Impairment losses	-6	-	-	-
Sales	-362	-23	-1	-
Other	-	-	-	-
Closing accumulated cost*	3,274	2,507	2	3

* of which for properties that the Group has taken over for which it is not the legally registered owner SEK 5 million (5).

Capitalized interest

Loan interest of SEK 46 million (0) has been capitalized during the year.

NOTE 24 INVENTORIES

	Group	
	Dec 31, 2019	Dec 31, 2018
Materials and supplies, advances paid	1	1
Total	1	1

NOTE 25 ACCOUNTS RECEIVABLE

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Gross trade receivables	826	973	0	0
Credit loss provision	-1	-1	-	-
Total accounts receivable, net of provision for anticipated credit losses	825	972	0	0
	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Credit loss provision at beginning of year	-1	-5	-	-
Reservation for the year for anticipated credit losses	0	-2	-	-
Settled anticipated credit losses	0	6	-	-
Total credit loss provision	-1	-1	-	-

GROUP	2019			2018		
	Gross	Credit loss provision	Customer Receivables	Gross	Reserve, doubtful accounts receivable	Customer Receivables
AGE ANALYSIS, ACCOUNTS RECEIVABLE						
Not yet due	555	0	555	797	0	797
Due within 30 days	43	0	43	73	0	73
Due 31-60 days	42	0	42	6	0	6
Due 61-90 days	10	0	10	0	0	0
Due > 90 days	176	-1	175	97	-1	96
Total	826	-1	825	973	-1	972

The credit loss provision recognized in the projects amounts to SEK 27 million (29) as of December 31, 2019.

NOTE 26 CONSTRUCTION CONTRACTS

	Group	
	Dec 31, 2019	Dec 31, 2018
Contract expenses and recognized profit	10,745	6,532
Less invoiced amounts	-10,185	-6,134
Accrued but not invoiced income	560	398
Invoiced amounts	7,983	8,396
Less contract expenses and recognized profit	-7,636	-7,864
Invoiced but not accrued income	347	532

NOTE 27 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Pre-paid rent	13	10	7	4
Prepaid leasing	2	2	0	0
Prepaid insurance	4	4	-	0
Accrued income	4	2	-	-
Other prepaid expenses	44	18	6	14
Total	67	36	13	18

NOTE 28 OTHER CURRENT DEBT

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Receivables from sales of project properties	73	78	-	-
Receivable from joint ventures	-	12	-	-
Other current receivables	111	68	1	1
Total	184	158	1	1

NOTE 29 SHAREHOLDERS' EQUITY

Share capital

The Parent Company's share capital is divided into two classes of shares, A and B. Both classes provide the same rights, except that holdings of Class A shares entitle to one vote per share while holdings of Class B shares entitle to one tenth of a vote per share.

At the beginning of 2019, the share capital totaled SEK 2,324,846 and there were 23,248,452 shares of which 5,360,000 Class A shares and 17,888,452 Class B shares. At the end of 2019 the share capital totaled SEK 2,324,846 and total number of shares amounted to 23,248,452 of which 5,210,000 were Class A shares and 18,038,452 Class B shares.

NOTE 30 BORROWING

LONG-TERM	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Bank loans	68	81	–	–
Convertible debentures	–	7	–	7
Leasing liabilities	199	47	4	4
Bond loan	695	691	695	691
Other	162	83	–	–
Total	1,124	909	699	702

SHORT-TERM	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Bank loans	409	127	–	–
Leasing liabilities	44	24	2	1
Convertible debentures	8	15	8	15
Total	461	166	10	16

	Group	Parent Company
	Dec 31, 2019	Dec 31, 2018
Total borrowing *	1,585	1,075

* All borrowings in the Group are in SEK.

Collateral for borrowings

Total borrowing includes bank loans and other borrowings collateralized with SEK 2,044 million (1,941). Collateral for borrowings comprises the Group's properties, floating charges and pledged shares in subsidiaries. For further information regarding collateral, see Note 34.

Sensitivity analysis interest risk

The Group's future financial expenses are affected as detailed below in the event of a change in the borrowing rate, given the same borrowings as at the end of the period.

