

An aerial photograph of a large industrial port, likely a shipyard, during the golden hour of sunset. The scene is filled with various industrial structures, including large warehouses, cranes, and ship hulls. The water in the harbor reflects the warm orange and yellow light of the setting sun. In the foreground, the dark silhouette of a person's head and shoulder is visible on the right side, looking out over the port. The sky is a mix of light blue and orange, with a few wispy clouds.

**SERNEKE®**



In October 2017, Serneke Construction signed a collaboration agreement with Akademiska Hus on a new building for the School of Business, Economics and Law at the University of Gothenburg. The building, of approximately 12,000 square meters, will be a closely collaborative project. The potential order value is estimated at around SEK 350 million.





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The audited Annual Report of Serneke Group AB (publ), 556669-4153, consists of pages 56-112. The Annual Report is published in Swedish and English, and the Swedish is the original version. Sustainability priorities are integrated throughout the Annual Report.

# One of Sweden's largest construction companies

Serneke is a construction and project development group with a comprehensive offering in construction, civil engineering, project development and property management.

With sales of SEK 5.6 billion, Serneke is one of Sweden's ten largest construction companies. The operations comprise comprehensive construction and civil engineering services as well as supplementary services within development and management of residential, community and commercial properties and industrial premises. The customers consist primarily of state, municipalities and county councils, as well as state and municipal property companies, but also private property companies and industrial and commercial companies.

Operations are focused on the three metropolitan areas of Gothenburg (Region West), Stockholm (Region East) and Malmö (Region South). The number of employees at the end of 2017 was approximately 1,000.

## MILESTONES

- 2017** Detailed development plan for Karlstad gains legal force
- 2016** Serneke's share listed on Nasdaq Stockholm
- 2015** Inauguration of Prioritet Serneke Arena
- 2014** Establishment in Stockholm through acquisition of Värmdö Bygg
- 2012** Sales of SEK 1 billion reached
- 2011** Wins contract to construct Göteborgs Energi's new office complex
- 2010** Opens office in Malmö
- 2008** Wins contract to construct Vattenfall's office at Ringhals
- 2004** Group structure established
- 2002** Serneke founded

INCOME, SEK MILLION

**5,605**

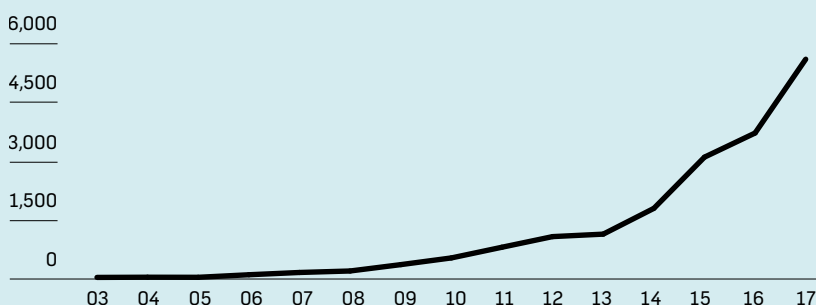
GROWTH 2017

**41%**

NUMBER OF EMPLOYEES

**1,007**

SERNEKE'S INCOME DEVELOPMENT 2003–2017 (SEK MILLION)



Between 2003 and 2017, Serneke's sales increased from SEK 14 million to approximately SEK 5.6 billion, which corresponds to an average annual growth rate of approximately 50 percent.



# Four business areas in collaboration

Serneke's operations are conducted within the four business areas Construction, Civil Engineering, Project Development and Property Management. A high level of collaboration between the business areas

enables both a strong customer offering as well as operational and financial synergies. Most of Sernekes' income comes from the contracting operations in the Construction and Civil Engineering business areas. Business Area Construction showed strong and

profitable growth in 2017 and Business Area Civil Engineering continued its stable development with positive earnings. This creates stability and the right conditions for the entire Group.



# 2017 in brief

INCOME, SEK MILLION

## 5,605

OPERATING PROFIT, SEK MILLION

## 419

OPERATING MARGIN, %

## 7.5

ORDER BOOKINGS, SEK MILLION

## 6,400

ORDER BACKLOG DECEMBER 31, 2017, SEK MILLION

## 7,965

### CONTINUED GROWTH AND STRENGTHENED PROFITABILITY

Consolidated income for the full year 2017 amounted to SEK 5,605 million (3,978), an increase of 41 percent compared with 2016. The strongest growth was in Business Area Construction, but other business areas also showed continued positive development, both financially and operationally. Business Area Civil Engineering turned a loss into profit during the year.

Operating profit amounted to SEK 419 million (411). Divestment of 50 percent in the Karlstad project during the second quarter of 2016 affects comparative figures.

### STRENGTHENED POSITIONS WITHIN CONSTRUCTION AND CIVIL ENGINEERING

During the year, Serneke continued to strengthen its position in the Construction and Civil Engineering business areas. Growth in the contracting operations amounted to 52 percent (Construction) and 37 percent (Civil Engineering) during the year. The main driving forces were a large number of new projects in the residential, infrastructure and public services segments. At the same time, profitability continued to improve, mainly due to more and larger projects in full production with a better operating margin.

### GROWING ORDER BOOK – AND CONTINUALLY LARGER PROJECTS

Demand in the market remained strong during the year. In total, order intake increased by 16 percent to SEK 6,400 million (5,539). The order backlog as at year-end amounted to SEK 7,965 million (7,041). As at year-end, close to 50 percent of the value of Construction's order backlog consisted of projects with an order value of more than SEK 300 million, and more than 88 percent with an order value of more than SEK 100 million. 42 percent of Construction's customers and 74 percent of Civil Engineering's customers consisted of municipal or government-owned companies.

### INCREASED LEVEL OF COLLABORATION CONTRACTS

More procurements took place during the year in the form of partnering or collaboration contracts in which Serneke and the client develop the project together. For Serneke, the arrangement results in reduced risk and improved conditions for the final product to exceed customer expectations in terms of quality and price.

### STRENGTHENED ORGANIZATION

The recruitment rate of both blue-collar and white-collar employees remained high during the year. At the end of the year, the Group passed the 1,000-employee milestone. In order to support the business operations, staff functions have been strengthened, while a number of construction managers and other white-collar workers have been recruited.

### KARLSTADEN REACHED SEVERAL MILESTONES.

The development of Karlstad took several steps forward in 2017. In June, the Gothenburg City Council adopted the detailed development plan for the area, and the plan gained legal force in December. During autumn, excavation and earthworks began at the site where Karlstaden will be built. Interest in apartments in the building remained high, and a total of 454 apartments had been sold by the end of the year. During the year, a letter of intent was signed with Nordic Choice Hotels for establishing a hotel in the lower part of Karlstaden.

### NEW DISTRICT OUTSIDE STOCKHOLM

In May, Järfälla Municipality decided to proceed with plans to, together with Serneke, develop a whole new district in Veddesta outside Stockholm. The land allocation agreement gives Serneke, for a period of three years, exclusive negotiation rights with the municipality regarding transfer and development of the area.

### CONTINUED STRONG CONSTRUCTION AND CIVIL ENGINEERING MARKET

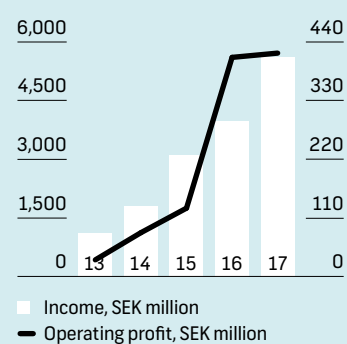
Activity in the Swedish construction market remained high in 2017. The main driving forces included major infrastructure projects and continued extensive housing construction.



### KEY INDICATORS

SEK million	2017	2016
Income	5,605	3,978
Operating profit	419	411
Operating margin, %	7.5	10.3
Earnings per share, SEK, after dilution	13.81	21.22
Equity per share, SEK, after dilution	77.73	62.83
Equity/assets ratio, %	41.3	42.7
Net debt	254	-37
Net debt/equity ratio, %	13.9	-2.5
Order bookings	6,400	5,539
Order backlog	7,965	7,041

### INCOME AND OPERATING PROFIT





# Development in business areas

## BUSINESS AREA CONSTRUCTION

Business Area Construction continued to grow during the year with stable profitability. Order bookings remained strong, largely driven by high demand in the housing sector. Other prominent projects during the year included a contract for the construction of two hotels for Magnolia Produktion AB and project assignments for the School of Business, Economics and Law at the University of Gothenburg.

## BUSINESS AREA CIVIL ENGINEERING

Business area Civil Engineering turned a loss into profit during the year, with good growth in all geographical markets. There have been more projects, and they have become bigger and more complex. Among the more prominent of these is the construction of a new boiler house for a new combined heat and power plant for Borås Energi och Miljö AB, excavation, leveling and groundwork for the construction of Karlatornet, as well as earthworks and details for multi-dwelling buildings and terraced houses in Upplands Väsby.

## BUSINESS AREA PROJECT DEVELOPMENT

The Karlastaden project took several steps forward in 2017. In June, the Gothenburg City Council adopted the detailed

development plan for the area, and in December the plan gained legal force. Interest in the project remained high during the year. In July, a letter of intent was signed with Nordic Choice Hotels for establishing a hotel in the lower part of the tower, and a total of 454 apartments had been sold by the end of the year. During the year, Serneke and Pareto divested the jointly owned project company that owns the properties that are part of the new campus of Mälardalen University in Eskilstuna. The sale resulted in an underlying property value of approximately SEK 800 million.

## BUSINESS AREA PROPERTY MANAGEMENT

Major events during the year included additional acquisitions in direct connection to Söve flygplats at Hisingen in Gothenburg. At the end of the year, Serneke's total land holdings in the area amounted to approximately 3.2 million square meters of developable field. Among the tenants are CEVT, the Swedish Maritime Administration, Region Västra Götaland and Svensk Pilotutbildning. The vision is to continue developing the area into an experience and logistics center and an area for research and development in the automotive industry.

## MAJOR ASSIGNMENTS IN 2017

- Continued work on Karlastaden project
- Construction of 195 apartments in Älvsjö-staden for Familjebostäder
- Construction of an additional 80 residential properties in the area of Trädgårdsstaden Hestra in Borås
- Construction of a boiler house for a new combined heat and power plant for Borås Energi och Miljö AB
- Rebuilding road 798 between Esarp and Genarp in Skåne
- Construction of apartments and townhouses for Skandia Real Estate in Sundbyberg
- Contract for the construction of 116 tenant-owner apartments in the Brunnshög area of Lunds Kommuns Fastighets AB
- Contract for the construction of 275 apartments and preschool in Arlöv for Magnolia Produktion AB
- Contract of 183 apartments in Halmstad for Halmstads Fastighets AB (HFAB)
- Collaboration agreement with Akademiska Hus on a new building for the School of Business, Economics and Law at the University of Gothenburg.
- Turnkey contract with Stockholmshem regarding the construction of 160 residences in Årsta
- Construction agreement with HSB regarding 125 residential property apartments in Björkekärr, Gothenburg.
- Serneke has signed an agreement with Magnolia Produktion AB to build two hotels, one in Halmstad and one in Lund
- Contract for a new knowledge and culture center in Falkenberg for Falkenberg Municipality

## INCOME

SEK million	2017	2016
Business Area Construction	4,919	3,229
Business Area Civil Engineering	623	455
Business Area Project Development	212	373
Business Area Property	51	15
Group-wide*	127	99
Elimination	-327	-193
<b>Total</b>	<b>5,605</b>	<b>3,978</b>

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

## OPERATING PROFIT

SEK million	2017	2016
Business Area Construction	183	86
Business Area Civil Engineering	1	-36
Business Area Project Development	65	334
Business Area Property Management	213	37
Group-wide*	-43	-10
<b>Total</b>	<b>419</b>	<b>411</b>
<i>Net financial items</i>	<i>-18</i>	<i>-17</i>
<b>Profit before tax</b>	<b>401</b>	<b>394</b>













## New district in Veddesta

Järfälla Municipality decided in 2017 to proceed with the plans to establish, together with Serneke, a brand new district in Veddesta. In addition to housing, schools, retail and hotels, sports facilities including an indoor ski circuit are central part of the plans.

The land allocation agreement with Järfälla Municipal Council gives Serneke, for a period of three years, exclusive negotiation rights with the municipality regarding transfer and development of the area. The municipality and Serneke will together develop a detailed development plan.

The land allocation agreement stipulates that the parties will work to plan new construction in the neighborhood, including housing, sports facilities, offices, hotels, schools, retail and culture. An indoor ski circuit is also included in the letter of intent.

The area of land where the new district is planned is located on the western side of the E18 highway, adjacent to the current Veddesta Centrum shopping center, with direct access to the future extension of the Stockholm Metro's blue line.





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#### FACTS

Name: Ola Serneke

Born: 1971

**Background:** Master of Engineering from Chalmers University of Technology in Gothenburg. Recruited to Peab after graduation. In 2002, founded Serneke and Fagerberg construction och consulting AB (later SEFA), which in 2014 changed its name to Serneke. Lives in Gothenburg and outside Alingsås. Passionate about sports and cars.



# Continued growth and strengthened margins

## How would you summarize 2017?

"It was a good year for Serneke. We see continued positive development in all our business areas, in terms of both growth and profitability. Consolidated income for the year amounted to SEK 5,605 million, an increase of 41 percent compared with the previous year. Operating profit increased to SEK 419 million (411). If the increase here appears to be more modest, it should be kept in mind that earnings for 2016 were strongly affected by the sale of 50 percent of the Karlstad project. Our financial position is stable, and as at year-end we had an equity/assets ratio of 41 percent.

The development during the year entails that we are performing in line with our business plan and our financial targets. Furthermore, this means that we continue to strengthen our position in the market. We have now completed the transition from newcomer to one of Sweden's ten largest construction companies – capable of competing for the largest and most complex projects. There are currently no projects we do not have the capacity to carry out.

Looking at our own organization, we have worked significantly with process development during the past year. We now have a clear structure for all stages of the value chain, from planning and

implementation to governance, control and follow-up."

## Describe the development of the contracting operations.

"Growth in our contracting operations, Business Area Construction and Business Area Civil Engineering, was 52 and 37 percent, respectively, and order bookings increased by a total of 16 percent. The order backlog amounted to close to SEK 8 billion at the end of the year, an increase of approximately 13 percent compared with the same period last year. In line with our strategy, we are also seeing that the projects are getting larger and extend over longer periods of time. The proportion of projects with an order value of more than SEK 300 million has increased and now accounts for 50 percent of Construction's order backlog.

Business Area Construction continues, according to plan, to be the primary engine with strong development in terms of both sales and earnings. The developments are mainly driven by continued high demand in the housing sector but also for buildings for public and commercial operations. The improvement in profit and margin is mainly explained by more and larger projects in full production with a better operating margin.

“ We have now completed the transition from newcomer to one of Sweden's ten largest construction companies – capable of competing for the largest and most complex projects. There are currently no projects we do not have the capacity to carry out.

“ We are now large enough to offer the same security and knowledge as the market leaders, but with more energy, greater involvement and a more modern approach. We have a different view of the relationship with clients, customers and society at large. We believe in partnership, collaboration and transparency – to work towards common objectives where everyone has full transparency.

Business Area Civil Engineering has turned a loss into profit during the year, which is very exciting. Here we are now entering 2018 with good control and a stable organization.”

#### **And in project management and property development?**

“Within Business Area Project Development, we have more ongoing projects than before. By the end of 2017, the estimated value of the project development portfolio amounted to SEK 1,814 million. In Business Area Property Management we still see good rental income from, among other things, S ve flygplats and Prioritet Serneke Arena.”

#### **After further acquisitions, Serneke now owns approximately three million square meters of land at S ve flygplats. What are the plans for this?**

“The development of S ve flygplats and the surrounding area is one of our largest and most exciting projects. The potential is enormous. Airline operations and current tenants will remain, and our vision is to

develop the area into an experience center and development area for various types of motor-related activities. Previously, the road network to the airport area has not been adequately large, but acquisitions during the year have given us the opportunity to link the area to major traffic routes, which further increases potential.”

#### **The Karlstad project took several steps forward during the year. How would you describe the development?**

“In December 2017, the detailed development plan for the project gained legal force. We are looking forward to starting construction in 2018, while continuing to develop the area for housing, offices, retailers, schools, health centers, restaurants and other aspects of a vibrant urban environment. Interest in the project has remained strong from both private individuals and commercial players. We had also sold about 80 percent of the 584 apartments in Karlatornet as of December 31, 2017. And during the year we also signed an agreement with the hotel chain Choice for a 20-year lease. Collaborating with



Petter Stordalen on this is going to be very exciting.”

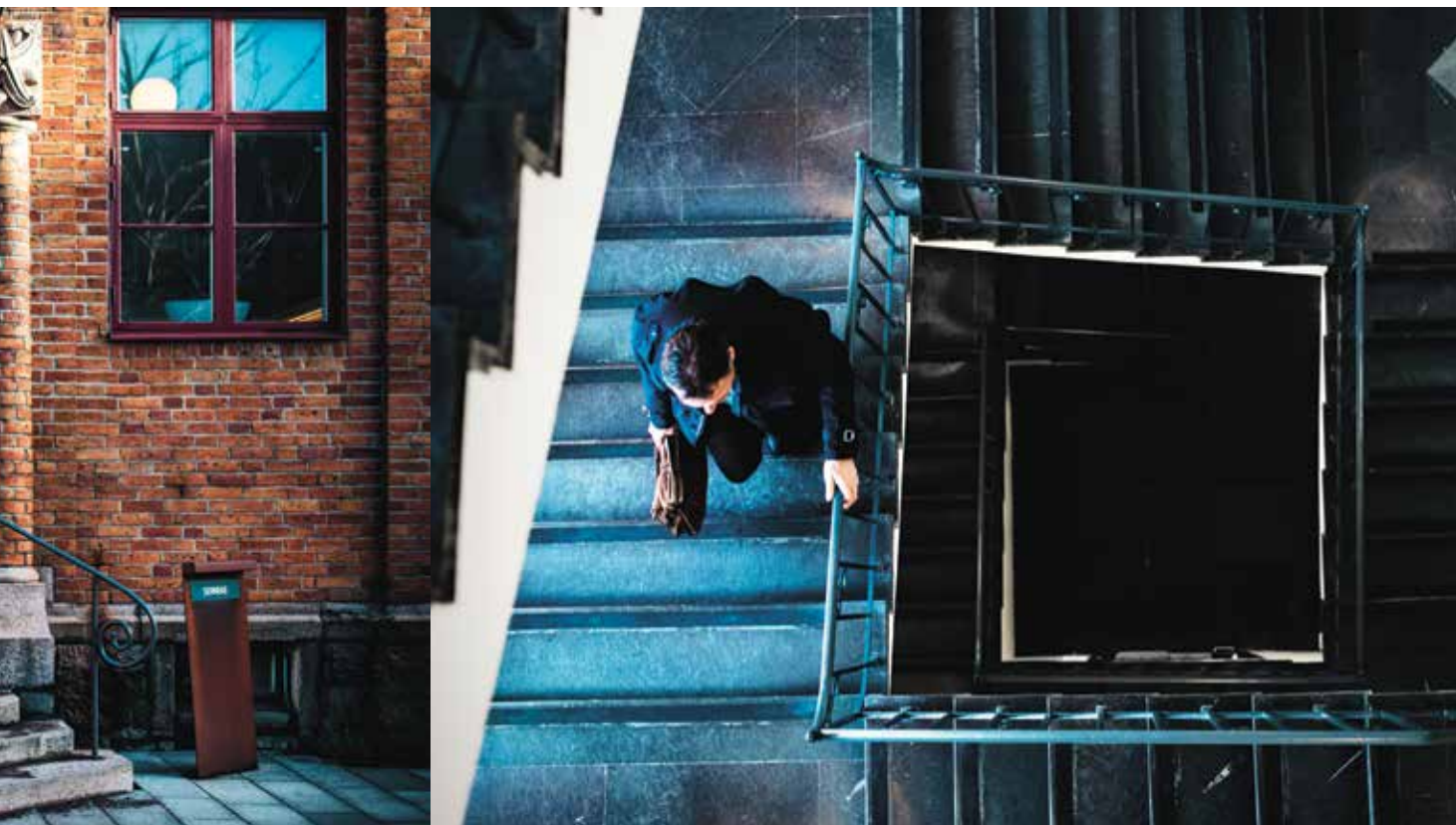
#### **The contracting and property markets have been very strong in recent years. How do you see development in the future?**

“There are ongoing extensive infrastructure projects in all our three main regions, while the housing shortage remains high. The National Board of Housing, Building and Planning forecasts a need for 600,000 new homes to be built by 2025. In addition, there is also a growing need for upgrading the properties built during the Million Homes Program years. Together, this will drive demand for construction and civil engineering services for many years to come. Therefore, our assessment is that the market will continue to be strong in the future.”

#### **How would a decline in the property market affect Serneke?**

“During the past year, we have seen a subdued market in a number of niche segments, primarily more expensive projects





in central Stockholm. All operations are associated with risk, but if we look at Serneke's overall risk profile, our assessment is that we have good control. The absolute majority of our income comes from our contracting operations. The assignments here mainly consist of larger and longer projects with customers such as the government, municipalities and stable property developers. The project portfolio also includes a wide range of assignments, with both residential and commercial properties, schools and other public sector buildings. Our view is that these activities will be significantly affected by a subdued development in the housing market.

As for our own project development operations, the main principle is that we will not start building until a large proportion of the project is sold. Our view is that the demand for good housing in the right location at the right price will remain high in the future. Here, it is also important to keep in mind that the majority of our housing rights were acquired before 2015, when prices were at a significantly lower level.

On the property side, our business model is about acquiring properties that have rental income – and thus generate cash flow – but with great development potential. The portfolio is today relatively limited in size and basically unencumbered. And we do not estimate that a decline would affect us in any significant way.”

**What distinguishes Serneke from other players in the construction and contracting market?**

“We talk about ourselves in terms of being the ‘next-generation’ construction and property development company. This entails taking on projects and challenges in a partly new way. For many years, our market has been dominated and characterized by a few very large players. We are now large enough to offer the same security and knowledge as the market leaders, but with more energy, greater involvement and a more modern approach. We have a different view of the relationship with clients, customers and society as a whole. We believe in partnership, collaboration and transparency – to work towards

common objectives where everyone has full transparency. This perspective also characterizes the organization internally. We have a different perspective on issues related to leadership and development opportunities.”

**How would you describe Serneke's corporate culture?**

“Since our inception, we have been very focused on establishing a culture that is both results-oriented and value-driven – based on our common core values. Entrepreneurship and the pursuit of innovative thinking are essential elements of our DNA. If you are committed and see opportunities, you are more interesting than anyone who chooses to walk the beaten path and focus on problems.”

**One of the industry's major challenges is a lack of expertise. Is this an obstacle for Serneke's continued growth?**

“The lack of experienced staff is a major problem for the industry – but so far not for us. In 2017 alone, the number of employees increased by approximately

**“** We will continue to challenge the major players, thereby changing the playing field in the construction market. We have come a long way, but there is still a lot left to do.

160, of which about half were white-collar employees. We feel that we have a strong employer brand that enables us to retain existing employees and recruit new ones. Employers today must offer something more than just a good salary. We believe that our corporate culture, based on commitment, courage, honesty and community involvement, appeals to young and talented employees. We think in new ways and give our employees the opportunity to take the next step in their career journey – while taking an active role in the development of society. On a more comprehensive level, our ambition is to leave our mark on, and contribute to, positive social development – not only for us but for future generations as well. In the same way as Karlatornet and Prioritet Serneke Arena function as magnets for their respective districts, the projects also serve as good marketing for us as a group and employer.”

**You passed the 1,000-employee milestone this year. What are the demands on the organization from such rapid growth?**

“For us, growth is not a temporary phase but a permanent state. It is in our nature and we are organized for it. We will continue to develop and grow. To sit still is not an option for us. Then, of course, the challenges of rapid growth must be respected. It places significant demands on clear procedures and processes. We have in recent years worked hard to establish operations and a culture that supports the development and our growth ambitions. We want to retain the agility of a small company while benefiting from the opportunities for economies of scale and synergies that come with being a large company.”

**You started the Serneke Goals initiative during the year. What does that involve – and how do you view corporate and social responsibility?**

“Our business is basically about developing cities, towns and communities. Through our projects and by virtue of our

size, we have both a responsibility and an opportunity to make a difference. We want to be involved and contribute to a better, more inclusive, society and positive urban development – and improve public health. We are convinced that this approach is good both for the communities and the local businesses. We have signed the UN Global Compact and adopted its ten principles, which form the basis of our sustainability efforts.

In addition to the work with projects, we provide support and contribute in several ways, with particular focus on the health and well-being of children and adolescents. Goals is our new sponsorship program. Here we have set up clear guidelines and criteria for the initiatives we choose to support. We are now involved in a large number of projects. One of the more exciting of these is IFK Göteborg’s project “Plans for the Future”, which involves establishing smaller soccer fields, “courts”, for both organized and spontaneous activities in vulnerable areas.”

**What are the future goals? What is the next step?**

“We have said that we are going to generate income of SEK 10 billion in 2020, and we see no reason to retract that goal. Operationally, the goals are also the same as before – we will continue to challenge the major players, thereby changing the playing field in the construction market. We have come a long way, but there is still a lot left to do. The ambition is to continue to grow in the three metropolitan regions, Stockholm, Gothenburg and Malmö. We also see opportunities for continued expansion in the rest of Sweden, and mainly in the larger cities. In terms of the Construction and Civil Engineering business areas, the focus remains on larger and more complex projects. In the Project Development and Property Management business areas, we will continue to work to develop our project and property portfolio. Of course, the work with Karlastaden and Södra flygplats will be key parts of this.”





# Next generation construction company

Serneke offers comprehensive and complementary services in construction, civil engineering, project development and property management. We base our approach on the needs of our customers and aim to be perceived as the most dedicated, professional, innovative and dynamic contractor in Sweden.

## VISION

Serneke's vision is, through profitable growth, to challenge and develop as a leading contractor in construction, civil engineering, project development and property management.

## BUSINESS CONCEPT

Serneke is the next generation contractor. We demonstrate this by constantly challenging, daring to think differently and questioning the current industry conditions we face every day. We believe that challengers drive development and that new ways of thinking create more efficient and innovative solutions.

## OUR OFFERING

We offer the same security and expertise as the market leaders, but with more energy, greater commitment and a more modern approach. We are distinguished by the major social responsibility we take in everything we do. We, together with our customers, want to develop products that are socially sustainable and create added value for society. We want to be at the forefront among our competitors regarding environmental issues, sustainability and innovation, and we want to engage people through construction that promotes sports, health and lifestyle.

### COMMITMENT AND COURAGE

We are more committed to everything we do. Everything can be developed further, and we are motivated by improving and thinking in new ways. We take pride and responsibility in what we do.

### SIMPLICITY AND DRIVE

We resolve problems closest to the source, and the fastest route to a solution is always a straight line. We have the courage and knowledge to make difficult things easy.

### HONESTY AND RESPECT

Only by accepting shortcomings and weaknesses can we develop, and trust needs to be earned. We are always honest towards ourselves and others. Regardless of whom we meet, where or how, we always show respect. Mutual respect paves the way for dialogue, cooperation and development.

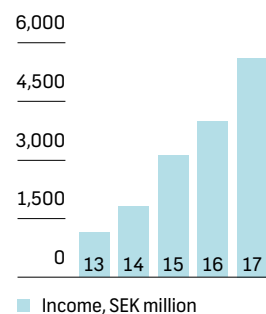
### VISIONARY AND SOLUTION-ORIENTED

We do not accept questions being labeled as problems. For us, they are an opportunity to develop ourselves, our offering and our organization.

# Financial targets

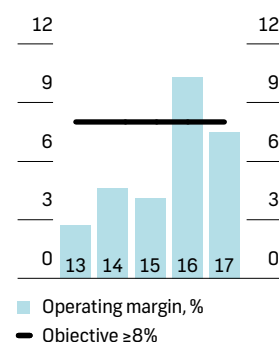
## GROWTH

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



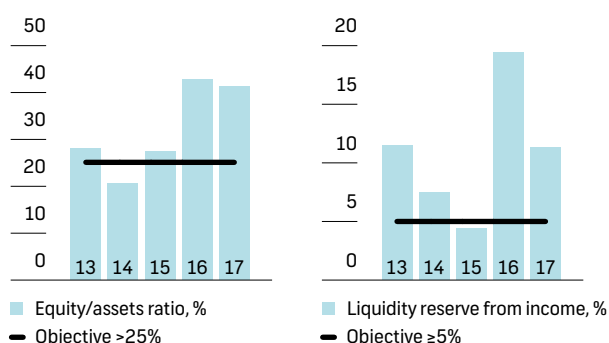
## PROFITABILITY

The long-term target in the Construction and Civil Engineering business areas is an operating margin of 5 percent. Business Area Project Development strives for a return on capital employed of 20 percent and Property Management for a return on equity of 20 percent. For the Group as a whole, this represents a long-term target of maintaining an operating margin of about 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-month period.



## DIVIDEND POLICY & PROPOSED DIVIDEND 2017

Serneke's long-term dividend policy is to distribute 30 to 50 percent of net profit after tax for the previous financial year. Ahead of the 2018 Annual General Meeting, the Board of Director's proposes a dividend of SEK 4 (0).

# Strategy for profitable growth

Serneke's overall goal is to continue to grow, in a structured manner with good profitability. The strategy is based on the Group's common strengths and an understanding of both the surrounding environment and the market.

## **FOCUS ON MAJOR CONSTRUCTION PROJECTS IN CONSTRUCTION AND CIVIL ENGINEERING**

The core of Serneke's operations in the future will also consist of construction and civil engineering projects. The overall focus is on large and more complex projects where Serneke's competitive advantages make the biggest difference. For Business Area Construction, the strategy is to continue to grow, while retaining focus on profitability. Business Area Civil Engineering is still under development, and the strategy is to, in a controlled manner, follow the development curve of Business Area Construction and focus on gaining larger projects, primarily in the foundations and earthworks sector as well as road infrastructure.

## **FOCUS ON METROPOLITAN REGIONS IN SWEDEN**

Serneke strives to grow and increase its market position, primarily in the priority regions of Stockholm, Gothenburg and Malmö and their environs. Through a strong organization and a highly reputable comprehensive offering, the Company estimates that Serneke can grow faster than the Swedish construction market in general, capturing market share from competitors in construction and civil engineering.

## **BALANCED INVESTMENTS IN PROJECTS WITHIN PROJECT MANAGEMENT AND DEVELOPMENT**

The contracting operations are characterized by relatively low margins but good ability to generate large and stable cash flow. Parts of the cash flow generated in the Construction and Civil engineering business areas will be used for investments in property and project development. The projects are generally characterized by low risk and have good market prospects. Potential acquisition targets may be either properties developed within the Group with stable cash flow and the potential for long-term appreciation or strategic land and property acquisitions expected to have potential for future development over time.

## **UTILIZING THE STRENGTH OF THE ENTIRE GROUP FOR INCREASED PROFITABILITY**

Through continuous investments in processes, systems and organization, Serneke gradually adapts the organization for continued growth while maintaining good internal control. Having its own skilled workers gives the company the opportunity to influence implementation and maintain control over the execution phase, even when subcontractors are hired in. A large proportion of white-collar workers affords good control of time management, economy and quality-assurance throughout the process.

## **SUPPLEMENTARY SELECTIVE ACQUISITIONS**

Serneke has a clearly defined acquisition policy and a structured strategy for identifying, implementing and integrating acquisitions. We are continuously evaluating potential acquisitions that can supplement the existing market offering and provide positive synergy effects. Stable earnings and a similar corporate culture are among the more critical parameters. Our acquisition strategy aims primarily at strengthening the position in prioritized regions, gaining access to competent employees and continuing to strengthen the offering in the contracting operations.





## Business model

Serneke's business model is based on synergies between the business areas, the acquisition of operational and financial synergies, as well as a weighted balance between risk and opportunity for returns.

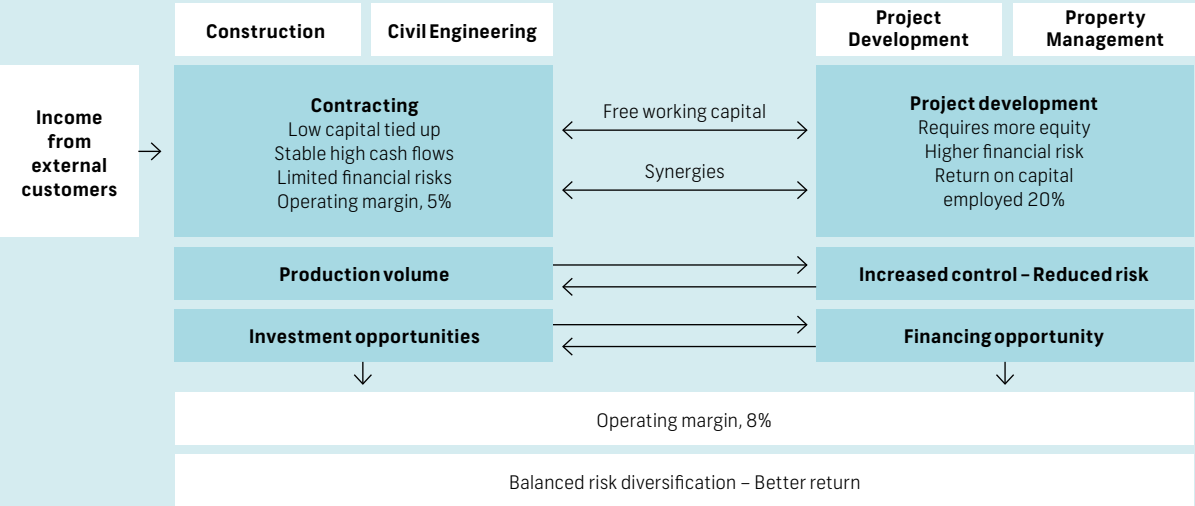
The core of Serneke's operations consists of contracting assignments in construction and civil engineering. The contracting operations are capital-efficient, generate good cash flows and are characterized by limited financial risk. Through collaboration and cooperation, the entire process, from land allocation to completed construction, can be controlled to ensure efficiency in terms of time and expenses, as well as quality.

The working capital generated in the construction operations enables financing of investments in our own, risk-weighted development and

property projects – with the opportunity for good returns on invested capital. In addition to our own returns, these investments, in turn, also create assignments for the contracting operations.

Project development activities aim to complement the Group's contracting offering in order to generate higher returns on greater risk takings and to realize, under the company's own auspices, the business concept of creating better and more sustainable communities.

Through supplementary expertise within property management, we can control the time of sale ourselves, while creating cash flow for the Group and working on value development in the longer term.



# Stable platform for continued growth with good profitability

Since its inception in 2002, Serneke has established itself as the innovative challenger in the market for construction and civil engineering contracts in Sweden. The work has been based on a clear strategy and resulted in a stable platform that provides good conditions for continued growth with good profitability.



## » A STRONG POSITION IN THE CONSTRUCTION INDUSTRY

With sales of SEK 5.6 billion, Serneke is currently one of Sweden's largest construction and civil engineering companies. In 2017, growth in the construction operations was around 50 percent, while the operating margin increased sharply. The primary driving force behind the increasing profitability is a goal-oriented focus on larger and more complex projects, which is reflected in the order book.

## » STRONG MARKET CHARACTERIZED BY STRUCTURALLY CONTINGENT DEMAND

Continued extensive housing construction as well as major investments in infrastructure are expected to contribute to high activity in the construction and civil engineering market in the future. Investments in housing, commercial buildings and facilities are estimated to reach approximately SEK 533.5 billion in 2018.

## » A STRONG BRAND

A strong corporate culture and a well-known, respected brand are among Serneke's primary assets. The company culture is characterized by an entrepreneurial spirit and enthusiasm, pride, personal commitment, innovation and cost-efficiency. Several large-scale and high-profile projects reinforce the image of Serneke as a responsible and attractive employer that can offer exciting and developmental job opportunities.

## » MAJOR OPERATIONAL AND FINANCIAL SYNERGIES

A high level of collaboration between the business areas enables both a strong customer offering as well as operational and financial synergies. Operationally, close collaboration allows for coordination within, among other things, planning, calculation and project implementation. Financially, the stable cash flows from construction companies enable ongoing investments in the more capital-intensive project development and property management operations.

## » STABLE PROJECT AND PROPERTY PORTFOLIO IN ATTRACTIVE LOCATIONS

In addition to the contracting operations, Serneke has a project and property portfolio with good potential for future appreciation. The portfolio consists of risk-weighted projects, residential and commercial properties in attractive locations. Through efficient processes and experience from previous complex projects, combined with knowledge and resources from its own contracting operations, Serneke is able to control the entire construction process and thereby ensure projects are carried out with good profitability.

## » STRONG POSITIONS IN SWEDEN'S METROPOLITAN REGIONS

Serneke currently has a strong market position in the metropolitan regions of Stockholm, Gothenburg and Malmö. On this basis, Serneke has established a stable foundation for continued expansion and growth.

## » STABLE FINANCIAL POSITION

Serneke has a strong financial position, sound capital structure and a core business that generates strong cash flows. Altogether, this allows for continued investments in the operational activities as well as long-term creation of shareholder value.









# Sustainable Karlastaden – A new district is emerging

Just about ten minutes from Gothenburg Central Station, you will find Lindholmen and Karlastaden. This is where Serneke is developing a new district with 2,000 apartments (tenant-owner apartments and rental apartments), premises, shops, restaurants, health center and school.

The project will consist of 8 blocks with a gross area of approximately 275,000 square meters. The district will be built around Karlatornet, Gothenburg's first skyscraper with a height of approximately 245 meters.

The area is designed by renowned US architectural firm Skidmore, Owings & Merrill LLP, which, among other things, designed the Burj Khalifa in Dubai. The project is owned and operated by Karlastaden Utveckling AB, a joint venture between Serneke Project Development and NREP ([www.nrep.com](http://www.nrep.com)) with a holding of 50 percent by each party.

## SEVERAL STEPS FORWARD IN 2017

The project took several steps forward in 2017. In June, the Gothenburg City Council adopted the detailed development plan for the area, and in December the plan gained legal force. The project is now on its way to having an official construction start of the first, and largest, building in the district, Karlatornet. The objective is for Karlatornet to be completed in conjunction with Gothenburg's 400th anniversary in 2021.

In July, a letter of intent was signed with the hotel group Nordic Choice for the establishment of a hotel in Karlatornet. In addition to around 300 rooms, the hotel will include conference facilities, restau-

rants and bars as well as a spa and gym area.

In parallel, the sale of apartments in Karlatornet continues. There has been significant interest, and a total of 454 apartments had been sold by the end of the year.

## MAJOR FOCUS ON SUSTAINABILITY

The ambitions for Karlastaden are high, and the goal since the beginning has been for the district to be a spearhead in urban construction, both in terms of innovation and sustainability. Karlastaden will, therefore, be certified in accordance with BREEAM Communities. The UK sustainability certification system is one of the most recognized in the world, which entails ecological, economic and social sustainability with areas of assessment such as energy, social planning and biodiversity.

For the residents at Karlastaden, certification is a way of ensuring that the district will have what constitutes a good urban and residential environment. Everything is being taken into consideration in order to optimize the project in its entirety: There will be bike paths to facilitate biking, easily accessible public transport stops and placement of trees to contribute to a comfortable micro-climate by, for example, providing wind protection.

# A focus on creating value

Based on a strong vision and a clear strategy, Serneke strives to create value for customers, owners, suppliers and employees – but also for society as a whole.

2017 marked 15 years since Serneke was founded. The overall objective then was to challenge the largest players through innovative thinking and dedication, thereby changing the playing field in the construction market.