	Group	
	Dec 31, 2019	Dec 31, 2018
Effect on future financial expenses +/-1%	+16/-16	+10/-10
Effect on future financial expenses +/-3%	+47/-47	+30/-30

Available credit

	Group	
	Dec 31, 2019	Dec 31, 2018
Credit facility	100	–
Line of credit	500	200
Utilized amount	–70	–
Available credit	530	200

Serneke Group AB (publ) has a line of credit and a credit facility with Nordea that amount to SEK 600 million, of which SEK 70 million was utilized as of December 31, 2019. The credit facility agreement runs with two covenants that mean that the Group must have an equity/assets ratio of 25 percent and that the Group must have a Senior Net Debt in relation to EBITDA of 2.5 times. As of December 31, 2019, an equity/assets ratio of 38.0 percent (40.9) and a negative net debt/EBITDA were reported. Due to a negative net debt/EBITDA, the creditor provided consent to grant an exemption for the financial commitment in the credit facility agreement for the reference date December 31, 2019.

Bank loans

The bank loans mature until 2029 and, as of December 31, 2019 have an average interest rate of 2.55 percent (1.70).

Exposure with regard to bank loans to changes in interest rates and contractual dates for interest rate negotiations are at the end of the reporting period as follows:

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
< 12 months	409	138	–	–
12–36 months	40	74	–	–
> 36 months	30	10	–	–
Total	479	222	–	–

Convertible debentures

In August 2017, a convertible debenture loan was issued aimed at employees. The amount issued totals SEK 7,648,923 and the loan carries an interest rate of 2.6 percent. Interest payments are made on December 31 every year and on the loan's due date. The loan runs until September 8, 2020 insofar as conversion has not occurred beforehand. The conversion rate is SEK 157.70. The market interest rate for an equivalent bond without right of conversion has a rate in line with the rate on the convertible loan, which is why no portion of the issued convertible is recognized in equity.

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

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

cont. Note 30

Convertible debentures are recognized in the balance sheet in accordance with the following:

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Nominal amount	8	22	8	22
Liability component at issue date	-8	-22	-8	-22
Equity component	0	0	0	0
Liability component at issue date	-8	-22	-8	-22
Effective rate	0	0	0	0
Discount rate as of December 31	-8	-22	-8	-22

Leasing liabilities

For leasing liabilities, refer to Note 10.

Bond loan

In June 2018, new senior non-covered bonds totaling SEK 700 million were issued within a framework of SEK 1 billion and maturing in 2021. The net proceeds were used to prematurely redeem all outstanding bonds under its existing SEK 300 million bond loan maturing in 2019 (ISIN: SE0008992184). The cost of early redemption of existing bonds impacted earnings negatively by SEK 12 million in 2018, which is recognized in net financial items.

The existing bond loan carries a variable interest rate of three-month STIBOR + 5.25 percent and expires in June 2021. Serneke listed the new bond loan on Nasdaq Stockholm and the first trading day was July 5, 2018. The loan has financial covenants regarding solvency and liquidity. The equity/assets ratio shall amount to 25.0 percent for the period until June 30, 2021. The liquidity reserve shall amount to at least 5 percent of sales for the most recently audited financial year. The covenant requirements also stipulate that all properties must be appraised by an external party. Serneke fulfilled the terms as of December 31, 2019.

NOTE 31 DEFERRED TAX

Temporary differences arise when the carrying amounts and tax values of assets or liabilities differ. The Group's and Parent Company's temporary differences have resulted in deferred tax liabilities and deferred tax assets with regard to the following items:

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Deferred tax assets				
Buildings and land	3	4	-	-
Managed properties	-	-	-	-
Loss carryforwards	38	13	13	10
Other deferred tax assets	25	9	-	-
Total deferred tax assets	66	26	13	10
Deferred tax liabilities				
Buildings and land	-	-	-	-
Managed properties	-	-8	-	-
Project and development properties	-184	-175	-	-
Other deferred tax liabilities	-10	0	-	-
Total deferred tax liabilities	-194	-183	-	-
Total deferred tax assets and liabilities, net	-128	-157	13	10

The Group and Parent Company recognize deferred tax assets to the extent that it is likely that deductions can be offset against future taxable profits.