Since its inception in 2002, the business has been developed, broadened and deepened – and Serneke has strengthened its position step by step. There has been intense growth. Between 2002 and 2017, income increased from SEK 14 million to SEK 5.6 billion, equivalent to annual growth of just over 50 percent.

## STRONG COMMUNITY INVOLVEMENT

The foundation for Serneke's value creation is a competitive offering and a risk-weighted business model. Based on a strong brand, innovative thinking and good internal control, Serneke aims to create value for both clients and end customers. In addition, Serneke also strives to be a positive force and contribute to a more sustainable development – for society as a whole and at the local level, but also for each individual. One of Serneke's business fundamentals is that good profitability goes hand-in-hand with active

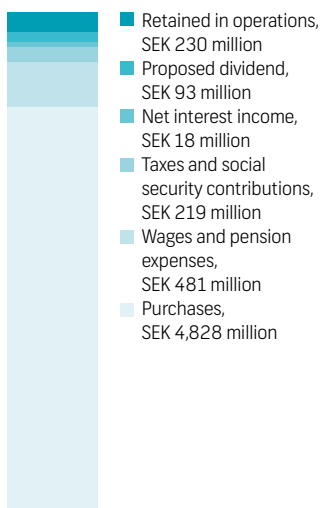
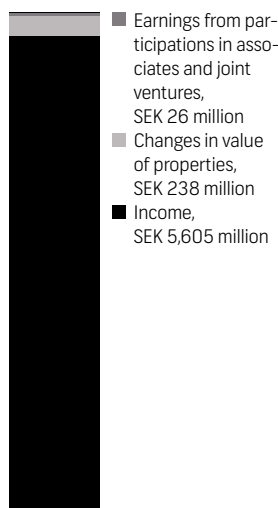
community involvement and responsibility. By approaching challenges in society as business opportunities, Serneke creates the conditions for long-term sustainable growth.

Therefore, Serneke's view of social responsibility covers a wide range of areas. Through the projects, Serneke contributes to improving communities and making them safer and more secure, as well as a positive urban development. From an employer's perspective, this entails creating job opportunities and providing stimulating work that promotes

FINANCIAL VALUE GENERATED, SEK MILLION

FINANCIAL VALUE DISTRIBUTED

# 5 869



## Serneke's income and expenses

In total, income for the Group increased by 41 percent in 2017. Most of the income came from the contracting operations in the Construction and Civil Engineering business areas. The expenses consisted mainly of purchases of goods and services and personnel expenses.

## Distribution of financial value

Being a positive force over time requires a sound and sustainable financial development. The basis is growth and a good financial return, which, in turn, enable both continued investments and initiatives, and a good dividend to the owners. This also allows Serneke to continue contributing to society by paying wages and taxes and, in other ways, contributing to the positive development of society.



Serneke supports Berättarministeriet, a non-profit foundation, with no political or religious affiliations, active in improving literacy among children and young people in Sweden so they may have the opportunity to actively participate in society.

development. This includes utilizing skills and creating jobs for young people and other groups who, for various reasons, experience difficulty entering the labor market. From an internal point of view, it is also about minimizing the negative impact of the operations on the environment and the climate. Furthermore, it involves running the business in a way that generates tax revenues and contributes to positive local development.

### FINANCIAL SUSTAINABILITY

Serneke's business is to be operated in a manner that ensures long-term sustainable financial sustainability – thus allowing for continuous investments as well as dividends to shareholders.

Serneke currently has a stable platform that creates good conditions for continued sustainable growth with good profitability. The goal for the future is to continue to develop each of the operations based on its specific conditions, and to take even greater advantage of the economies of scale and synergies that exist between the operations.



Photo: Karl Gabor

## VALUE CREATION FOR SERNEKE'S STAKEHOLDERS

### Clients and customers

Internal collaboration, a clear value base in, and close cooperation with, customers and clients, ensure that the projects are delivered in time, with the right level of quality and at the right cost.

### Society

Serneke strives to contribute to the positive development of society in various ways. Through its operational activities, Serneke wants to contribute to safe residential areas and common places that enable activity, recreation and health. In addition, the operations generate jobs and directly and indirectly contribute to tax revenues in the local economies in which the Group operates.

### Owners

Serneke's long-term dividend policy is to distribute 30 to 50 percent of net profit after tax for the previous financial year. For the financial year 2017, a dividend of SEK 4 per share is proposed. Read more about the dividend policy on page 17.

### Suppliers and partners

Serneke strives to have long-term and mutually value-creating relationships with selected suppliers and partners. During 2017, the cost of purchases of raw materials and services amounted to SEK 4,828 million (3,283). Purchasing is therefore Serneke's largest cost item, corresponding to 86 percent (83) of sales.

### Employees

Serneke creates value for its employees by offering competitive employment conditions, ongoing skills development and a forward-looking corporate culture. During 2017, salaries amounted to a total of SEK 437 million (342) and pension expenses to SEK 44 million).

# Continued strong construction and civil engineering market

Activity in the Swedish construction and civil engineering market remained high during 2017. The main driving forces included major infrastructure investments and a continued structural housing deficit.

According to preliminary figures, total investments in the Swedish construction and civil engineering sector in 2017 amounted to approximately SEK 513.5 billion, an increase of approximately 12 percent compared with the previous year. In terms of the different market segments, investments in residential housing accounted for approximately 50 percent, premises for approximately 30 percent, and civil engineering for approximately 20 percent.

## BOOST FROM METROPOLITAN REGIONS

The metropolitan regions of Stockholm, Gothenburg and Malmö accounted for more than 50 percent of the total investments in construction and civil engineering projects. In Stockholm, in addition to extensive housing construction, a number of major infrastructure projects are expected, such as the Odenplan–Arenastaden metro line, the Stockholm Bypass and the rebuilding of Slussen. In Gothenburg, preparations for the West Link Project and

Hisingleden, newly-started projects in, for example, The Forsåker area, new construction at Almedal's factories as well as the expansion of the Östra sjukhuset hospital contribute to a strong market. In Malmö, the market benefited from new projects in Västra hamnen, a new medical center at the University hospital and the railway link Flackarp–Arlöv.

## STRONG MARKET FOR THE FUTURE

Growth in housing construction is expected to slow slightly in 2018 due to stricter lending criteria, modest increases in real wages and rising mortgage rates. Overall, however, continued high activity in the construction and civil engineering market is expected in the future. In 2018, investments in housing are expected to amount to approximately SEK 284 billion, in premises to approximately SEK 152 billion and in civil engineering to approximately SEK 98 billion.

## DIVISION AND PLAYERS IN SWEDISH CONSTRUCTION MARKET

The Swedish construction market is generally divided into contracts for construction and contracts civil engineering. Construction includes the construction of properties intended for residential and/or commercial use. Civil engineering mainly encompasses substructures and earthworks for properties and construction of infrastructure. In addition to these segments, most of the major Swedish players in the construction market are also active in project development and property management.

The construction market is characterized by a handful of major nationwide companies and a large number of smaller local companies. Combined, three major players (Peab, Skanska and NCC) account for about a third of total sales in the Swedish market. In addition to these players, there are housing developer JM, government-owned infrastructure companies Svevia and Infranord, the Norwegian construction company Veidekke and Serneke.

## CONSTRUCTION INVESTMENT IN METROPOLITAN REGIONS 2016–2018

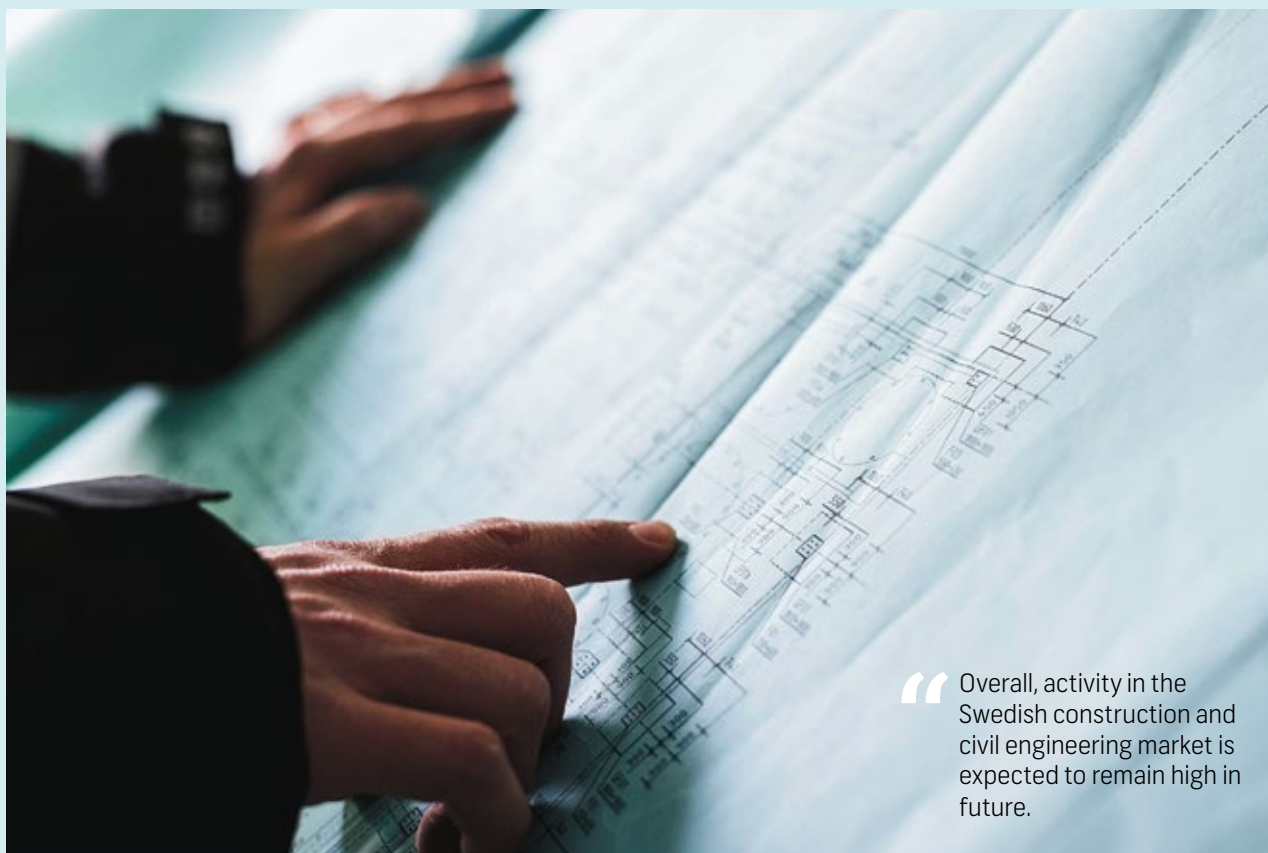
SEK billion	2016*	2017*	2018*
<b>Stockholm</b>			
Housing	90.8	107.2	112.5
Premises	51.7	54.3	54.5
Civil Engineering	25.1	27.5	28.7
<b>Total</b>	<b>167.6</b>	<b>188.9</b>	<b>195.8</b>

SEK billion	2016*	2017*	2018*
<b>Gothenburg</b>			
Housing	28.1	34.6	35.9
Premises	14.9	15.4	15.7
Civil Engineering	10.0	10.6	12.5
<b>Total</b>	<b>53.0</b>	<b>60.5</b>	<b>64.1</b>

SEK billion	2016*	2017*	2018*
<b>Malmö</b>			
Housing	18.2	22.0	24.0
Premises	13.2	13.9	13.9
Civil Engineering	3.8	4.1	4.2
<b>Total</b>	<b>35.3</b>	<b>40.0</b>	<b>42.1</b>

\*Forecast

Source: Swedish Construction Federation



“ Overall, activity in the Swedish construction and civil engineering market is expected to remain high in future.

## Trends in the construction market

### Turnkey contracts

In recent years, turnkey contracts have become more common; these are assignments in which the client contracts a developer that takes full responsibility and carries out everything from the design and planning to the selection and purchase of materials as well as the construction. This differs from traditional contracts in which the customer, in consultation with architects and other consultants, determines how the assignment is to be carried out and then procures the actual construction service.

### Collaboration agreements

The construction industry has become more transparent and collaboration has become increasingly commonplace. Collaboration entails the developer and the contractor working together closely throughout the project, with all parties having insight into the finances of the project. This often results in a more efficient pro-

cess, in which the construction company has a clear incentive to deliver good quality at the right price and on schedule.

### New property ownership category

With the strong demand for construction and civil engineering services in recent years, it has become more common for property companies to buy into construction companies to secure capacity for their own projects.

### More stringent procurement requirements

In recent years, customers have introduced more stringent procurement requirements, which entails that it is no longer possible to compete mainly by price. Contracting companies today must meet requirements such as minimum sales, ISO certification for quality and environment, organizational proficiency and the individual project members' experience.

### Increased international competition

As a result of declining local markets, there has been a noticeable increase in interest from major international construction companies based in Europe. The specific conditions prevailing in the regulated Swedish construction market have led to increased demand for partner arrangements with local Swedish partners.

### Investments for increased housing construction

A series of regulations have been proposed in recent years to facilitate housing construction. These include a noise-level ordinance, resulting in a simpler and clearer set of regulations, permitting modestly increased noise levels for housing. This means that residences can be built in more places and construction will be easier to initiate.



# Market drivers

## MACROECONOMIC FACTORS GDP

Strong GDP growth is a key prerequisite for the construction industry, although weaker periods may also be beneficial in certain cases. Construction civil engineering projects can then be used to stimulate the economy. In Sweden, GDP growth has historically moved in a stable and positive direction, and the National Institute of Economic Research (NIER) forecasts suggest that economic activity will remain at good levels in the future. In general, per capita GDP is higher in the metropolitan regions than in Sweden as a whole.

## Demography and urbanization

Changes in population size are an important factor for the development of the property market. 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. Population growth is expected to continue to be strong. Historically, population growth has been strongest in the metropolitan regions. This trend is expected to continue in the future, resulting in continued high demand for housing, public properties, commercial properties and infrastructure investments. The National Board of Housing, Building and Planning estimates that more than 600,000 new residences need to be built until 2025 to meet demand. About 75 percent of this need is expected to derive from the three metropolitan regions.

## Housing prices

Housing prices in Sweden have risen continuously since 1993. The trend is largely the result of high demand for housing combined with falling interest rates. This

is positive for the construction industry, as demand for housing tends to be strongly linked to the demand for new construction and renovation of housing.

## Interest rates

In a low interest rate environments, large amounts of capital are generally channeled into the property markets and housing prices tend to rise sharply, making new construction and renovations relatively cheaper. The low interest rates of recent years have led to low borrowing costs and more developers willing to initiate construction and civil engineering projects than previously.

## INDUSTRY-SPECIFIC FACTORS

### Political initiatives

Many major construction and infrastructure projects procured by the public sector are dependent on political decisions, objectives and considerations. Examples of policy decisions that can affect the market for major construction projects include large-scale infrastructure projects.

In recent years, decisions have been taken on a number of major infrastructure projects:

- **Stockholm Bypass:** Stockholm Bypass is one of Sweden's largest infrastructure projects. An SEK 100 billion traffic initiative connects new tracks and roads throughout Greater Stockholm.
- **West Link Project:** A railway link through a tunnel under central Gothenburg for commuter and regional trains, facilitating travel in Gothenburg and western Sweden. The budget is about SEK 20 billion.
- **Metro expansion in Stockholm:** Expansion of the metro to Nacka, Arenastaden and Barkarby and the extension of

the blue line to Gullmarsplan, connecting with the green line for greatly increased capacity through central Stockholm. The total cost is estimated at SEK 19.5 billion.

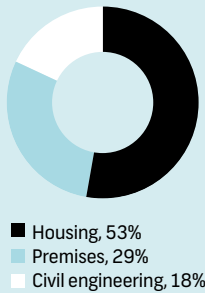
- **East Link Project:** The East Link Project is the first part of a high-speed railway network between Stockholm-Gothenburg and Stockholm-Malmö. A gradual construction start is planned in 2017–2021. The East Link Project is expected to be completed between 2033 and 2035 and the budget is approximately SEK 35 billion.

During the year, Trafikverket's proposals for national infrastructure plans were presented for the period 2018–2029. The total plan comprises SEK 622.5 billion, which is SEK 100 billion more than the previous plan (or approximately SEK 8 billion more per year). There will be a government resolution on the issue in spring 2018.

Other policy decisions that may affect the market for major construction projects are decisions on the development of districts or conversion of districts from industrial use to residential and office areas, or decisions to carry out extensive upgrades and remodels of older property holdings. As an example, the housing companies with holdings that largely consist of apartments built during the Million Homes Program of the 1960s and 1970s are facing major challenges, as these properties have often been neglected in terms of maintenance and are in significant need of renovation. 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.

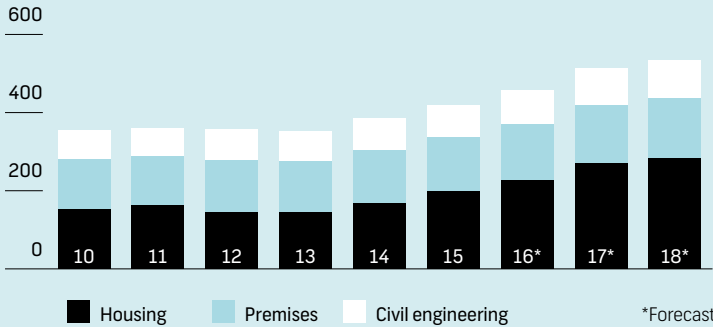


**DISTRIBUTION OF CONSTRUCTION INVESTMENT IN SWEDEN IN 2017**



Source: Swedish Construction Federation

**CONSTRUCTION INVESTMENT IN SWEDEN BY SEGMENT (SEK BILLION)**



Source: Euroconstruct



# 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 activities, we contribute to the development of towns, cities and society as a whole.

One of the construction and civil engineering industry's biggest sustainability challenges is to reduce the environmental impact related to construction and production. The construction industry uses large amounts of material resources and energy. Statistics from IVA (Royal Swedish Academy of Engineering Sciences) and the Swedish Construction Federation indicate that the overall environmental impact of construction processes in Sweden amounts to approximately 10 million tons of carbon dioxide equivalents per year, four million tons of which come from housing projects and six million tons from civil engineering projects. This is a comparable amount to the emissions from all passenger cars in Sweden, and more than all trucks and buses generate.

In addition to the direct impact during the construction phase, there is an impact from use as well as from demolition.

For several years, Serneke has been active with structured efforts to continuously make improvements in all stages of the valuechain. These efforts are conducted within our own organization, but also in collaboration with customers, partners and suppliers.

Other sustainability areas that are highly relevant for the construction and civil engineering industry are social responsibility, ethics and anti-corruption issues. There are also structured and continuous efforts being conducted regarding these issues in connection with all activities carried out within the Group.

## PRIORITIES AND OVERALL OBJECTIVES

The sustainability efforts are based on a materiality analysis, in which the most important and relevant aspects of sustainability have been identified. The central parts focus on an active commitment to society and minimizing the risk of injury to persons, property and the environment, as well continuously reducing the direct and indirect impact on the environment. In addition, the operations are conducted in a way that ensures financial sustainability, thereby enabling continued value creation for customers, employees, communities and shareholders – in the short and long term. A strong employer brand and the confidence of all stakeholders is crucial for achieving objectives.

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## VALUES

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

- Commitment and Courage
- Simplicity and Power to act
- Honesty and Respect
- Visionary and Solution-oriented

## 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 accounts. Serneke's business model is presented on page. 19. The sustainability framework is presented on pages 30–32, work environment aspects on pages 33–35, environmental aspects on pages 36–37 and anti-corruption on page 38. Risk descriptions can be found on pages 59–61. Unless otherwise stated, the information relates to the entire Serneke Group, including subsidiaries.



### STARTING POINTS

Sustainability work within Serneke is conducted on a long-term basis, with materiality, transparency and clear governance as the main guiding principles.

- **Materiality** We focus on what is most important to our business and where we have the greatest opportunity to make a difference.
- **Transparency** Our target is full transparency. What we report should be relevant and linked to the most material issues for our operations.
- **Clear governance** The CEO is responsible for the overall coordination and monitoring. Reporting and monitoring at all Regular Board Meetings. Continuous monitoring and feedback in each project.

# 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 includes Serneke's guidelines for suppliers and partners. It also describes the relationship with employees and other stakeholders, and the policy on gifts and bribes. 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 of Conduct. Monitoring is continuous within the framework of the ongoing operations.

## GROUP POLICIES

Serneke has several policies to clarify regulations and instructions. Among these are the aforementioned Code of Conduct and purchasing policy that clarify ethical positions, internally as well as for our suppliers. The environmental policy describes Serneke's comprehensive approach to environmental issues and overall principles for the management and monitoring of the environmental work. The alcohol and drug policy describes Serneke's position on alcohol and illicit drugs. The main principle is that all employees are prohibited from being under the influence of alcohol or illicit drugs at work.

## 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 6,000 corporate members from 135 countries, the largest global initiative for corporate responsibility and sustainability issues. Corporate members commit

themselves to live up to ten principles on human rights, the environment, labor standards and anti-corruption, and respect these throughout the value chain.

## ILO CORE CONVENTIONS

Serneke follows the International Labor Organization's (ILO) eight Core Conventions regarding a minimum standard for working conditions worldwide. This regards basic human rights in the workplace.

## INDUSTRY-WIDE AGREEMENTS

In addition to the aforementioned framework, Serneke adheres to a number of industry-wide agreements and guidelines. These include, among other things, an industry-wide agreement that aims to combat bribery and corruption in the publicly funded construction and property sector.

## CERTIFICATIONS

Serneke Bygg AB and Serneke Anläggning AB are certified according to ISO 14001:2004 (environment) and ISO 9001:2008 (quality).

## ORGANIZATION AND RESPONSIBILITY

Serneke is a nationwide company with several business areas that operate in close cooperation with one another. The Group's operations are divided into four business units, which operate on the basis of a regional structure. The ongoing sustainability efforts are carried out by the Group, within the business areas and in close cooperation with clients and customers. Collaboration between the business areas and the central support functions enables high quality and a continuous exchange of experience. The development is monitored using a well-structured plan, with the CEO having ultimate responsibility. The CEO is also responsible for the continuous reporting to the Board of Directors. The responsible managers in each business area are responsible for implementation.

## 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, these control procedures ensure a consistently high level of quality. The principal external controls include monitoring and auditing of clients and stakeholders associated with the project, audits in relation to ISO certification and re-certification, inspections by the Swedish Work Environment Authority, the Swedish Tax Agency's control of personnel ledgers and the trade unions' job site and workplace inspections and ongoing monitoring.



# A safe work environment

The construction and civil engineering 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. Preventative measures, well-developed procedures and systematic monitoring form the core of these efforts.

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 business area levels and in the projects. There is collaboration at all levels in terms of health and safety aspects.

## PREVENTATIVE MEASURES

Identification of potential risks forms the basis for effective safety efforts. Serneke works actively to identify risks, both overall and in each project. The work is based on a regular annual overall risk analysis, in which different types of operational risks are analyzed 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. In addition to annual follow-up procedures, structured and regular monitoring of incidents and accidents takes place at both the Group and business area level. Within the projects, risk analysis is always carried out at all stages of work.

Serneke has a Quality, Environment and Work Environment department (KMA) that visits the Group's projects to monitor and identify areas of improvement. Twice a year, joint meetings with safety officers are held to review procedures and areas of improvement. In 2017, the KMA department recruited several new coordinators to best support the projects.

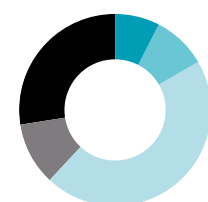
## ACCIDENTS AND INCIDENTS 2017

In 2017, nine accidents occurred that resulted in absence of more than eight hours and/or medical treatment with subsequent sick leave. The actual number is likely larger, with those accidents not being reported. During the year, the KMA department has been actively involved in the dissemination of information to increase the reporting of accidents and incidents. The objective is to report all incidents, regardless of whether they concern Serneke's own employees or subcontractors.

## ACCIDENT RATE



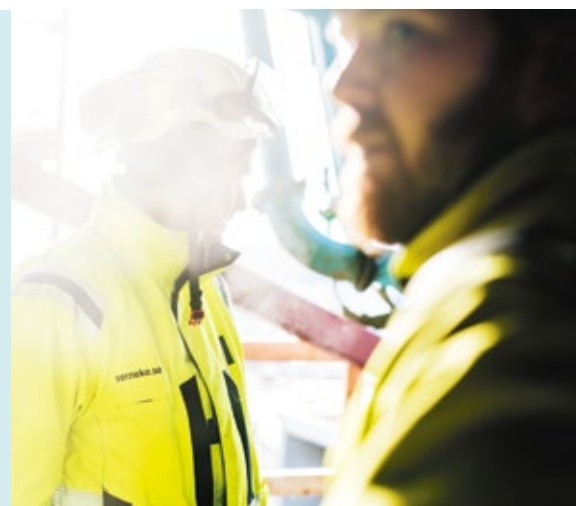
## TYPE OF ACCIDENT AND INJURY



- Sprains, strains, and dislocations, 5
- Crushing injury, 6
- Wounds and superficial injuries, 30
- Skeletal injuries and fractures, 7
- Other, 18

## CRISIS EXERCISE 2017

Safe workplaces are of the highest priority for both management and on job sites. At the end of the year, a crisis exercise was carried out for Serneke's crisis management team. The purpose of the exercise was to further enhance understanding of the challenges involved in a crisis event – and increase the ability to effectively manage them. The group that participated in the exercise consisted of the Deputy CEO, the Managing Directors of the Construction, Civil Engineering and Project Development business areas, the HR manager, KMA manager and communications department. The exercise was conducted using an external consultant and an opponent group consisting of four people from the site management for one of Serneke's own major construction projects. The scenario used for the exercise was a serious workplace accident with injuries and deaths.



# A stimulating workplace

Being a next generation construction company also entails the employer perspective. Serneke has a strong employer brand characterized by clear values and ambitious objectives. The pursuit of continued growth provides a good opportunity for those who want to develop and grow in responsibility.

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.

Serneke offers employment on market terms and conditions, good opportunities for ongoing competence development, and a stimulating, safe and healthy work environment. In addition to external recruitment, goal-oriented work is carried out to enable high internal mobility.

## CONTINUED STRONG GROWTH IN 2017

As at year-end, the number of employees in the Group was approximately 1,000. In recent years, recruitment rates have been high, and in 2017 alone the organization grew by about 160 new employees. Reinforcements have been made in all areas of the Group, both in the business areas and centrally. The high proportion of white-collar workers, about 50 percent of the average number of full-time employees, provides competitive advantages early in the planning phase of each assignment.

## DEVELOPMENT OF HR FUNCTION

To support the Group's continued expansion, HR has been expanded during the year with additional HR coordinators in Gothenburg and Malmö. During the year, a review of the function was also initiated to

enable wider and more qualified support for the organization within all of HR's areas of responsibility. As part of this work, the implementation of a new HR system began during the year, which will enable increased efficiency and higher quality of delivery to the organization in areas such as recruitment, training, payroll auditing and employee talks.

## SKILLS DEVELOPMENT

Continuous professional development is offered for both blue-collar and white-collar employees. 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. During the past year, a structured skills inventory was carried out in the Construction and Civil Engineering business areas. In parallel, a common training catalog was created that describes which courses are required for their respective positions – as well as the courses offered.

## EQUALITY AND DIVERSITY

Everyone within Serneke, regardless of gender, 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.

The proportion of women in the organization is still relatively low but has increased by more than 60 percent since 2015. The stated objective is that both sexes 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 total, the proportion of women was 17 percent at the end of the year.

## ANONYMOUS REPORTING OF INCIDENTS

During the year, an online feature was implemented that allows all employees to anonymously report incidents of sexual harassment at the workplace to a third party. The purpose of the function is to ensure that any irregularities are brought to the attention of Serneke in the event using the normal communication channel via the immediate supervisor or HR function is not possible.

## HEALTH PROMOTION

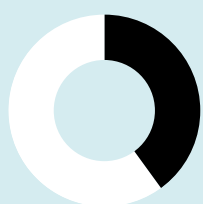
At Serneke, physical activity is encouraged. In addition to health care contributions, a variety of exercise opportunities are provided. Our head offices have a gym that all Group employees have access to. In addition, the internal sports club Serneke IF arranges ski trips, running, yoga and cycling. Serneke is also a partner in Fjätervålen's mountain wintersports facility. The aim is for the facility to function as a recreation center and training center for all employees.

## PERIODIC EMPLOYEE SURVEYS

Significant focus is placed on measuring and monitoring the attitudes of employees and the initiatives undertaken within the Group. Regular employee surveys are an important part of this work. A more extensive survey is conducted every two years. The latest survey, conducted in 2016, showed continued positive commitment among employees. Employees enjoy their colleagues and the good atmosphere in the workplace, there is strong confidence in Serneke's management and 95 percent of all employees would recommend Serneke as an employer to friends and acquaintances.

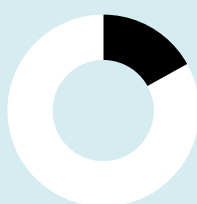


PROPORTION OF BLUE-COLLAR WORKERS TO WHITE-COLLAR WORKERS



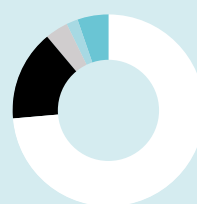
■ Blue-collar workers, 40%  
 ■ White-collar workers, 60%

PROPORTION OF WOMEN AND MEN



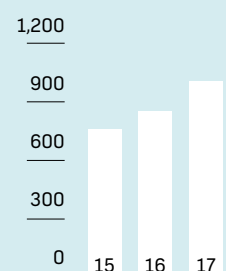
■ Women, 17%  
 ■ Men, 83%

PROPORTION OF EMPLOYEES BY BUSINESS



■ Construction, 73%  
 ■ Civil Engineering, 15%  
 ■ Project Development, 4%  
 ■ Property Management, 2%  
 ■ Other divisions, 6%

NUMBER OF EMPLOYEES





# Sustainable value chain

The environmental impact of the construction and civil engineering industry is large, particularly in terms of greenhouse gas emissions. 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 good sorting and handling of waste.

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 focuses on minimizing environmental impact during construction. Through the planning, selection and documentation of construction and materials, environmental performance is optimized for the use and demolition stages as well.

The processes with the highest environmental impact in construction and civil engineering comprise energy consumption in projects and at workplaces, resource consumption, and waste and transport.

## PURCHASING

The majority of purchases Serneke conducts are locally in the specific projects. 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. Environmental considerations should always be used as a parameter in each procurement process. At the project level, the purchasing work is also governed by defined requirements, environmental as well as social, from clients and customers. It can be anything from specific materials to ensuring the projects at the overall level meet specific assessment criteria, such as SundaHus or Basta.

## ENERGY USE

Serneke actively works to reduce energy consumption from its operations. The Group continuously conducts energy surveys to identify efficiency and improvement measures. In 2017, a detailed energy survey was carried out of ongoing construction projects and parts of the property portfolio. Energy efficiency measures can be identified and implemented by reviewing the use of electricity, heat, lighting, construction machinery, transport, etc. By 2020, Serneke will have surveyed 100 percent of the Group's energy consumption, in accordance with current legislation.

Serneke advocates the use of renewable energy. Since 2013, Serneke has had an agreement with Svensk Naturenergi AB, which provides the majority of offices and projects with electricity from wind power.

In 2017, Serneke's energy consumption rose sharply, largely due to the acquisition of S ve flygplats in 2016 and overall in several construction projects. In 2017, renewable electricity accounted for approximately 95 percent of total electricity consumption.

## RESOURCE EFFICIENCY AND WASTE MANAGEMENT

One of Serneke's highest priority environmental issues is resource consumption and waste management. 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 of the Group is to minimize resource consumption, reduce waste generation and reduce the proportion of unsorted waste.

Within the Group, we work on the so-called "waste hierarchy". The order of priority entails first and foremost preventing waste material, followed by reusing, recycling, and, finally, depositing in

landfills. The hierarchy applies on the condition that it is environmentally appropriate and economically feasible.

An important aspect of the effort to reduce the amount of waste is to increase the accuracy of the calculation of how much material will be needed. Concrete is one of the materials with a high environmental impact. In the Civil Engineering operations, extra focus has therefore been placed on minimizing spillage in concrete work, with good success. With a target of less than 2 percent spillage, a volume of less than 1.5 percent has been measured in the projects reviewed.

## INTERNAL ENVIRONMENTAL EDUCATION

All Serneke employees are offered training in environmental issues. The program takes a holistic approach to environmental issues and legislation and makes use of solid advice on limiting the environmental impact of the company's own operations. On occasion, there are also opportunities to exchange experiences between the different business areas and projects.

## ENVIRONMENTAL CERTIFICATION

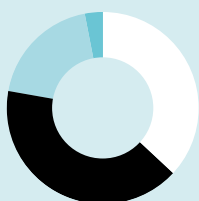
We have extensive experience and are well-versed in working with different types of environmental certifications. Within the organization, there is qualified competence within the certification systems BREEAM, LEED, the Nordic Swan ecolabel, and the Sweden Green Building Council. Through the certifications,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

### GAMLESTADS TORG

Together with Platzer, Serneke is developing "Gamlestads torg" in Gothenburg, a project comprising two buildings including Gamlestadens Resecentrum. The project is being carried out in accordance with the LEED environmental certification, a globally recognized certification for buildings. When assessing environmental performance, LEED takes into account the environment, water, energy, material choices and indoor climate.

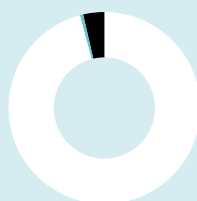


DISTRIBUTION  
ACCORDING TO THE  
WASTE HIERARCHY



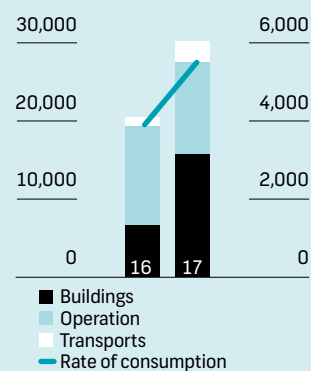
■ Energy recovery, 37%  
 ■ Recycling, 41%  
 ■ Reuse if needed by waste contractor, 19%  
 ■ Refuse dump, 3%

DISTRIBUTION OF  
ENERGY TYPES



■ Renewable, 96%  
 ■ Fossil, 0.5%  
 ■ Nuclear power, 3.5%

ENERGY CONSUMPTION, MWH,  
SEK MILLION



# Major focus on ethics and anti-corruption

For Serneke, it is important to act ethically. It strengthens competitiveness and contributes to a high level of trustworthiness.

Serneke respects the laws and regulations of the jurisdiction where we operate. We have zero tolerance for all forms of corruption, including all types of bribery and corruption. The 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. It also clearly defines policies on areas such as gifts, drugs and alcohol, and potential conflicts of interest.

Serneke is characterized by extensive delegation of responsibility and authority.

The Group gives employees extensive freedom with their responsibility and encourages quick and aggressive leadership. The culture encourages commitment, responsibility and ethics in relationships and a positive interaction with society as a whole. Through clear governance and monitoring of the projects throughout the entire development chain, we prevent risks and ensure that the ethical guidelines are followed.

## 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 supports the agreement.

# A strong community involvement

Serneke wants to take an active role in community development. By virtue of our size, we have both an opportunity and a responsibility to be involved and make a difference. Our commitment is demonstrated by our projects and in our extensive commitments alongside our strictly operational activities.

Through our projects, we want to contribute to the positive development of society, safe residences and common buildings and places for activities, recreation and relaxation. In addition to the direct operational activities, we offer various forms of targeted support. In accordance with the guidelines for community involvement, Serneke prioritizes initiatives related to its values, competence and operations. Projects or initiatives related to child and adolescent health and learning are the first priority. The projects

should contribute to a positive development of the individual, the Group and the local markets in which we operate. The support can be given either in the form of financial contribution or through the transfer of knowledge.

## PARTNERSHIPS WITH SOCIAL OVERTONES

Serneke is involved in several projects in which social responsibility has an key role. These include the City of Gothenburg, where we create different kinds of jobs for those outside the labor market. Another social engagement project is in conjunction with a private property manager, in which Serneke has an active role in the employment of 5–10 unemployed youths who will be recruited as apprentices during the construction phase and who will, upon completion of the appren-

ticeship period, be granted the opportunity for permanent employment. Moreover, the youths will be given the opportunity to gain access to their own apartment after completing the training.

## SUPPORT FOR BERÄTTARMINISTERIET

Serneke is a long-term partner with Berättarministeriet, an organization that aims to attract students to the written word. Since its foundation in 2011, over 20,000 children and young people have taken part in their operations. Berättarministeriet provides schools in its enrollment areas with free educational programs mainly directed to students in grades two through five. The programs are anchored in the curriculum and act as a cross-curricular support for teachers.





### SERNEKE GOALS – NEXT GENERATION SPONSORSHIP

Our sponsorship is based on creating the right conditions for realizing goals set by associations, athletes, organizations and events. Building the foundation for good things to grow and thrive, which in turn benefits society and the next generation.

We are a construction company from the beginning and know that with a strong foundation, the sky's the limit. We provide that foundation so the sponsorship recipients can provide the drive. This way, they can focus on what they do best, and we can be a part of helping them achieve that.

We admire all who dare go their own way, who have the drive to continue, despite others telling them it isn't possible, who are honest with themselves and others, and who respect their surroundings. We believe that commitment, courage and clear goals will take you very far. We have therefore named our sponsorship program Serneke Goals, in order to support solid goals for us as a company, for society and, of course, for our many sponsorship commitments. Some call it CSR, but we see it more as an opportunity to achieve common societal goals that benefit everyone.

## Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in SERNEKE Group AB AB, corporate identity number 556669-4153.

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

### Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the financial year 2017 on pages 30–39 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination

of the statutory sustainability report is substantially different and 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 opinion.

### Opinion

A statutory sustainability report has been prepared.

Gothenburg 28 March 2018  
Deloitte AB

### Signature on the original document

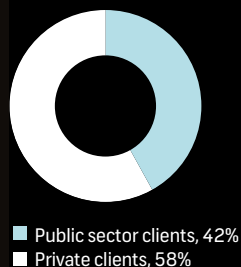
Harald Jagner  
Authorized public accountant



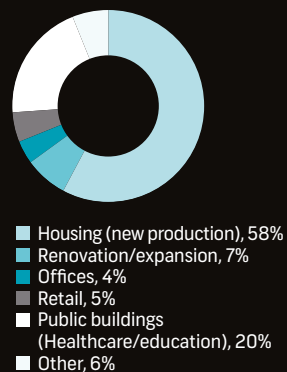
### INCOME AND PROFIT

Income during the year amounted to SEK 4,919 million (3,229), an increase of 52 percent. Operating profit amounted to SEK 183 million (86), an increase of 113 percent. The operating margin was 3.7 percent (2.7). The improvement in profit and margin over the corresponding period in 2016 is mainly explained by more and larger projects in full production with a better operating margin.

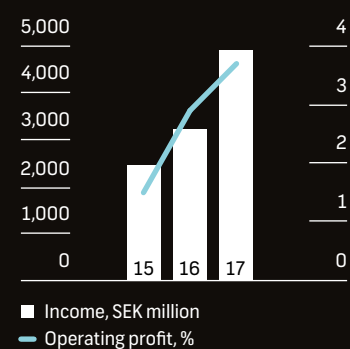
### ORDER BACKLOG, DEC 31, 2017 PER CUSTOMER



### ORDER BACKLOG, DEC 31, 2017 PER PRODUCT MIX



### INCOME AND OPERATING MARGIN



## BUSINESS AREA CONSTRUCTION

# Continued growth with strong profitability

In 2017, Business Area Construction strengthened its positions in all geographic markets. Order bookings were strong during the year, largely driven by high demand in the housing sector.