The Group has recognized deferred tax on losses in companies that have accumulated losses. Losses are expected to be able to be used within the Group against future profits. Loss carry-forwards have no fixed maturity dates.

NOTE 32 OTHER PROVISIONS

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Additional consideration	18	53	-	-
Provisions relating to access to property	5	5	-	-
Provision for commitments attributable to property sales	16	58	-	-
Provision for guarantee undertakings	74	47	-	0
Provision for other undertakings	70	60	2	-
Total	183	223	2	0
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Provisions consist of;				
Long-term portion	170	223	2	0
Short-term portion	14	-	-	-
Total	184	223	2	0

cont. Note 32

	Additional consideration	Provisions relating to property	Provision for commitments attributable to property sales	Provision for guarantee undertakings	Provision for other undertakings	Total
As of January 1, 2019	53	5	58	47	60	223
Additional provisions	–	–	4	52	10	66
Reversed unused amounts	–	–	–	–	–	–
Utilized during the year	–35	–	–39	–24	–7	–106
As of December 31, 2019	18	5	23	74	63	183

Additional consideration

Concerns estimated future outflows attributable to the acquisition of businesses or project and development properties.

Provisions relating to access to property

Acquisitions of project and development properties are normally recognized as assets once binding acquisition agreements have been entered into, and where future conditional changes to detailed development plans are deemed highly likely. The probability of the detailed development plan being implemented is considered to be very high, which is why the property is recognized as accessed and allocation has been made in the corresponding amount.

Sales commitment

Concerns commitments conditional upon sales of properties or development rights.

Guarantee undertakings

Relates to expenses individually calculated for projects in order to rectify faults and deficiencies that may arise during the guarantee period, which is normally five years.

The fair value of other provisions corresponds to their carrying amounts, since discounting effects are minimal.

Other commitments

Pertain to provisions for undertakings that do not fall under the other categories and for disputes.

NOTE 33 ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Accrued interest expenses	4	3	3	3
Accrued personnel expenses	103	86	9	6
Prepaid rental income	1	2	0	0
Deferred income	0	0	0	2
Other accrued expenses	7	21	2	4
Total	115	112	14	15

NOTE 34 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets

CONCERNING LONG-TERM BORROWINGS	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Property mortgages	197	85	–	–
Frozen funds	30	30	–	–
Liens on assets	0	500	–	500
Total	227	615	–	500

CONCERNING SHORT-TERM BORROWINGS	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Property mortgages	122	124	–	–
Pledged shares in subsidiaries	1,195	1,202	–	–
Frozen funds	0	0	–	–
Liens on assets	500	–	500	–
Total	1,817	1,326	500	–

CONCERNING PROPERTY SALES	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Property mortgages	–	–	–	–
Total	–	–	–	–

cont. Note 34

Contingent liabilities

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Guarantee obligations of benefit for Group companies	–	–	341	572
Guarantees and contracting guarantees for Group companies	–	–	1,387	184
Guarantees in connection with property sales	204	226	184	225
Guarantee obligations for credit in tenant-owner's association	–	61	128	61
Guarantee obligations for advance payment and contribution guarantees in tenant-owner's association	128	143	204	143
Guarantee obligations for the benefit of associated companies*	19	20	19	20
Total	351	450	2,263	1,205

* Serneke Group AB (publ) has, in addition to the amount given above, entered into a guarantee undertaking, which entails that the co-owners in Änglagården Holding AB 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. At December 31, 2019, the associate's liability to credit institutions amounts to SEK 424 million (460).

Disputes and legal processes

In the operating activities, Serneke is occasionally involved in disputes or legal processes. Within the scope of primarily the construction operations, Serneke has presented what are considered to be justified requirements on the client, but that the client contests in part or in whole. In many cases, the client has also presented counterclaims. In other cases, the client has presented claims for example for alleged deficiencies in Serneke's performance of the work ordered. The combined amounts are significant. The reporting reflects Serneke's best assessment of the outcome, but it cannot be ruled out that the final outcome may deviate, in some cases significantly, from the assessments now made.