Business Area Construction is responsible for all construction-related activities in the Group. The operations mainly involve construction of rental apartments and community properties as well as carrying out commercial property contracts.

## LARGE PROJECTS FOR STABLE CUSTOMERS

Business Area Construction operates in all segments of the construction industry: new construction, renovation and expansion. The focus is mainly on large, complex projects. Customers mainly consist of municipal and private property companies, government-owned companies, major project development companies and Business Area Project Development.

As at year-end, 50 percent of the order backlog consisted of projects with an order value of more than SEK 300 million. 88 percent consisted of projects with an order value of more than SEK 100 million. The large contracts create the conditions for long-term planning while allowing long-term relationships with clients and counteract any cyclical fluctuations in a cyclically-oriented industry.

## STRONG GROWTH IN THE ORDER BACKLOG

During the year, positions in all geographic markets were strengthened. In Gothenburg, Serneke has a market-leading position. In Stockholm and Malmö, Serneke has quickly established itself as one of the ten largest construction companies. In all geographic markets, the order backlog increased significantly during the year. One of the main driving forces was the high demand for projects in the residential construction sector. Order bookings during the year amounted to SEK 5,815 million (5,029) and as at the end of the period, total order backlog amounted to SEK 7,649 million (6,753), an increase of 13 percent.

The major new projects during the year include contracts for housing construction for customers mainly within the public housing sector. Other new prominent projects include contracts for construction of two hotels for Magnolia Produktion AB and project assignments by Akademiska Hus for the School of Business, Economics and Law at the University of Gothenburg. After the end of the year, a collaboration agreement was signed with the Swedish Exhibition and Congress Centre for expanded entrances, flexible meeting and event space, and increased hotel and offices capacity in a new fourth tower. The agreement entails that Serneke, in collaboration with the Swedish Exhibition and Congress Centre, move the development project forward at Korsvägen in selected stages.

## STRENGTHENED ORGANIZATION

The organization was strengthened during the year through a relatively large amount of recruitment, mainly of white-collar workers. The ability to attract and recruit qualified white-collar workers is of strategic importance and in line with the stated ambition to focus on planning, management and control throughout the construction process. During the year, a regional manager was appointed in Stockholm and in Malmö in early in 2018.

## FOCUS 2018

Developments during the year have contributed to Business Area Construction having a stronger platform for further growth. The focus in 2018 will be partly on continued growth and partly on strengthening profitability. The objective is to maintain the strong position in Gothenburg while continuing to strengthen the position in Region East and Region South, particularly regarding commercial property projects.

INCOME, SEK MILLION

# 4,919

OPERATING PROFIT, SEK MILLION

# 183

OPERATING MARGIN, %

# 3.7

ORDER BOOKINGS, SEK MILLION

# 5,815

ORDER BACKLOG, SEK MILLION

# 7,649

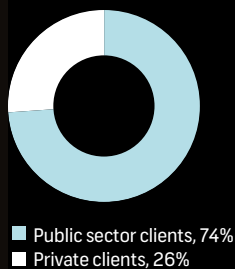




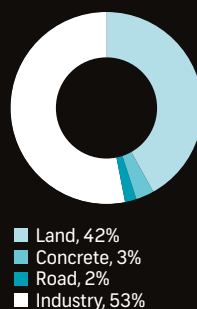
### INCOME AND PROFIT

Sales during the year amounted to SEK 623 million (455), an increase of 37 percent. Operating profit amounted to SEK 1 million and the operating margin was 0.2 percent. Focused work on multi-level improvement drove the positive development. The work has had significant impact, and the business area has showed positive earnings since the second half of 2017.

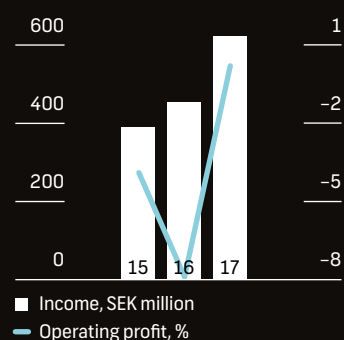
### ORDER BACKLOG, DEC 31, 2017 PER CLIENT



### ORDER BACKLOG, DEC 31, 2017 BY CLIENT CATEGORY



### INCOME AND OPERATING MARGIN





## BUSINESS AREA CIVIL ENGINEERING

# Stable development and positive earnings

**Business Area Civil Engineering is engaged in concrete and civil engineering-related activities. Within the business, contracts are carried out for both external customers and other business areas in the Group. The focus is on national and regional infrastructure projects, as well as civil engineering contracts within industry as well as maintenance services.**

Business Area Civil Engineering performs all types of excavation and civil engineering work: earthworks, foundations, infrastructure, electrical grids, power plants, harbor contracts and concrete works. The customers consist mainly of municipalities, the Swedish Transport Administration, property companies and industry players. The proportion of external customers amounted to 89 percent during the year. The largest external customer group was public sector clients in 2017, accounting for about 74 percent of the order backlog.

## STRONG GROWTH IN GOTHENBURG, STOCKHOLM AND MALMÖ

During the past year, positions were strengthened in all geographic markets. In line with the strategy, there have been more projects during the past year, which have been larger and more complex. Among the more prominent of these is the construction of a new boiler house for a new combined heat and power plant for Borås Energi and Miljö AB. The boiler house will be 4,000 square meters in size, ten stories high and reach 45 meters at its highest position. The project is one of the largest to date for Business Area Civil Engineering.

During the year, excavation, leveling and groundwork began in Gothenburg for the construction of Karlatornet. Other major projects include continued earthworks for the construction of the Kongahälla shopping center in Kungälv.

During the year, the establishment in the Stockholm region continued with several new, larger projects. In April, an agreement was reached with Haninge Municipality on construction contracts in the emerging district of Vega. The project entails the construction of roads and electricity, telecom-

munications, heating, water and sewerage mains. In July, an agreement was signed with Midroc on a civil engineering contract for an development area in Upplands Väsby. The assignment includes performing earthworks and details for 194 apartments in multi-dwelling buildings and terraced houses, which will be built in the emerging area of Eds Allé. In the Malmö region, development was also positive with several new major projects, including the rebuilding of road 798 between Esarp and Genarp.

## ACTION PROGRAM GIVES RESULTS

Overall, income increased by 37 percent during the year. Operating profit amounted to SEK 1 million, corresponding to an operating income margin of 0.2 percent. Order bookings amounted to SEK 585 million (510) and as at year-end, total order backlog amounted to SEK 316 million (288), an increase of 10 percent.

One of the main drivers of positive development is the action program initiated in 2016 with the aim of improving profitability and strengthening internal control overall. The scope of the program has been thorough and affected the entire business area. Key parts have included reviewing the organization, processes, working methods, objectives and focus.

## FOCUS 2018

The focus in 2018 will be on continued growth with good profitability. In terms of the geographic markets, there will be particular focus on continued expansion in the Stockholm and Gothenburg regions. In addition, the objective is to continue to grow in the market for larger projects in a controlled manner, primarily in the infrastructure sector.

INCOME, SEK MILLION

# 623

OPERATING PROFIT, SEK MILLION

# 1

OPERATING MARGIN, %

# 0.2

ORDER BOOKINGS, SEK MILLION

# 585

ORDER BACKLOG, SEK MILLION

# 316

## CONSTRUCTION AND CIVIL ENGINEERING

# A focus on major construction projects

The assignments in the Construction and Civil Engineering business areas usually consist of different types of construction projects. These projects are complex and often extend over long periods of time, entailing a need for efficient processes, and close collaboration between the customer and contracting company.

Contracting assignments usually take the shape of turnkey or traditional contracts.

In the case of a turnkey contract, the contractor is responsible for both planning, design and execution. In the case of a traditional contract, the client themselves have been responsible for the planning and design for the contract.

## HIGH PROPORTION OF TURNKEY CONTRACTS

The majority, about 90 percent, of Serneke's construction projects in 2017 consisted of turnkey contracts. To create the conditions for an efficient process that ensures projects are delivered on time, cost-effectively and with the right level of quality, Serneke has an established form of collaboration whereby developers, contractors, consultants and other key players in the current project jointly solve a task based on a common understanding of objectives, organization, plan and budget.

The collaboration is characterized by honesty, openness and a high degree of joint planning – creating the best conditions for project optimization. They also create good conditions for long-term customer relations, where close collaboration and shared experience contribute to increased efficiency, lowered costs, higher quality and reduced risk.

## FLEXIBLE PROCESS FOR UNIQUE PROJECTS

Contracting assignments vary in size, type, form of procurement and complexity, which places high demands on efficient and adaptable processes. The Company has developed a comprehensive process

with a common approach designed to manage unique assignments tailored to the customer's needs and requirements.

## Tenders and market analysis

The tender process begins with a market analysis to identify potential assignments suited to the organization. A costing process then ensues to evaluate any tender documents. The process then proceeds with costing and calculations, bids being requested from subcontractors, quantification (estimating how much material is needed) and identification of risks and opportunities. After that, tender evaluation is performed to assure the quality of the costing. When the costing process is completed, the tender is submitted to the client.

## Planning, design, production and completion

Serneke's core competencies include being able to lead and coordinate not only its own organization, but also suppliers, subcontractors and clients, as well as optimizing the purchase of materials.

## PURCHASING

In 2017, purchase of materials and services amounted to an average of two-thirds of the production costs. Serneke's purchasing strategy combines assignment-related contracts, long-term comprehensive contracts with retained freedom to sign contracts locally on the spot market. Purchasing is managed locally at the project level, supported by a central purchasing organization, resulting in a high degree of flexibility and economies of scale on products purchased in bulk.

For each project, a purchaser is appointed, tied directly to the production operation. Detailed knowledge of the projects and experience of similar projects is essential for optimal procurement of contracts and purchasing of goods. Together with the site manager and supported by Serneke's central purchasing organization, the purchaser performs the purchasing for the assignment.

The purchasing process is characterized by cost-consciousness, quick decision-making and good communication with all expenses being consistently assessed.

Supplier evaluation is included as an important parameter within the framework of Serneke's quality efforts. Prior to procurement, the purchaser conducts a thorough evaluation and control to ensure supplier professionalism. A supplier evaluation is also performed following completion of an assignment, providing a basis for the continued strategic purchasing work.

## STABLE CUSTOMERS

Customers in the Construction and Civil Engineering business areas are both private and public sector players. The total order backlog amounted to SEK 7,965 million (7,041) as at the end of 2017. Of the value, private clients accounted for 56 percent and public sector clients for 44 percent. Public sector clients include the government, county councils and regions, municipalities and publicly owned companies. Private clients consist of stable, solvent and professional players with a long history and where credit risk is judged to be low.





## EXAMPLES OF COLLABORATIVE PROJECTS AND PARTNERSHIP

**1** Workshop and development of Partnership/collaboration declaration

**3** Joint evaluation of alternative solutions and target cost calculations

**5** Procurement of suppliers and contractors in collaboration

**7** Compilation of documentation

**10** Start-up of the guarantee and management phase

**2** Planning as well as project planning and design phase

**4** Production-start meeting

**6** Continuous monitoring of budget and time plan

**8** Handover and operations review

**9** Final meeting for follow-up and experience feedback

**11** Guarantee inspection, analysis and evaluation



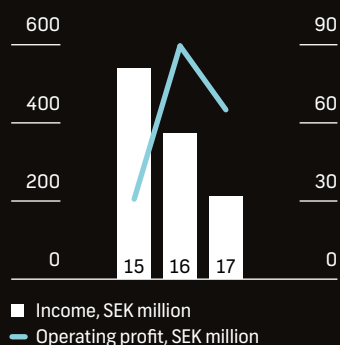
In the middle of Helsingborg, next to the central station down by the water, Oceanhamnen is growing into a lively new district. Here, Serneke is now building 49 apartments as well as certain businesses in the center.

## INCOME AND PROFIT

Income for 2017 amounted to SEK 212 million (373) and is mainly attributable to project income from housing projects and the sale of the Mälardalen University project. Operating profit amounted to SEK 65 million (334), of which SEK 70 million was attributable to the Mälardalen University project, SEK 38 million of which was reported as share in profit of associates and joint ventures.

The comparative figures are affected by the sale of 50 percent of the Karlstad project in the second quarter of 2016.

## INCOME AND OPERATING PROFIT



## BUSINESS AREA PROJECT DEVELOPMENT

# Development of properties and residential housing

Since 2015, Business Area Project Development has focused on building an organization and developing a risk-adjusted project portfolio. In 2017, the effects of the work began to show in the form of increased income and sales start for a number of housing projects in Helsingborg, Landskrona and Sollentuna.

Business Area Project Development is responsible for acquisitions and development of projects and development properties. The operations mainly consist of acquisitions of developed or undeveloped land that is being refined into residential and commercial properties.

Development of project and development properties is done in-house or in collaboration with partners. Customers are mainly private individuals, tenant-owners' associations and private and municipal housing companies, but also property companies or companies that need commercial space.

## A WELL-BALANCED PROJECT DEVELOPMENT PORTFOLIO

The portfolio consists of land for development of residential and commercial properties in attractive locations with a focus on metropolitan regions in Sweden. As at the end of 2017, the estimated value of the project development portfolio amounted to SEK 1,814 million, of which SEK 205 million was in its own balance sheet. Contracted development rights of which the company has not yet taken possession are estimated at approximately SEK 704 million and development rights owned through joint ventures or associates are estimated at approximately SEK 905 million. Of the total project development portfolio of an estimated 636,962 square meters of gross floor area, options on development rights, that is, contracted development rights of which the Company has yet to take possession, accounted for 41 percent. The options can be exercised when the detailed development plan for the relevant property enters legal force or a building permit is granted.

## SALES START OF HOUSING PROJECTS

Within Project Development, a number of housing projects are underway in several cities. The focus so far has been on acquisition of land and properties as well as plan-

ning work. In 2017, sales of residences began in Helsingborg, Landskrona and Sollentuna.

## SALE OF CAMPUS ESKILSTUNA TO HEMSÖ

In 2016, Serneke and Pareto were commissioned to develop and build the new campus at Mälardalen University in Eskilstuna. In March 2017, Serneke and Pareto signed an agreement to sell the jointly owned project company that owns the properties. The buyer was the property company Hemsö. The sale resulted in an underlying property value of approximately SEK 800 million and also entails that Hemsö is responsible for the project's funding during the construction period.

## NEW DISTRICT IN VEDDESTA

Järfälla Municipality resolved during the year to proceed with the plans to establish, together with Serneke, an entirely new district in Veddesta. In addition to housing, schools, commerce and hotels, a major multisport facility is also planned. The land allocation agreement gives Serneke, for a period of three years, exclusive negotiation rights with the municipality regarding transfer and development of the area.

## STRATEGY AND FOCUS GOING FORWARD

In recent years, Business Area Project Development has strengthened both its offering and organization as well as its position in the market. Projects carried out have generated positive attention and good references, leading to increased opportunities for obtaining new land allocations. The strategy for the future is to continue investing in low-risk projects at the right price and in locations with a good market presence over time. Focus 2018 will be on continued implementation. As more projects enter production, the exchange with other business areas within Serneke will also increase.

INCOME, SEK MILLION

# 212

OPERATING PROFIT, SEK MILLION

# 65

VALUE OF PROJECT PORTFOLIO, SEK MILLION

# 1,814

For information on the development of the Karlstaden project, see p. 23



## PROJECT DEVELOPMENT – STEP BY STEP

# Capacity for large and complex projects

Serneke has experience in large and complex projects. Knowledge and resources from the internal contracting operations enable control over the entire chain and implementation characterized by high quality and good cost control. The operations cover all stages of the value chain, from market surveillance, land acquisition, project planning, design and production for sale and management of the property.

## 1

### MARKET MONITORING AND LAND ACQUISITION

The first step in the project development process is usually the acquisition of land. Serneke acquires developed and undeveloped land. Opportunities and risks are identified from a prospect list with identified objects. In connection with property acquisitions, Serneke identifies whether a property is suitable to be held long-term or for immediate sale after refinement.

## 2

### PROJECT PLANNING

At the start of a project, a responsible project developer is appointed, whose assignment is to develop and implement the project. The planning process takes place in dialogue with both the customer and the municipality to ensure that all of the municipality's requirements and restrictions are met while the customer's wishes are taken into account. The contracting segment is also brought in to contribute experience and views on various construction solutions and production methods. This creates the conditions for simple and cost-effective solutions that benefit all involved. The planning phase comprises design, project planning, calculations, budgeting, the detailed development plan and time plan. After the drawings and plans have been established, agreements are also made with external partners.

## 3

## SALES AND MARKETING

Customers for housing projects developed in-house are usually private individuals who acquire property rights or tenant-owner rights. Sales to private individuals are mainly through real estate agents, digital channels, advertising and mailings. For commercial projects, customers are usually public or private property owners or tenants.

## 4

## PRODUCTION AND AFTERMARKET

Production can commence once the project preparations are complete and a predetermined share of the properties is sold through binding agreements or a predetermined share of leases has been signed. Collaboration between the various business areas in planning and project implementation creates the conditions for high efficiency and utilization of skills. When the building is complete, the project is handed over to the client. After completion of the project, a project review is conducted, in which the project is analyzed and evaluated.



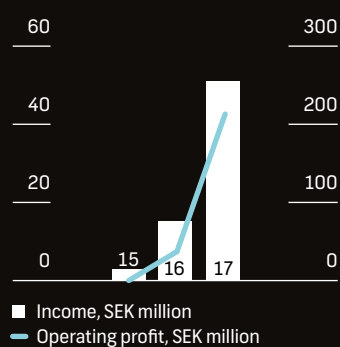


## INCOME AND PROFIT

Income in 2017 amounted to SEK 51 million (15), mainly due to a growing property portfolio. The property management earnings were negative in the amount of SEK 7 million (9) of which a non-recurring expense of SEK 11 million was charged to earnings. Adjusted for the provision for guaranteed net operating earnings, Property Management generated an operating profit.

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

## INCOME AND OPERATING PROFIT





## BUSINESS AREA PROPERTY MANAGEMENT

# Focus on long-term value creation

**Business Area Property Management comprises acquisitions, development and management of properties with potential for good appreciation.**

Since its inception in 2015, the property portfolio has been developed through selective acquisition of commercial properties, primarily in the Gothenburg region. In total, the lettable area as at the end of the year amounted to approximately 3,467,000 square meters.

## VALUE-BUILDING PROPERTY DEVELOPMENT

Serneke is not a traditional property owner. The focus is on acquisitions and property development that generate cash flows – and therefore potential for long-term appreciation. Once the expected value of the property is reached, the objective is to put it on the market.

## ADDITIONAL ACQUISITION AT SÄVE FLYGPLATS

One of the significant events in 2017 was the acquisition of another property at Sæve flygplats. The property is directly adjacent to the property that Serneke purchased in the spring of 2016. In total, Serneke's now owns approximately 3.2 million square meters of developable land in the area. The largest current tenants are CEVT (China Euro Vehicle Technology AB), the Swedish National Police, the Swedish Maritime Administration, Region Væstra Götaland and the flight school Svensk pilotutbildning AB.

The vision is to develop the entire area into a logistics center, experience center and an area of research and development for the automotive industry. The large paved areas and unutilized land areas allow the area to provide space for many different types of activities that require large areas.

## MAJOR INTEREST IN MULTI-SPORT FACILITIES

The more prominent holdings in the property portfolio include the jointly-owned Prioritet Serneke Arena. The facility is the Nordic region's largest multi-sport facility, containing an indoor ski facility, full-sized soccer field, schools, restaurant, gym and offices. As at 31 December 2017, the letting ratio was 100 percent.

Interest in multi-sport facilities remained high in 2017 and Serneke held discussions with several municipalities during the year on establishment. The land allocation agreement signed with Jærfålla Municipality during the year includes a multi-sport facility that includes indoor skiing. The facility will be the first of its kind in the Stockholm area.

## STRENGTHENED ORGANIZATION

During the past year, Business Area Property Management was strengthened in a number of ways, including through extensive recruitment and review of internal processes. Overall, the development has contributed to a clearer internal division of responsibilities and increased efficiency.

## FOCUS GOING FORWARD

The ambition is to develop the property portfolio through selective acquisitions of properties. Through active and committed management, the objective is to achieve a balance between risk and opportunity, capital tied-up and return.

Potential acquisitions can be either properties developed within the Group with stable cash flows and potential for long-term appreciation, or other properties with good development potential. A major focus is also on strategic land and property acquisitions which, over time, through their location or due to other conditions, are expected to have the potential for positive development.

INCOME, SEK MILLION

# 51

OPERATING PROFIT, SEK MILLION

# 213

VALUE OF INVESTMENT PROPERTIES, SEK MILLION

# 895





## Plans for the Future

Serneke is one of the main sponsors of IFK Göteborg's project "Plans for the Future". The project, in collaboration with the Cruyff Foundation, aims to create better conditions for children and young people by promoting health, community and safety and security.

In cooperation with Johan Cruyff Foundation IFK Göteborg and Serneke will build three soccer fields in the Gothenburg suburbs Hammarkullen, Biskopsgården and Bergsjön. The fields are called courts and are significantly smaller than regular soccer fields. They will be built in urban environments that are natural gathering points for children and young people. The spaces will invite both organized and spontaneous sports and be guided by the by the principles and values established by the Johan Cruyff Foundation.

The concept exists today in 21 countries, and so far, about 200 fields have been built around Europe.



# The share

Serneke's B share has been listed on Nasdaq Stockholm since November 2016. Serneke is part of the Mid Cap segment and belongs to the Industrials and Construction & Materials sector index, according to Nasdaq Stockholm's classification.

The share price for Serneke's B share decreased by approximately 15 percent in 2017. The highest price during the year was reached on August 7, at SEK 134, and the lowest on December 29, at SEK 89.25. The price as at year-end corresponded to a market capitalization of approximately SEK 2,075 million.

A total of 5,514,956 shares were sold in 2017, corresponding to a turnover rate of 23.7 percent. The total trading value in the B share amounted to 422,945,882. The average daily turnover amounted to 21,890 shares or SEK 1,678,357.

## SHAREHOLDERS

The number of shareholders amounted to 5,396 as at December 31, 2017, an increase of 105 owners compared with the previous year. As at the same date, the largest owner was Ola Serneke Invest AB, with 26.0 percent of the number of shares

and 55.2 percent of the votes. The second largest owner was Lommen Holding AB, with 17.2 percent of the number of shares and 12.4 percent of the votes. The remaining shares and votes were held by institutional investors and individuals in Sweden and abroad. The share of foreign-owned shares as at year-end was 3.2 percent.

## DIVIDEND POLICY

Serneke's long-term dividend policy is to distribute 30 to 50 percent of net profit after tax for the previous financial year. In accordance with this policy, the Board proposes that the 2018 Annual General Meeting resolve on a dividend of SEK 4 per share.

## INCENTIVE PROGRAM

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

The Extraordinary General Meeting on June 29, 2016 resolved to issue convertibles with a nominal value of approximately SEK 15.9 million. The convertibles are valid up to and including August 26, 2019,

carry 1.6 percent annual interest and have a conversion price of SEK 120. Upon conversion, a maximum of 132,350 Series B shares may be added and share capital may increase by a maximum of SEK 13,235. During the term of the convertibles, holders are entitled, on certain occasions, to request conversion into new Series B shares. As at December 31, 2017, a total of 850 convertibles were converted to Bshares and 131,500 convertibles remained.

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

## KEY PERFORMANCE INDICATORS PER SHARE

SEK (unless otherwise stated)	2017	2016
Profit/loss before dilution	13.94	22.40
Profit/loss after dilution	13.81	21.22
Weighted average number of shares before dilution	23,169,394	17,590,630
Weighted average number of shares after dilution	23,396,120	18,567,901
Cash flow from operations, before dilution	2.03	2.56
Cash flow from operations, after dilution	2.01	2.42
Shareholders' equity, before dilution	78.33	64.67
Shareholders' equity, after dilution	77.73	62.83
Market price as at year-end	89.25	105.00
Dividend, SEK <sup>1)</sup>	4.00	-

1) For 2017, the Board's proposal to the Annual General Meeting.

## SHARE PRICE DEVELOPMENT 2017



## SERNEKE'S TEN LARGEST SHAREHOLDERS, DECEMBER 31, 2017

Name	Series A shares	Series B shares	Total number of shares	Percentage shares, %	Percentage of votes, %
Ola Serneke Invest AB	3,710,000	2,331,354	6,041,354	26.0	55.2
Lommen Holding AB	540,000	3,457,803	3,997,803	17.2	12.4
Christer Larsson i Trollhättan AB	380,000	497,000	877,000	3.8	6.0
Ledge Ing AB	330,000	450,000	780,000	3.4	5.2
Vision Group i väst AB	250,000	536,000	786,000	3.4	4.2
AB Stratio	150,000	0	150,000	0.6	2.1
Carnegie Fonder	0	1,364,126	1,364,126	5.9	1.9
Svolder Aktiebolag	0	1,200,000	1,200,000	5.1	1.7
Cliens fonder	0	927,600	927,600	4.0	1.3
JPMEL - Stockholm Branch	0	425,000	425,000	1.8	0.6
<b>Total, 10 largest</b>	<b>5,360,000</b>	<b>11,188,883</b>	<b>16,548,883</b>	<b>71.2</b>	<b>90.6</b>
Other shareholders	0	6,699,569	6,699,569	28.8	9.4
<b>Total</b>	<b>5,360,000</b>	<b>17,888,452</b>	<b>23,248,452</b>	<b>100.0</b>	<b>100.0</b>

Source: Euroclear and Serneke

## SHARE CAPITAL DEVELOPMENT

Date	Event	Change in number of shares	Series A shares	Series B shares	Total number of shares	Change in share capital	Total share capital	Quotient 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
2016	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

## OWNERSHIP STRUCTURE, DECEMBER 31, 2017

Number of Series B shares	Number of shareholders	Number of shares	Percentage of Series B shares, %
1-1,000	4,931	682,396	3.8
1,001-10,000	354	1,188,952	6.7
10,001-100,000	86	2,668,288	14.9
100,001-	21	13,348,816	74.6

## SHARE SERIES, NUMBER OF SHARES AND NUMBER OF VOTES, DECEMBER 31, 2017

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

Source: Euroclear and Serneke

## ANALYSTS MONITORING SERNEKE

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## SHARE INFORMATION

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

## SHARE CAPITAL AND VOTES

The share capital amounts to SEK 2,324,845.20 divided among 23,248,452 shares, each with a quotient value of SEK 0.1. There are two classes: 5,360,000 A shares and 17,888,452 class B shares. The Series A share entails one (1) vote and the Series B share one-tenth (0.1) of a vote.

# Board of Director's Report

The Board and Chief Executive Officer of Serneke Group AB (publ), corporate identity number 556669-4153 hereby present the annual accounts and consolidated accounts for the 2017 financial year. Serneke Group AB, headquartered in Gothenburg, Sweden, is the parent company of the Group.

## OPERATIONS

The Serneke Group operates within four business areas – Construction, Civil Engineering, Project Development and Property Management. The Group provides comprehensive services in these areas for property companies, industrial companies and commerce in both the private and public sectors. Serneke's operations are focused on the three major metropolitan areas of Stockholm, Gothenburg and Malmö.

## BUSINESS CONCEPT

Serneke is the next generation contractor. We demonstrate this by constantly challenging, daring to think differently and questioning the current industry conditions we face every day. We

believe that challengers drive development and that new ways of thinking create more efficient and innovative solutions.

## INCOME

Consolidated income for 2017 amounted to SEK 5,605 million (3,978), an increase of 41 percent compared with the corresponding period the preceding year. Demand for the Swedish construction market has been good in 2017, and the contracting operations Construction and Civil Engineering amounted to SEK 5,542 (3,684), growth of 50 percent. Income during the period amounted to SEK 212 million (373) and is mainly attributable to project income from housing projects and the sale of the Mälardalen University project. Property Management income amounted to SEK 51 million (15) and the strong increase in income is primarily attributable to a growing property portfolio.

## MULTI-YEAR SUMMARY, THE GROUP

SEK million	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
<b>Income statement</b>				
Income	5,605	3,978	3,107	1,800
Operating profit	419	411	128	82
Profit after net financial items	401	394	112	70
Profit for the year	323	394	137	68
<b>Key indicators</b>				
Growth, %	40.9	28.0	72.6	55.4
Organic growth, %	39.1	28.0	51.8	41.3
Operating margin, %	7.5	10.3	4.1	4.6
Equity/assets ratio, %	41.3	42.7	27.4	20.6

## INCOME

SEK million	Jan-Dec 2017	Jan-Dec 2016
Construction	4,919	3,229
Civil Engineering	623	455
Project Development	212	373
Property Management	51	15
Group-wide	127	99
Elimination	-327	-193
<b>Total</b>	<b>5,605</b>	<b>3,978</b>

## OPERATING PROFIT

SEK million	Jan-Dec 2017	Jan-Dec 2016
Construction	183	86
Civil Engineering	1	-36
Project Development	65	334
Property Management	213	37
Group-wide	-43	-10
<b>Total</b>	<b>419</b>	<b>411</b>

## EARNINGS

Consolidated operating profit amounted to SEK 419 million (411), an increase of 2 percent compared with the corresponding period the previous year. A sharp increase in volume as well as improved margins entails that the contracting operations accounted for SEK 184 million (50) of the operating profit. Construction had an operating margin for the full year of 3.7 percent (2.7), accounting for SEK 183 million (86), an increase of 113 percent. Civil Engineering's operating profit amounted to SEK 1 million (loss 36). The business area has made major changes with the aim of improving profitability, which have had a major impact and resulted in an operating profit.

For Business Area Project development operating profit amounted to SEK 65 million (334), of which SEK 70 million was attributable to the Mälardalen University project, SEK 38 million of which was reported as share of profit of associates and joint ventures. During the second quarter of 2016, the company carried out its largest transaction so far as 50 percent of the Karlstad project was divested, which generated income of SEK 318 million and operating profit of SEK 444 million, affecting comparative figures.

Operating profit for Business Area Property Management increased strongly during the year and amounted to SEK 213 million (37), which is mainly attributable to changes in value of the investment properties.

The operating margin for the Group was 7.5 percent (10.3). Net financial items amounted to SEK negative 18 million (17). Tax reported for the year amounted to SEK 78 million (0) and is mainly attributable to the unrealized appreciation increases on the properties. The previous year's tax is explained mainly by non-taxable earnings attributable to divested properties and non-taxable earnings of associates and joint ventures.

Profit for the year amounted to SEK 323 million (394).



## FINANCIAL POSITION

On December 31, 2017 the equity/assets ratio was 41.3 percent (42.7). As at the end of the period, the Group's cash and cash equivalents, including unutilized credit facilities, amounted to SEK 631 million (771).

Shareholders' equity for the period increased to SEK 1,821 million (1,469). This increase comprises conversion of convertible debenture loans for SEK 27 million, issue costs of SEK 2 million and profit for the year of SEK 323 million.

Net debt amounted to SEK 254 million (negative 37) as at December 31, 2017. The net debt/equity ratio was 13.9 percent (negative 2.5) and the average interest rate was 3.94 percent (4.49). Unutilized committed credit facilities amounted to SEK 200 million (200) as at the end of the period.

## Cash flow

Cash flow from operating activities amounted to SEK 47 million (45). Cash flow from investing activities amounted to negative SEK 319 million (201). This is mainly due to acquisition of investment properties but also changes in investment activities.

Cash flow from financing activities amounted to SEK 132 million (716) and mainly relates to changes in borrowing. The previous year, the new issue contributed net SEK 598 million and issued bonds SEK 294 million.

Cash flow for the period amounted to negative SEK 140 million (positive 560).

## ORDER BOOKINGS AND ORDER BACKLOG

For the period January–December 2017, order intake increased by 16 percent to SEK 6,400 million (5,539), which is largely driven by a continued good housing market and continued high demand in the market. As at the end of 2017, order backlog was SEK 7,965 million, compared with SEK 7,041 million as at the end of 2016, an increase of 13 percent.

## ACQUISITIONS AND DISPOSALS

### *Acquisition of project and development properties*

In May, Serneke acquired several companies comprising approximately 40,000 square meters of development rights as well as a smaller operating construction business. The development rights are geographically located mainly in Trollhättan, Vänersborg and Strömstad. Serneke's ambition is for several of the development rights to start production in 2018. The properties entered Serneke's possession in the first week of May.

### *Acquisition of the Sävde Depå property*

In June, Serneke acquired a property at Sävde Depå, with an underlying property value of approximately SEK 100 million. The current land area of Sävde, which covers about 1 million square meters, is located directly adjacent to Sävde flygplats, which Serneke acquired in May 2016. Serneke's total contiguous land holdings now comprise about three million square meters of developable land. The property was acquired through a corporate acquisition of AB Platzter Åseby 7:2 and entered Serneke's possession on September 1, 2017.

### *Acquisition of property at Karlstad*

In June, Serneke acquired the property Göteborg Lindholmen 1:22. The property is adjacent to the emerging Karlstad district and is strategically important for the further development of the area. The purchase consideration was SEK 127 million and the property

covers approximately 9,000 square meters of land and approximately 10,000 square meters of premises space. The property entered Serneke's possession on October 2, 2017.

### *Sale of Mälardalen University project*

Serneke, in cooperation with Pareto, was commissioned to develop and build the new campus at Mälardalen University in Eskilstuna. As at the end of March, all shares in the project company were sold to Hemsö Fastighets AB, which becomes the long-term owner and manager of the property. The transaction was first carried out through a sale of Serneke's wholly owned project company to a joint venture with Pareto. After that, the joint venture was sold to Hemsö. Serneke recognizes part of the sales as share of profit of associates and joint ventures of SEK 38 million.

## OTHER SIGNIFICANT EVENTS DURING THE YEAR

### *The detailed development plan for Karlstad gains legal force*

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

## OUTLOOK

The market for all four business areas within Serneke continues to develop well. The need for new housing and a continued strong urbanization trend drives the development of commercial properties and public service ventures. Several major infrastructure initiatives are under way, which directly and indirectly creates business opportunities for Serneke. With a strong foothold in the country's three metropolitan regions, the Group is well-positioned to continue to grow organically and through acquisitions.

## ENVIRONMENT AND SUSTAINABILITY REPORT

In accordance with Chapter 6 of the Annual Accounts Act Chapter, Section 11, the company has chosen to prepare the sustainability report separate from the Annual Report. The sustainability report can be found in the Annual Report on pages 30–39.

## EMPLOYEES

The number of employees as at year-end was about 1,000, compared with 850 at the corresponding time the previous 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 dialogue and responsiveness, Serneke wants to create personal development opportunities in a challenging environment. The continuous need for recruitment arising from continuous growth is a great challenge but also provides good opportunities for motivated employees to develop within the organization. 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.

## CONVERTIBLES

The Annual General Meeting on April 13, 2015 resolved to issue convertibles at a nominal amount of SEK 49.5 million. The convertibles had a maturity up to and including April 28, 2017 with a conversion rate of SEK 49.50. During the year, all convertibles were converted, entailing that 1,000,000 Series B shares were added, and the share capital increased by SEK 53,285.

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

As at December 31, 2017, a total of 850 convertibles were converted to B shares and 131,500 convertibles remained.

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

## WORK OF THE BOARD IN 2017

Serneke's Board consists of six members. In 2017, the Board held ten formal meetings in addition to ongoing contact. The Board is responsible for the company's organization and management of the company's affairs by establishing the Group's objectives and strategies, ensuring procedures and systems for monitoring the established objectives, continuously assessing the Group's financial situation as well as evaluating the operational management. In general, the Board deals with issues that are of material importance to the Group. Key issues during the year, in addition to the issues included in the Board's standard work, have been strategic decisions regarding property transactions, financing, etc. Particular description of the Board's work is included in the Corporate Governance report found on page 62.

## 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 2018 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 terms of employment do not differ from the principles of the forthcoming proposal.

## PARENT COMPANY

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

year amounted to SEK 117 million (88) and operating profit was negative in the amount of SEK 19 million (9).

## THE SHARE

Serneke B shares have been listed on Nasdaq Stockholm since November 2016. For further information, see page 54, the section on the Share.

## DIVIDEND POLICY AND 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. Ahead of the Annual General Meeting 2018, the Board of Director's proposes a dividend of SEK 4 (0).

## PROPOSED DISTRIBUTION OF EARNINGS

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

Retained earnings	–93,984,886
Share premium reserve	802,570,581
Profit for the year	–32,683,077
<b>Total</b>	<b>675,902,618</b>

The Board proposes that the available earnings be appropriated as follows, SEK:

Dividend	92,993,808
Carried forward:	582,908,810
<b>Total</b>	<b>675,902,618</b>

## THE BOARD'S OPINION ON THE PROPOSED DISTRIBUTION OF PROFIT

The Group's equity has been determined in accordance with the IFRS standards adopted by the EU and their interpretations (IFRIC) and in accordance with Swedish law, including the Financial Reporting Council, RFR 1. The Parent Company's adjusted equity has been determined in accordance with Swedish law and Financial Reporting Council, RFR 2.

The proposed dividend is in line with the Board's defined dividend policy. Serneke's long-term dividend policy is to distribute 30 to 50 percent of net profit after tax for the previous financial year. Taking into consideration the overall strategy in which growth is prioritized over dividends over the next few years, the dividend proposal has taken into account actual development and growth opportunities. The proposed dividend amounts to 29 percent of net profit after tax.

In assessing the size of the dividend, the Board has taken into account the Group's investment needs, consolidation needs and position in general, and that the Group's future development can occur with retained financial strength and continued good freedom of action. The proposed dividend to shareholders reduces the Group's equity/assets ratio from 41.3 percent to 40.1. The Group's equity/assets ratio decreases by more than 1 percentage point through the proposed dividend. The equity/assets ratio is prudent in view of the fact that the company and the Group's operations continue to be profitable. The liquidity of the company and the Group is estimated to be maintained at an equally prudent level.

The Board is of the opinion that the proposed dividend does not prevent the company and other companies included in the Group from fulfilling their obligations in the short and long term, nor from carrying out the required investments. The proposed dividend can thus be defended with regard to the provisions of the Companies Act (2005:551) 17 Chapter 17, Section 3, paragraphs 2–3 (prudence rule).

## Risks and risk management

The ability to identify, evaluate, manage and monitor risks plays a key role in the management of Serneke. The objective is to implement the Group's strategy with a well-thought-out and well-balanced risk level. Future events could affect the business positively and present the opportunity to create increased value, or negatively by risks, which could have a negative impact on Serneke's operations and performance.

In Serneke's operations, there are several types of risks, both operational and financial. Operational risks are linked to daily operations and may apply to tenders or project development, assessment of projects' profit development, risks associated with production or price development. Operational risks are managed by the internal business management that has been developed within the Group. Each business area manages its risks on the basis of 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' resolutions for updating the Group's risk policy. The CEO and management are responsible for compliance with policies. Compliance policies are reported to the Board on a monthly basis.

Risk	Description of the risk	Management
<b>EXTERNAL RISKS</b>		
<b>Economic growth</b>	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 one or more of these factors were to be subject to a negative development, 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.
<b>Demography</b>	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 follows the demographic trend and strives to be active in regions that have sustained population growth.
<b>Competitive situation</b>	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 offering by being more innovative, thinking in new and different ways, as well as working smarter and more cost-effectively.