NOTE 35 CASH FLOW STATEMENT

ADJUSTMENTS ITEMS NOT AFFECTING CASH FLOW	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Share in profit of associates and joint ventures	–8	24	–	–
Revaluation on acquisition of controlling interest	–	–229	–	–
Unrealized changes in value	–	21	–	–
Capital gains, properties	41	–302	–	–
Capital gains	–4	–1	–	–
Appropriations	–40	27	–	–
Amortization and depreciation	50	24	3	2
Other non-cash items	16	–134	8	–20
Total	–55	–570	11	–18

Reconciliation of net debt

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Net debt	–1,224	–552	–643	–408
Liquid assets	162	389	66	310
Non-current interest-bearing receivables	37	51	0	0
Loan liabilities – fall due within one year	–461	–166	–10	–16
Loan liabilities – fall due after one year	–962	–826	–699	–702
Net debt	–1,224	–552	–643	–408
Liquid assets	162	389	66	310
Non-current interest-bearing receivables	37	51	0	0
Gross debt – fixed interest	–7	–22	–7	–22
Gross debt – variable interest	–1,416	–970	–702	–696
Net debt	–1,224	–552	–643	–408

GROUP	Other assets		Liabilities attributable to financing activities				Total
	Liquid assets	Non-current interest-bearing receivables	Finance leases maturing within one year	Finance leases maturing after one year	Loan liabilities maturing within one year	Loan liabilities maturing after one year	
Net debt at January 1, 2019	389	51	–24	–47	–142	–779	–552
Cash flow	–227	–14	–	–	–154	16	–379
Exchange-rate differences	0	–	–	–	–	–	0
Other non-cash items	–	–	–20	–152	–121	–	–293
Net debt at December 31, 2019	162	37	–44	–199	–417	–763	–1,224
PARENT COMPANY	Other assets		Liabilities attributable to financing activities				Total
	Liquid assets	Non-current interest-bearing receivables	Finance leases maturing within one year	Finance leases maturing after one year	Loan liabilities maturing within one year	Loan liabilities maturing after one year	
Net debt at January 1, 2019	310	–	–1	–3	–15	–699	–408
Cash flow	–244	–	0	–	0	4	–240
Exchange-rate differences	0	–	–	–	–	–	0
Other non-cash items	–	–	–1	–1	7	–	5
Net debt at December 31, 2019	66	–	–2	–4	–8	–695	–643

NOTE 36 RELATED PARTIES**Close associations**

The Group is under significant influence from Ola Serneke whom, via the company holds 57 percent (57) of the voting rights of the Parent Company Serneke Group AB (publ). The Parent Company of the largest Group in which Serneke Group AB (publ) is included is Ola Serneke Invest AB.

Ludwig Mattsson, family and company have a significant influence over Serneke Group AB (publ) through its holding of 13 percent (13) of the votes.

Transactions with Michael Berglin are considered to constitute related party transactions as Michael Berglin is a member of Group Management for Serneke Group AB.

Ola Serneke Invest

Ola Serneke's CEO, board member and owner of Ola Serneke Invest.

Ludwig Mattsson

Ludwig Mattsson is a Board member and, with family and companies, he has significant influence over Serneke Group AB.

Adapta

Adapta is under significant influence of Ludwig Mattsson, family and company. Ludwig Mattsson Chairman of the Board of Adapta.

Michael Berglin

Michael Berglin is a member of Group Management for Serneke Group AB.

Associated companies

In addition to the above related party relationships, the Group has a close relationship with its associates. See Note 21.

Subsidiary

In addition to the related party relationships stated for the Group, the Parent Company has a close relationship with its subsidiaries. See Note 20.

Summary, related party transactions

GROUP	2019	2018
Transactions with Ola Serneke Invest		
Sales to Ola Serneke Invest	4	1
Purchases from Ola Serneke Invest	1	44
Receivable Serneke Invest	–	–
Liability to Ola Serneke Invest	–	10
Transactions with Lommen Ludwig Mattson		
Sales to Ludwig Mattson	1	–
Purchases from Ludwig Mattson	–	–
Receivables from Ludwig Mattsson	1	–
Liabilities to Ludwig Mattson	–	–
Transactions with Adapta		
Sales to Adapta	152	540
Purchases from Adapta	12	12
Receivable Adapta	–	57
Debt to Adapta	1	4
Transactions with Michael Berglin		
Sales to Michael Berglin	4	3
Purchases from Michael Berglin	–	–
Receivable from Michael Berglin	5	4
Liability to Michael Berglin	–	–
Transactions with associates and joint ventures		
Sales*	76	356
Purchasing	18	16
Receivable	3	92
Liability	30	6

* Karlastaden was acquired on December 28, 2018 and transactions up to that date are included as related party transactions. Thereafter, there are no related party transactions as Karlastaden is wholly owned by Serneke.

Remuneration to senior executives

Information on remuneration to senior executives is presented in Note 11.

NOTE 37 EVENTS AFTER BALANCE SHEET DATE**New organization from January 1, 2020**

In 2019, it was decided to introduce a new organization and from year-end, the Group organizes its core business into five regions: South, West, East, Central and North. In each region, there is Serneke's entire offering of services within the construction operations and project development. The responsibility for a shared business with a strong local base rests with the regions that have full responsibility and powers to conduct the entire offering to the customers, which comprise construction, civil engineering and project development operations. In connection with the new organizational structure, the earlier business areas of Construction, Civil Engineering and Project Development are disappearing. Group Management is also changing and will consist of seven members as of 2020. On January 10, it was announced that Anders Arfvén would become the President of Serneke Sweden and receive the main national responsibility for all five regions.

Sale of Karlatornet postponed

Serneke previously had an agreement with Oaktree Capital Management ("Oaktree") regarding the sale of 80 percent of Karlatornet, in the city district of Karlastaden on Lindholmen in Gothenburg. The implementation of the sale, which should have taken place at the end of March, has been postponed. Due to the concern caused by the coronavirus in the global financial market, Oaktree has decided to postpone the final agreement signing. As a consequence of the postponed transaction, Serneke has taken immediate actions and reduced the activity in the project to a minimal level.

Outbreak of coronavirus

Until the global outbreak of the coronavirus, the beginning of 2020 was on a par with 2019. It is now clear that the Group will be negatively impacted by the pandemic, the overall effects of which are not yet surveyable. The negative financial effect is deemed to lead to lower income and lower earnings if the consequences of the pandemic become prolonged. The company is very carefully monitors developments and has elevated preparedness to act through potential cost savings, among other factors.

Consent regarding credit facility agreement

On the reporting date of March 31, 2020, the Group did not manage a senior net debt in relation to EBITDA of 2.5. For this, the bank has provided consent to grant an exemption for the financial commitment in the credit facility agreement. This consent applies until the next reference date that falls on June 30, 2020.

**NOTE 38 APPROPRIATION OF THE PARENT
COMPANY'S PROFIT**

The Annual General Meeting has at its disposal the following amounts, SEK

Profit/loss brought forward	-286,475,572
Share premium reserve	802,570,581
Profit/loss for the year	-102,159,048
Total	413,935,961

The Board proposes that the unappropriated earnings be distributed as follows, SEK:

Dividend	0
Carried forward:	413,935,961

APPROVAL OF THE FINANCIAL STATEMENTS

The Annual Report was approved by the Board and approved for publication April 14, 2020.

The Board of Directors and the CEO certify that the financial statements have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities and give a true and fair view of the Company's financial position and performance and that the Board of

Directors' Report gives a true and fair view of the Company's operations, financial position and performance and describes significant risks and uncertainties facing the Company.

The Board of Directors and the CEO certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and give a true and fair

view of the Group's financial position and performance and the Board of Directors' Report gives a true and fair view of the Group's operations, financial position and performance and describes significant risks and uncertainties facing the Companies included in the Group.