Risk	Description of the risk	Management
<b>Political risks</b>	<p>Political decisions, such as amended tax regulations, conditions of tenure, changed regulations on housing construction, infrastructure investments and municipal planning, could change the conditions of the market and of Serneke's operations. Worthy of specific mention are possible regulatory changes regarding interest deductions, amortization requirements and possible debt ceilings for private individuals, all of which could change the conditions of the market and, accordingly, of Serneke's operations.</p> <p>In individual projects, there is a risk that political decisions, and amendments to previous political decisions (that previously approved infrastructure investments are postponed, for example), entail worsened conditions for the project, which could have a negative impact on Serneke's operations, performance and financial position.</p>	Serneke's activities are diversified within several different disciplines such as housing and commercial projects and through different forms of tenure.

## OPERATIONAL RISKS

<b>Risks related to production</b>	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 expenses. The risk that the planning process is delayed, detailed development plans are not approved or that building permits or other permits required for new construction or renovation are not obtained or are delayed.	Before submitting a tender, it is always ensured that there are sufficient resources for managing the projects. For submitted tenders, it is always ensured that identified risks are manageable and calculable. 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.
<b>Price development during the project's production time</b>	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.
<b>Pollution, work environment and environmental risks</b>	Serneke's construction and civil engineering operations have an 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 may materialize liability and negative publicity, which may adversely affect Serneke's brand, operations, performance and financial position.	Measures related to pollution, occupational health and environmental risks are normally handled as part of ongoing operations.
<b>Risks related to the development of projects and properties</b>	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)

<b>Interest risk</b>	Serneke's operations are financed, apart from equity, through borrowings. Interest rate expenses are primarily affected by the level of current market interest rates and credit institutions' margins as well as the strategy Serneke chooses for the fixed interest rate. Market interest rates are mainly affected by the anticipated rate of inflation. The shorter interest rates are mainly affected by the Riksbank's key interest rate, which constitutes 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. Current interest rates are monitored continuously.
<b>Liquidity risk</b>	Serneke's payment commitments consist primarily of expenses for materials and subcontractors, as well as personnel expenses. If Serneke were to lack sufficient liquidity to fulfill its payment obligations, this could have a negative effect on Serneke's operations, financial position and performance.	The Group continuously monitors its liquidity by reporting to the Board and management on a monthly basis. Liquidity planning is ongoing, focusing on the short-term as well as the long-term need.

Risk	Description of the risk	Management
<b>Refinancing risk</b>	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, borrowings 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 higher costs, it 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 financial operations are centrally organized, giving a good overview of its financial positions.
<b>Risk of commitments in loan agreements and debenture loans</b>	Serneke's borrowings from credit institutions and the issued debenture loan contain 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.
<b>Credit and counterparty risk</b>	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 financial policy governs the management of credit risks and counterparty 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.
<b>Risk from the sale of properties and development rights</b>	On selling properties and development rights, different assessments and estimates may be made regarding the probability 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 approved, which the Group had assessed as very likely to be approved, this could have a 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.
<b>Risk in income recognition</b>	Earnings from construction contracts are recognized in pace with the degree of completion before the final earnings can be determined. Miscalculation can lead to misleading accounting and/or strategic decisions being based on incorrect information.	Construction projects are monitored by management on a monthly basis. Through clear processes for project management and ongoing follow-up of production calculations, work performed and total cost forecasts, it is ensured that the accounts are accurate and strategic decisions are taken on the right basis.
<b>Disputes</b>	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 by management on a monthly basis. Both decentralized responsibility for earnings and leadership create a customer-focused organization that works closely with the client and subcontractor to minimize the risk of disputes.

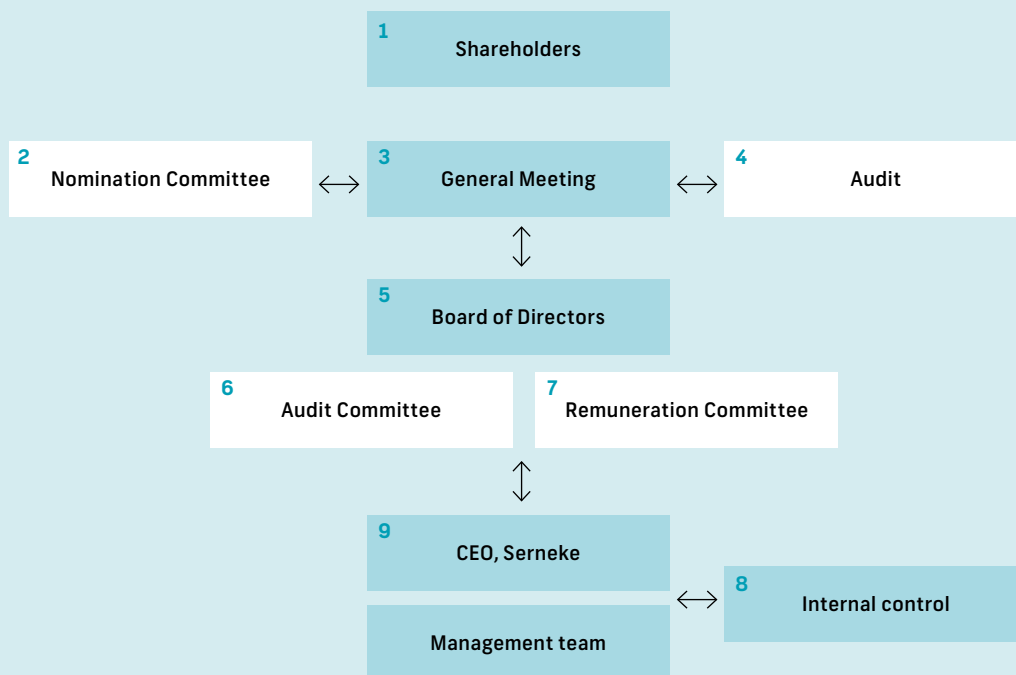
# Corporate governance

Good corporate governance is about ensuring that companies are managed in the most effective manner possible for shareholders. The overall objective is to increase value for shareholders and thereby fulfill the requirements the owners have on invested capital.

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

the Board. Serneke's Board is responsible for the company's organization and management of the company's affairs. The CEO is responsible for the ongoing management of the company according to the Board's guidelines and instructions. In addition, in consultation with the Chairman of the Board, the CEO compiles an agenda for the board meetings and is otherwise responsible for providing information and a decision-making basis to the Board.

## SERNEKE'S GOVERNANCE STRUCTURE





## 1. SHAREHOLDERS

The Serneke Group consists of 82 companies\*. The Parent Company is the Swedish limited liability company Serneke Group AB, the Series 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 Series A and B shares. Each Series A share entitles the shareholder to one vote and each Series B share to one-tenth (0.1) of a vote. All shares carry equal rights to the company's assets and profits. As at 31 December 2017, the number of shareholders was 5,396.

The largest owner is Ola Serneke Invest AB, with a shareholding of 26.0 percent. The second largest owner, Lommen Holding, owns 17.2 percent. The larger primary shareholders in Serneke exercise an active ownership role. The Board and Group management control a total of 73.9 percent of the votes and 49.9 percent of the company's capital. The Articles of Association contain no reservation regarding voting restriction.

As at 31 December 2017, there were no outstanding authorizations from the Annual General Meeting to the Board to issue new shares or to acquire own shares.

For further information on the ownership structure, trading and share performance, see pages 54–55 of the Annual Report.

## 2. NOMINATION COMMITTEE

The rules for the composition of Serneke's Nomination Committee were determined at the Annual General Meeting 2017. According to these, the Nomination Committee shall consist of the four largest shareholders in the company, who then have the 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 members together with the Chairman of the Board shall constitute Serneke's Nomination Committee.

The largest shareholders shall be determined on the basis of a list of registered shareholders by Euroclear Sweden AB on the last banking 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 Board members to be elected by the Annual General Meeting, the Chairman of the Board and other members elected by the Annual General Meeting, fees and other remuneration to each of the Board members and to members serving on the Board's committees. The Nomination 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.

### The Nomination Committee's work for the 2018 Annual General Meeting

The composition of the Nomination Committee was made public on October 31, 2017. Ahead of the 2018 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 55.1 percent of the votes as at October 31, 2017, and 55.2 percent as at December 31, 2017,
- Ludwig Mattsson, appointed by Lommen Holding AB and representing 12.4 percent of the votes as at October 31, 2017, and 12.4 percent as at 31 December 2017,
- Christer Larsson, appointed by Christer Larsson in Trollhättan AB and representing 6.0 percent of the votes as at October 31, 2017, and 6.0 percent as at 31 December 2017.
- Sofia Åstenius, appointed by Ledge Ing AB and representing 5.2 percent of the votes as at October 31, 2017, and 5.2 percent as at 31 December 2017,
- Kent Sander, Chairman of Serneke Group AB.

Ahead of the Annual General Meeting 2018 the Nomination Committee held ten formal meetings as well as communication by telephone and email. The Nomination Committee's proposal is available on the corporate website [www.serneke.group](http://www.serneke.group).

The Nomination Committee has taken account of the internal evaluation conducted of the Board's work, and the Chairman of the Board's statement on the Board work and the company's strategy, as well as interviewed individual Board members. The Nomination Committee concludes that the proposed members together have the required breadth and competence.

The Nomination Committee has in preparation of its proposal to the Board applied item 4.1 of the Swedish Corporate Governance Code as diversity policy, whereby the Nomination Committee took into account that, with regard to the Company's operations, stage of development and general circumstances, the Board should have an appropriate composition characterized by diversity and breadth regarding the competence, experience and background of the members of the Annual General Meeting.

In view of the above, the Nomination Committee has had a good basis for assessing whether the composition of the Board is satisfactory, if the need for competence, breadth and experience of Board members is met as well as to submit proposals for the election of auditors.

Shareholders have had the opportunity to submit proposals and comments regarding the Nomination Committee's work ahead of the 2018 Annual General Meeting.

\*Including associates and joint ventures

### 3. ANNUAL 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 CEO, distribution 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 the 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 Annual General Meeting must submit 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 2017

The Annual General Meeting 2017 was held on May 3, 2017 at the company's head office in Gothenburg. Overall, 56.7 percent of the total number of shares and 78.0 percent of the total number of votes were present. The accounts for 2016 were adopted and the Board Members and the CEO were discharged from liability. Resolutions were also taken on the election of Board members, Chairman and auditors, as well as fees to the Board and auditors. The Annual General Meeting also resolved, in accordance with the Board's proposal, on adjustment of the Articles of Association and adoption of long-term incentive programs in the form of employee convertibles for employees in the Serneke Group.

#### Annual General Meeting 2018

The Annual General Meeting 2018 will be held on Thursday, May 3, 2018 at the company's premises at Kvarnbergsgatan 2, Gothenburg. Shareholders who wish to participate in the Annual General Meeting must be registered as shareholders in the share register held by Euroclear Sweden AB on Thursday, April 26, 2018, and by the same date notify the Company of their participation in the AGM.

### 4. AUDIT

The Company's auditors review the annual accounts and annual report and the Company's ongoing operations and routines to then issue a statement on the financial statements and management by the 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 in person

to the Board their observations from the audit and their assessment of the Company's internal control.

According to the Articles of Association, the Annual General Meeting must appoint at least one, and at most, two auditors or one or two authorized auditing firms. The 2017 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 further decided that remuneration to the auditor should be paid in accordance with the approved amount. For information about remuneration to the auditor, see note 8.

During the year, the auditors participated in three meetings with the Board's Audit Committee and held an individual meeting with the Board.

### 5. BOARD

**Board of Directors** The Board is responsible for the company's organization and management of the company's affairs by establishing the Group's objectives and strategies, ensuring procedures and systems for monitoring the established objectives, continuously assessing the Group's financial situation as well evaluating the operational management. It is also the responsibility of the Board to ensure that accurate information is provided to the company's stakeholders, that the company adheres to 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 CEO 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 page 69.

#### 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 carries out its duties in full. 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 CEO, 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 does not participate in the operational work within the Company. Nor is he included in Group Management.

### Board work

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 CEO 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 interim reports, financial statements and year-end reports. 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 CEO maintain an ongoing dialogue concerning the management of Serneke.

The Board meets according to an annual schedule and must hold at least six 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 2017 financial year, the Board has held ten formal meetings.

### Evaluation of the Board

Evaluation of the Board is conducted within the framework of the work of the 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 results of the interviews have since been compiled by the consultant and submitted to the Board. The Nomination Committee has also taken account of the evaluation report.

The Board's evaluation showed that the work of the Board has functioned worked very well and that comments from the 2017 evaluation were taken into consideration, but that there was room for further improvements. The evaluation further showed that the Board is a well-composed group with major commitment and that the members have broad competence and extensive experience from various areas that are relevant to Serneke's operations.

### Remuneration to the Board of Directors

The 2017 Annual General Meeting resolved that fees totaling SEK 1,625,000 would be paid to the Board, with the Chairman of the Board receiving SEK 750,000, each of the other members of the Board not employed by the Company receiving SEK 200,000 and the Chairman of the Audit Committee receiving SEK 75,000.

## BOARD OF DIRECTORS

Serneke's Board has two ordinary committees: the Audit Committee and the Remuneration Committee. The work carried out in the committees is reported to the Board on an ongoing basis. The committees shall be regarded as working committees for the Board and do not take on the responsibility that is the responsibility of the Board as a whole.

### 6. AUDIT COMMITTEE

The Board of Directors, excluding the CEO, forms the Audit Committee, with Kristina Willgård as Chairman. The Audit Committee's main task is to monitor Serneke's financial reports monitor the effectiveness of the company's internal control, internal audit and risk management with regard to financial reporting, as well as issuing recommendations and proposals for ensuring the reliability of the reporting. The Audit Committee shall, in cooperation with Serneke's auditor, ensure audit planning, monitoring, and auditing status ahead of the annual accounts and consolidated accounts and for the conclusions of the Supervisory Board of Public Accountants' quality control.

In addition, the Audit Committee shall monitor the auditor's impartiality and independence and especially, if applicable, pre-approve when the auditor provides the company with services other than audit services.

The Audit Committee also evaluates the audit work and informs, ahead of appointment of auditors, the Company's Nomination Committee of 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 member shall be independent and have accounting or auditing skills have been met.

The Audit Committee held four formal meetings in 2017. 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 (Chairman), Mari Broman and Ludwig Mattsson. 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 held four meetings regarding remuneration as well as conferencing by telephone and email on a number of occasions throughout the year.

## 8. INTERNAL CONTROL

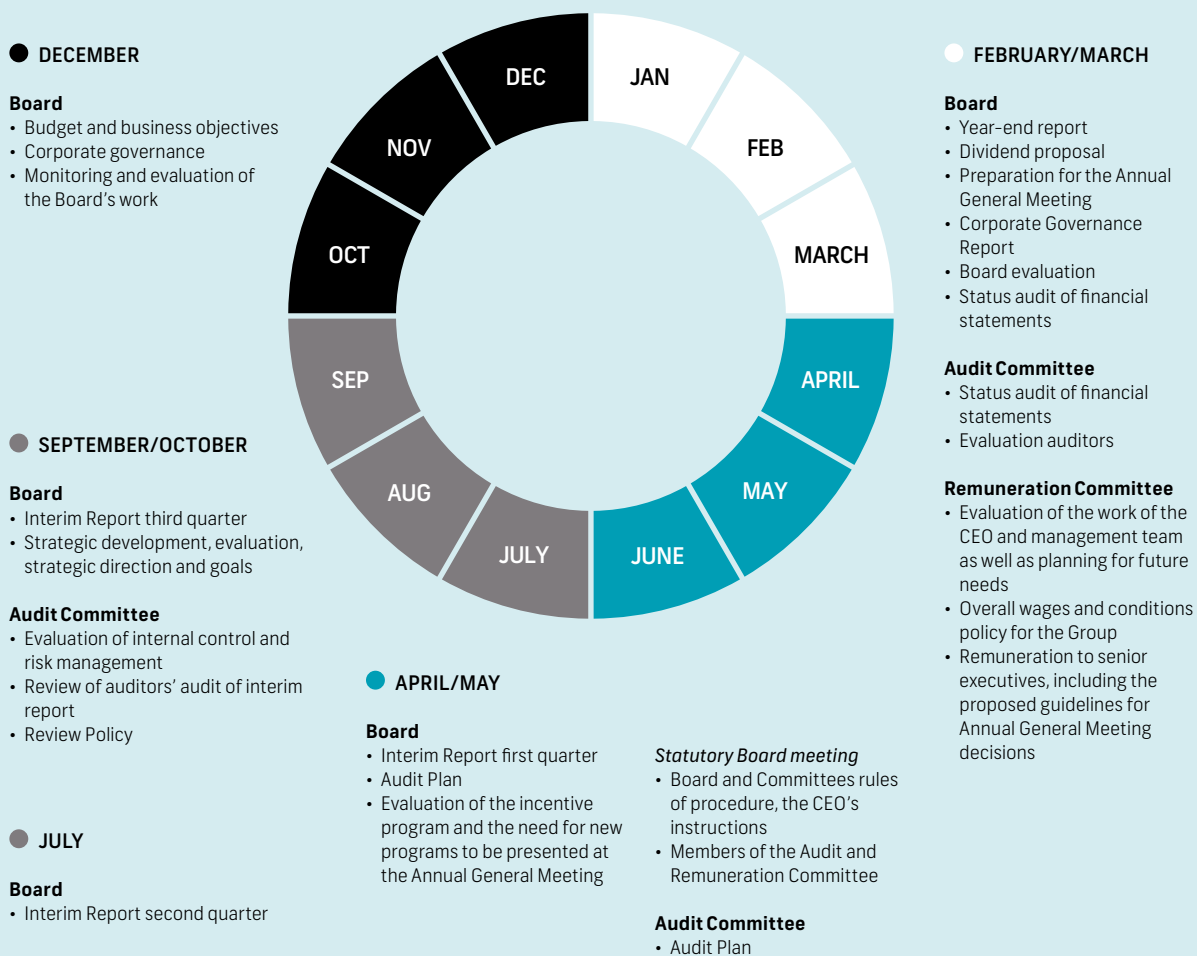
The Board's responsibility for internal control is regulated by the Swedish Companies Act and the Annual Accounts Act, which requires that information on the principal features of Serneke's system of internal control and risk management in connection with financial reporting be included each year in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

### WORK OF THE BOARD IN 2017



### Control environment

The Board of Directors 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 authorization rules 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 also contains a detailed time and activity plan for the Company's accounting and reporting process. Dates of reporting are published on 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 annual accounts 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 in the financial statements and in the valuation of ongoing projects, contracts and associates, 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 the company's management. This involves both internal and external control activities, and by reviewing and monitoring the company's governance 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 with system support, and compiled in a report to the CFO who then informs the CEO and Board of the outcome.

### Management and monitoring

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 monitored. 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. Monitoring of the income statement and balance sheet is conducted monthly of the various functions within the company and those of the company's 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 performance 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 CEO. The CEO 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 nine senior executives, see pages 70–71.

### Remuneration to senior executives

In 2017, a total of SEK 14.3 million was paid in fixed remuneration to the Company's senior executives (Group management). The total gross remuneration paid to the CEO and Group management, including base salary, pension premiums, car and health insurance benefits, amounted to SEK 18.2 million in 2017, of which SEK 2.7 million constituted remuneration to the CEO.

### Principles for remuneration to senior executives

At the Annual General Meeting on May 3, 2017, the following guidelines were adopted 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 Board Member.

Serneke shall apply remuneration levels and other terms of employment necessary to be able to recruit and retain senior executives with the expertise and capacity to achieve the established targets, and that are designed to promote long-term value creation for the Company.

Remuneration shall be paid in the form of fixed salary, other benefits and pension. No variable remuneration shall be paid. Pension benefits shall be contribution-based, with retirement age set individually, albeit not lower than at 60 years of age. The period of notice shall normally be six months if the executive resigns. On termination by the company, the notice period and the period during which severance pay applies should not exceed 12 months. In special cases, it shall be possible for Board members to receive fees for services rendered in their respective areas of expertise that do not constitute Board work. For these services, a market-based fee shall be paid, which must be approved by the Board of Directors. The Board of Directors is entitled to deviate from these guidelines in individual cases should special reasons prevail.