Gothenburg, April 14, 2020

Kent Sander
Chairman

Mari Broman
Board Member

Ludwig Mattsson
Board Member

Ola Serneke
*Board Member Board Member Board Member
CEO*

Anna-Karin Celsing

Anna Belfrage

Fredrik Alvarsson
Board Member

Our auditor's report regarding this annual report and consolidated financial statements was issued 14 April 2020.
Deloitte AB

Harald Jagner
Authorized Public Accountant

Auditor's Report

This auditor's report is a translation for the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

To the general meeting of the shareholders of Serneke Group AB (publ) corporate identity number 556669-4153

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Serneke Group AB (publ) for the financial year 2019-01-01–2019-12-31 except for the corporate governance statement on pages 33–41. The annual accounts and consolidated accounts of the company are included on pages 26–89 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 33–41. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Disclosures of special significance

Without it impacting our statements above, we want to direct the reader's attention to the information provided in the Board of Directors' Report under the section "Capital structure" where it is stated that the Group initiated an action program with the aim of ensuring a sustainable capital structure. A long-term capital structure is a prerequisite for continued operations and in order for the company and Group to fulfil their obligations. This action program includes dialog with banks regarding an expansion of the line of credit, a review of the project portfolio with the aim of freeing up liquidity and notification of terminations to reduce costs. Unless liquidity is obtained to the extent that the Board and the CEO expect from the actions described in the Board of Directors' Report under the section "Capital structure", there is uncertainty regarding the company's ability to continue its operations. Our statement is not modified in this respect.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue from construction contracts

Description of risk

Revenue from construction contracts is recognized over time. When the financial outcome of a project can reasonably be measured, the project income and project expenses attributable to the project are recognized as income and expenses in reference to the project's percentage of completion at the end of the reporting period. The percentage of completion is primarily measured on the basis of the relationship between project expenses incurred for work completed at the end of the reporting period, and estimated total project expenses.

This requires that project income and expenses can be assessed in a reliable way, which in turn requires efficient and coordinated processes and systems for managing and following up on contract assignments in a reliable manner, which in turn requires good procedures for governance and follow-up of construction contracts. Changes in project forecasts could have a significant impact on the Group's result and financial position.

The Group discloses information about risks and risk management regarding construction contracts in the Board of Directors' Report on the

page 30. Accounting policies and critical areas of assessment relating to the percentage- of-completion for construction contracts are described in Note 2 Significant accounting policies, Note 3 Key estimates and assessments and Note 26 Construction contracts in the Annual Report.

Our audit procedures

Our audit included, but was not limited to, the following procedures:

- evaluation of the Group's policies of revenue recognition and compliance with IFRS,
- review and evaluation of internal controls for application of revenue recognition over time,
- review of a sample of construction contracts through interviews with executive management and construction managers, analysis of risks and uncertainties in forecasts, verification of information in forecasts of contracts as well as assessment of degree of completion and reported income, and
- review of that relevant notes in compliance with IFRS have been disclosed in the financial reports.

Rental property portfolio sale

Description of risk

During the year, Serneke divested land and in connection with such sales signed construction contracts for the construction of properties on the divested land ("the Transaction"). Revenue from the Transaction has been distributed between income from the sale of land and income from construction contracts. The Transaction includes several significant estimates and assessments, such as identifying performance obligations and allocating received compensation between different performance obligations. The revenue from the Transaction is conditional on certain future events occurring that are beyond Serneke's control. Accordingly, there are also assessments of the likelihood of these events occurring in the future. Incorrect assessments may have a significant impact on the Group's performance and financial position. The Group discloses information about risks and risk management regarding assessments surrounding the Transaction in the Board of Directors' Report on the page 30. Accounting policies and areas of critical assessment relating to the land sales are described in Note 2 Significant accounting policies and Note 3 Key estimates and assessments.

Our audit procedures

Our audit included, but was not limited to, the following procedures:

- evaluation of the Group's policies of revenue recognition and compliance with IFRS,

- examination of the Transaction regarding the underlying agreement, evaluation of the Group's assessment of the performance obligations and allocation of revenue to the identified performance obligations,
- evaluation of the Group's assessment of the likelihood that conditions regarding future events are fulfilled and
- review of that relevant notes in compliance with IFRS have been disclosed in the financial reports.

Our Accounting specialists participated in the implementation of audit procedures.

Valuation of project and development properties

Description of risk

The Group's project properties amounted to SEK 3,274 million. The project properties are recognized at the lower of cost and net realizable value. Assessment of the net realizable value requires the company management to make several material estimates and assessments, such as future cash flows, remaining investments and local price analysis for each property. Relatively small changes in estimates and assessments could have a significant impact on the Group's performance and financial position.

The Group discloses information about risks and risk management of project and development properties in the Board of Directors' Report on the page 30. Accounting policies and critical areas of assessment regarding risks related to the development of projects and properties are described in Note 2 Significant accounting policies, Note 3 Key estimates and assessments and Note 23 Project and development properties in the Annual Report.

Our audit procedures

Our audit included, but was not limited to, the following procedures:

- evaluation of the Group's principles of classification and valuation of project and developable properties and compliance with IFRS,
- verification that a selection of the year's capitalization agrees with the underlying agreements and meet criteria for capitalization,
- review of drafts of agreements on sales on-going over year-end regarding Karlatornet to assess the net realizable value,
- review of implemented external appraisals and examination of input data and calculations, and inquiries with external appraisers and comparison with the Group's carrying amounts and
- review of that relevant notes in compliance with IFRS have been disclosed in the financial reports.

Our Accounting specialists participated in the implementation of audit procedures.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-25 and 93. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an

auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further presentation of the auditor's responsibility for the audit of the annual accounts and consolidated accounts can be found on the Inspectorate of Sweden's webpage: www.revisorsinspektionen.se/revisorsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Serneke Group AB (publ) for the financial year 2019-01-01–2019-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among

other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 33-41 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Deloitte AB, was appointed auditor of Serneke Group AB by the general meeting of the shareholders on the 2019-05-08 and has been the company's auditor since 2013-05-14.

Gothenburg, April 14, 2020
Deloitte AB

Signature on the original document

Harald Jagner
Authorized Public Accountant

Annual General Meeting 2020

The Annual General Meeting of Serneke Group AB (publ) was held on Tuesday, May 5, 2020, at 2:30 p.m. in the Company's premises at Kvarnbergsgatan 2 in Gothenburg.

Due to the risk of the spread of the novel coronavirus (COVID-19) and authority recommendations regarding this, some changes are made regarding the implementation of the Annual General Meeting.

The Government has suggested that temporary measures be implemented to facilitate the implementation of shareholders' meetings and thereby reduce the risk of spreading the infection. The proposal means that all limited liability companies in shareholders' meetings held after April 15, 2020 and for the rest of the year are permitted to use the gathering of authorizations and postal voting even though this is not regulated in the Articles of Association.

If the proposal is approved by the Swedish Parliament, Serneke intends to come back with instructions on the website for how the shareholders can exercise their voting rights through either gathering authorizations or postal voting.

Serneke is carefully monitoring the developments regarding COVID-19 and when necessary will update the precautionary measures described above before the Annual General Meeting on www.serneke.se.

Shareholders wishing to take part in Annual General Meeting must be registered in the shareholders' register maintained by Euroclear Sweden AB as of Tuesday, April 28, 2020, and have notified the Company of their participation, no later than Tuesday, April 28, 2020, preferably before 4:00 p.m. (CET). Registration is done by mail to Serneke Group AB, Attention: Inger Svanholm, Kvarnbergsgatan 2, 411 05 Gothenburg, by telephone: +46-31-712 97 00 or by e-mail: agm@serneke.se. Upon notification, shareholders must state their name, Swedish personal identity number/corporate identity number, address, telephone number, shareholding and the names of any accompanying assistant/s (maximum of two).

In order to attend the Meeting, shareholders with nominee-registered shares must temporarily re-register their shares in their own name

with Euroclear Sweden AB. Accordingly, shareholders must inform the trustee of this request in ample time prior to April 28, 2020.

Shareholders represented by proxy shall issue a written and dated power of attorney. If the proxy is issued by a legal person, a certified copy of the registration certificate or similar papers of authorization are also required. Power of attorney, registration certificates and other authorization documents must be available for the Meeting and, in order to facilitate entry to the Meeting, sent to the Company at the above address, no later than April 28, 2020. The power of attorney may not be older than one year unless indicated that it is valid for a longer period, not exceeding five years. Proxy forms for shareholders wishing to attend the Meeting by proxy will be made available on the Company's website www.serneke.se.

The complete invitation will be made available on www.serneke.se.