### ADDITIONAL INFORMATION REGARDING THE BOARD OF DIRECTORS

In accordance with the Swedish Corporate Governance Code, Chairman of the Board Kent Sander, and Mari Broman, Anders Wennergren and Kristina Willgård, are all independent of Serneke, the company's management and its main owner. Board member Ludwig Mattson represents more than 10 percent of the vote and is regarded as dependent in relation to major shareholders. Ola Serneke, CEO of Serneke Group AB holds more than 10 percent of the votes and therefore is regarded as dependent in relation to major shareholders and the company.

None of the Board members or members of Group management have any family relations with any other Board member or member of Group management within Serneke.

There are also no conflicts of interest through which the private interests of Board members or members of Group management would conflict with the company's interests. Board member Ludwig Mattsson has a holding in Lommen Holding AB of 16 percent of the shares. Lommen Holding AB owns the Adapta Group, which purchases contracting services from Serneke, in addition to which it holds a 10 percent stake in Änglagården Holding AB, a company in which Serneke holds 40 percent.

### Related-party transactions

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

Transactions with Adapta are considered to constitute related party transactions since the principal owner, Ludwig Mattsson, is a member of the Board of Serneke Group AB. The transactions consist mainly of construction contracts and rent from Serneke's headquarters. Transactions with Ola Serneke Invest AB are considered to be related-party transactions, as Ola Serneke is the principal owner, CEO and a member of the Board of Serneke Group AB. These transactions consist primarily of contracting operations. Transactions with Glimstedt are considered to be related-party transactions, as one of the principal owners, Anders Wennergren, is a member of the Board of Serneke Group AB. The transactions mainly consist of consulting costs.

In connection with the listing of Serneke's shares in November 2016 Ola Serneke Invest AB undertook, with certain reservation, to not sell its respective holdings for a certain period of time from the commencement of trading at Nasdaq Stockholm. This so-called lock up period is 720 days for Ola Serneke Invest AB.

No company in the Group has entered into agreements that give Board members or members of Group management entitlement to benefits after each respective assignment is completed.

### REGULATIONS

#### External rules

As a Swedish public limited liability company with securities listed on Nasdaq Stockholm, Serneke is obliged to comply with the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code.

#### Deviations from the Swedish Corporate Governance Code, stock exchange rules or good practices on the stock market

The Company has not deviated from the Swedish Corporate Governance Code or stock exchange rules. Furthermore, the Company has not been subject to a decision by Nasdaq Stockholm's Disciplinary Committee or a decision on violations of good practices in the stock market by the The Swedish Securities Council.

#### Internal rules

Serneke has a series of internal regulations that, together with the external rules, provide the framework for the business. The central regulations include the Articles of Association, the Board's rules of procedure and those for each committee, the CEO's instructions, including instructions for handling conflicts of interest and delegation.

The company's internal rules regarding ethics and sustainability are summarized in the sustainability policy and business ethics policy. Linked to the sustainability policy and business ethics policy are guidelines that describe practical application in the daily operations. In addition, there are the following basic policies including the financial policy, risk management policy, insider policy and communication policy.

All employees have a responsibility for the company's compliance with external and internal rules. Employees are encouraged to report abuse in the company's operations. Such notification can be made to the nearest supervisor, security officer or HR department.



# Board of Directors



	KENT SANDER	MARI BROMAN	LUDWIG MATTSSON	OLA SERNEKE	ANDERS WENNERGREN	KRISTINA WILLGÅRD
<b>Born</b>	1953	1951	1983	1971	1956	1965
<b>Nationality</b>	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish
<b>Function</b>	Member of the Board and Chairman of the Board since 2017. Chairman of the Remuneration Committee.	Member of the Board since 2015. Member of the Remuneration Committee.	Member of the Board since 2012. Member of the Remuneration Committee.	Member of the Board since 2004 and CEO since 2008.	Member of the Board since 2012.	Member of the Board since 2015. Chairwoman of the Audit Committee.
<b>Education</b>	MBA, Stockholm University.	Master of Economics, Gothenburg University, 1974.	MBA, Stockholm University.	Master of Engineering, Chalmers University of Technology, 1998.	Bachelor of Laws, University of Lund, 1982.	MBA, Lund University, 1989.
<b>Experience</b>	More than 30 years of senior management experience in international telecom and high technology IT companies. Kent Sander has been CEO of True-Position, Executive VP Sales at Ericsson in the US and Chairman of Transmode.	Deputy CEO Riksbyggen, Chairwoman and member of the board of several property companies and industry associations.	CEO Gavia Group, assignments within the Gavia Group and within the Lommen Group.	President and CEO of Serneke Group AB. Founder of Serneke Group AB.	Lawyer and partner of Glimstedts Advokatbyrå since 1990.	CEO Addlife AB, CFO Addtech AB (publ), CFO Ericsson AB, CFO and HR Netwise, CFO Frontec (now Acando AB), Business Controller Spendrups and Auditor Arthur Andersen.
<b>Other assignments</b>	Chairman of Tobii AB, OnePhone Holding AB, Triboron International AB and Mr Green & Co AB. Board member of Expander Business Consulting AB, BT OnePhone Ltd and Incell International AB.	Chairman of Marginalen Bank AB, IQ Samhällsbyggnad AB and Sharing Capabilities AB. Board member Forserum Safety Glass AB and ChromoGenics AB.	Chairman of the board of Adapta Fastigheter AB and Deputy Chairman of the board in other companies within AdaptaGroup. Chairman of the board of Lommen Invest AS and board member of other companies in the Lommen Group. Chairman of Spisa Holding AB and Board member of Ativo Finans AB, Zocalo Sweden AB, Ånglagården Holding AB, Ånglagården Fastighetsutveckling AB and GBG Nya Arena Drift och Event AB.	Board member of Ånglagården Fastighetsutveckling AB, Göteborgs Nya Arena drift och event AB. Board member and CEO of Ola Serneke Invest AB, Landskrona Fröfabriksutvecklings AB. Board member of several economic associations, in addition to which several assignments such as Chairman of the board, board member or CEO of companies within the Serneke Group.	Board member of Fastighets AB Balder and individual assignments within the Balder Group, Morlanda-Bro AB and Sydvind Energi AB. Board member of Bassholmen AB and other companies in the Bassholmen AB Group.	Chairman of AddLife Development AB, Board member of Medioplast AB and listed company Nordic Waterproofing Holding A S. Assignments such as a Board member and co-owner of Willgård AB.
<b>Fees determined by the Annual General Meeting</b>	SEK 750,000	SEK 200,000	SEK 200,000	-	SEK 200,000	SEK 275,000
<b>Holdings in Serneke Group AB, own and related-parties*, May 2017</b>	0 shares	909 Series B shares in Serneke Group AB (publ).	540,000 Series A shares and 3,475,803 Series B shares in Serneke Group AB (publ).	3,710,000 Series A shares and 2,331,354 Series B shares in Serneke Group AB (publ).	283,636 Series B shares in Serneke Group AB (publ).	1,000 Series B shares in Serneke Group AB (publ).
<b>Independent of major shareholders</b>	Yes	Yes	No	No	Yes	Yes
<b>Independent of the company and its management</b>	Yes	Yes	Yes	No	Yes	Yes
<b>Member of committee</b>	Audit Committee Remuneration Committee	Audit Committee Remuneration Committee	Audit Committee Remuneration Committee	Not a member	Audit Committee	Audit Committee
<b>Meeting attendance</b>	Board meeting 6/10* Audit Committee 2/4* Remuneration Committee 0/4*	Board meeting 10/10 Audit Committee 4/4 Remuneration Committee 4/4	Board meeting 10/10 Audit Committee 4/4 Remuneration Committee 4/4	Board meeting 10/10	Board meeting 10/10 Audit Committee 4/4	Board meeting 10/10 Audit Committee 4/4

\*Kent Sander has attended all board meetings since joining at the 2017 Annual General Meeting.

# Management



	OLA SERNEKE	MICHAEL BERGLIN	ANDERS DÜRING	DANIEL ÅSTENIUS	FREDRIK JONSSON
<b>Born</b>	1971	1973	1965	1971	1976
<b>Nationality</b>	Swedish	Swedish	Swedish	Swedish	Swedish
<b>Function</b>	CEO	Deputy CEO	CFO	Business Area Manager Serneke Construction, CEO of Serneke Bygg AB	Business Area Manager Plant, CEO of Serneke Anläggning AB
<b>Employed since</b>	2002	2012	2017	2007	2014
<b>Education</b>	Master of Engineering, Chalmers University of Technology, 1998.	Structural engineering program, Borås University, 1994 and 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.	Structural engineer, Chalmers University of Technology, 1992.	MSc Project Management, University of Northumbria, Newcastle, 2001, and BSc Civil Engineering, Structural Engineer, Chalmers Univer- sity of Technology, 2000.
<b>Experience</b>	President and CEO of Serneke Group AB. Founder of Serneke Group AB.	Claims manager, Folksam 2000–2012 and assign- ments in NCC and Skanska in 1994–2000.	CFO KappAhl AB (publ.) 2013–2017, CFO Volvo IT 2007–2013, Group Con- troller & CIO Ballingslöv 2003–2006. Worked as a consultant at Arthur D. Little and Andersen Consulting, 1990–2003.	Senior executive positions within Serneke. Previous assignments as structural engineer and project man- ager within the Startec Group 1992–1998, and owner, CEO and project manager at Ledge Ing AB 1998–2007.	Assignments within the Bilfinger Group, including Project manager and Regional manager during the period 2007–2014 and Production manager Skanska 2001–2007.
<b>Other assignments</b>	Board member of Änglagården Fastighets- utveckling AB, Göteborgs Nya Arena drift och event AB. Board member and CEO of Ola Serneke Invest AB, Landskrona Fröfabriks- utvecklings AB. Board member of several eco- nomic associations, in addition to which several assignments such as Chairman of the board, board member or CEO of companies within the Serneke Group.	Several assignments within the Serneke Group as board member. In addition, assignments as board member in associates and JV such as Änglagården Fastighetsutveckling AB and Göteborgs Nya Arena drift och event AB.		Assignments as board member of the Serneke Group. Member of the Board and CEO of Ledge Ing AB.	Assignments as board member of the Serneke Group.
<b>Holding, Dec 2017</b>	3,710,000 Series A shares and 2,331,354 Series B shares in Serneke Group AB (publ).	264,500 Series B shares in Serneke Group AB (publ).	2,000 Series B shares in Serneke Group AB (publ).	330,000 Series A shares and 450,000 Series B shares in Serneke Group AB (indirectly through Ledge Ing AB).	45,000 Series B shares in Serneke Group AB (publ).



PATRIK LINDSTRÖM	KRISTER JOHANSSON	TONI HULTBERG	JONAS FJELLMAN	ROBIN GERUM
1972	1970	1963	1979	1987
Swedish	Swedish	Swedish	Swedish	Swedish
Business Area Manager Project Development, CEO Serneke Project Development AB	Business Area Manager Property Management, CEO Serneke Property Management AB	Regional Manager of Serneke Bygg AB	HR Director	Business Development Manager
2014	2016	2012.	2017	2017
Civil engineering, Road and Waterway, Royal Institute of Technology, 1997 and Graduate Engineer, Construction, Royal Institute of Technology, 1994.	Technical college graduate, Developer Masterclass Diploma.	Construction technology, Uddevalla College, 1987, Construction and civil engineering program, Kongahälla Upper Secondary School, 1981.	Master of Economics, University of Gothenburg, 2005.	MSc Finance and Investments, Rotterdam School of Management, 2012, and BSc Business Administration, University of New Hampshire, 2011.
Assignments within the Peab Group 1999–2014, including management positions during the period 2008–2014. Trainee, Skanska AB 1997–1998.	CEO Fastighetsaktiebolaget Tornstaden 2014–2016, Construction Manager Mölndalsbostäder AB 2009–2014, Technical manager Mölndalsbostäder AB 2004–2009, Operations manager Mölndalsbostäder AB 1998–2004, Consultant Bengt Dahlgren AB 1994–1998.	Project manager Enaco 2012, a significant number of positions within the Skanska Group 1985–2012.	Senior executive positions within HR since 2008. 2011–2017 within the IAC Group, most recently from a role as HR Director Europe.	Corporate Finance at Carnegie Investment Bank 2012–2017 and Private Equity at Liberty Lane Partners 2011.
	Chairman of the board Form Factory of Sweden AB, Board member Fagered Invest AB, Deputy board Alera AB.			
20,000 Series B and 7,000 convertible debentures in Serneke Group AB (publ).	191 Series B shares in Serneke Group AB (publ).	140,000 Series B shares in Serneke Group AB (publ).	634 convertibles in Serneke Group AB (publ).	5,206 Series B shares and 25,364 convertibles in Serneke Group AB).



# Multi-year summary

SEK million	2017 JAN-DEC	2016 JAN-DEC	2015 JAN-DEC	2014 JAN-DEC	2013 JAN-DEC
<b>Income statement</b>					
Income	5,605	3,978	3,107	1,800	1,143
Operating profit	419	411	128	82	31
Profit after net financial items	401	394	112	70	16
Profit for the year	323	394	137	68	25
<b>Balance sheet</b>					
Fixed assets	1,682	1,160	408	204	148
Current assets	2,722	2,277	1,244	1,156	488
<b>Total assets</b>	<b>4,404</b>	<b>3,437</b>	<b>1,652</b>	<b>1,360</b>	<b>636</b>
Shareholders' equity	1,821	1,469	453	280	177
Non-current liabilities	980	764	398	196	60
Current liabilities	1,603	1,204	801	884	399
<b>Total equity and liabilities</b>	<b>4,404</b>	<b>3,437</b>	<b>1,652</b>	<b>1,360</b>	<b>636</b>
<b>Orders*</b>					
Order bookings	6,400	5,539	5,094	-	-
Order backlog	7,965	7,041	5,125	-	-
<b>Employees</b>					
Average number of employees	942	779	618	479	369
<b>Key indicators</b>					
Growth, %	40.9	28.0	72.6	57.5	6.3
Organic growth, %	39.1	28.0	51.8	41.3	7.8
Operating margin, %	7.5	10.3	4.1	4.6	2.7
Earnings per share, SEK, before dilution	13.94	22.40	8.49	4.73	1.94
Earnings per share, SEK, after dilution	13.81	21.22	8.11	4.37	1.76
Cash flow before financing	-272	-156	32	4	-68
Cash flow from operations per share, before dilution	2.03	2.56	2.23	3.83	1.82
Cash flow from operations per share, after dilution	2.01	2.42	2.13	3.53	1.66
Working capital	1,119	1,073	443	272	89
Capital employed	2,516	1,985	670	695	354
Return on capital employed, %	21.6	31.8	19.0	16.2	10.8
Return on equity after taxes, %	19.6	41.0	37.4	29.7	18.1
Equity per share, SEK, before dilution	78.33	64.67	27.35	17.68	12.43
Equity per share, SEK, after dilution	77.73	62.83	25.79	17.68	11.38
Equity/assets ratio, %	41.3	42.7	27.4	20.6	28.0
Net debt	254	-37	223	313	168
Net debt/equity ratio, %	13.9	-2.5	49.2	111.8	94.9
Average number of shares before dilution	23,169,394	17,590,630	16,141,542	14,375,892	12,884,298
Average number of shares after dilution	23,396,120	18,567,901	16,891,542	15,576,345	14,193,884

\*Order backlog and order intake reported accordingly from January 2015

# Financial definitions

KEY INDICATORS	DEFINITION	PURPOSE																								
Income	Within the contracting operations, income is reported in accordance with the percentage-of-completion method. This income is recognized in pace with the construction project within the company being gradually completed. For project development, income and gains on disposals of land and development rights are recognized at the point in time at which the material risks and benefits are transferred to the buyer, which normally coincides with the transfer of ownership, as well as other revenue, such as rental income. In the Parent Company, income corresponds to invoiced sales of Group-wide services and rental income.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's earnings capacity.																								
Growth	Income for the period less income for the previous period divided by income for the previous period.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's capacity to increase its earnings.																								
Organic growth	Income for the period, adjusted for acquired growth, less income for the previous period, adjusted for acquired growth, divided by income for the previous period, adjusted for acquired growth.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's capacity to increase its income without acquiring operating companies.																								
<table> <tr> <th></th><th>Jan-Dec 2017</th><th>Jan-Dec 2016</th></tr> <tr> <td><b>Calculation of organic growth</b></td><td></td><td></td></tr> <tr> <td>Income current period</td><td>5,605</td><td>3,978</td></tr> <tr> <td>Income corresponding period previous period</td><td>3,978</td><td>3,107</td></tr> <tr> <td><b>Income change</b></td><td><b>1,627</b></td><td><b>871</b></td></tr> <tr> <td>Adjustment for structural effect</td><td>-70</td><td>0</td></tr> <tr> <td><b>Total organic growth</b></td><td><b>1,557</b></td><td><b>871</b></td></tr> <tr> <td>Total organic growth (%)</td><td>39.1</td><td>28.0</td></tr> </table>				Jan-Dec 2017	Jan-Dec 2016	<b>Calculation of organic growth</b>			Income current period	5,605	3,978	Income corresponding period previous period	3,978	3,107	<b>Income change</b>	<b>1,627</b>	<b>871</b>	Adjustment for structural effect	-70	0	<b>Total organic growth</b>	<b>1,557</b>	<b>871</b>	Total organic growth (%)	39.1	28.0
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Total organic growth (%)	39.1	28.0																								
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 as at the end of the period.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's income by Business Area Construction and Business Area Civil Engineering in future periods.																								

KEY INDICATORS	DEFINITION	PURPOSE
Operating margin	Operating profit divided by income.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's profitability.
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 capital tied-up, in relation to its competitors.
Capital employed	Consolidated total assets less deferred tax assets less non-interest-bearing liabilities including deferred tax liabilities. For the business areas, the net of Group-internal receivables and liabilities is also deducted.	In the Company's view, the key indicator allows investors, who so wish, to assess the total capital placed at the Company's disposal by shareholders and creditors.
Calculation of capital employed		Dec 31, 2017      Dec 31, 2016
<b>Total assets</b>		<b>4,404</b> <b>3,437</b>
Other deferred tax assets		0      -48
Less non-interest-bearing liabilities including deferred tax liabilities		-1,888      -1,404
<b>Capital employed</b>		<b>2,516</b> <b>1,985</b>
Return on capital employed	Profit after net financial items plus financial expenses divided by average capital employed for the period. Accumulated interim periods are based on rolling 12-month earnings.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's capacity to generate a return on the total capital placed at the Company's disposal by shareholders and creditors.
Calculation of average capital employed		Dec 31, 2017      Dec 31, 2016
December 31, 2017 (2516) + December 31, 2016 (1,985) / 2		2251
December 31, 2016 (1,985) + December 31, 2015 (670) / 2		1,328
Calculation of return on capital employed		Dec 31, 2017      Dec 31, 2016
Profit after net financial items		401      394
Addition for financial expenses		85      28
Average capital employed		2,251      1,328
<b>Return on capital employed, %</b>		<b>21.6%</b> <b>31.8%</b>



KEY INDICATORS	DEFINITION	PURPOSE
Return on equity	Profit for the period as a percentage of average shareholders' equity. Accumulated interim periods are based on rolling 12-month earnings.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's capacity to generate a return on the capital shareholders have placed at the Company's disposal.
<b>Calculation of average shareholders' equity</b>		Dec 31, 2017      Dec 31, 2016
December 31, 2017 (1,821) + December 31, 2016 (1,469) / 2		1,645
December 31, 2016 (1,469) + December 31, 2015 (453) / 2		961
<b>Calculation of return on shareholders' equity</b>		Dec 31, 2017      Dec 31, 2016
Profit/loss for the period		323      394
Average shareholders' equity		1,645      961
<b>Return on equity %</b>		<b>19.6%      41.0%</b>
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 as at the closing date. The difference between before and after dilution is the Group's issued convertibles.	In the Company's view, the key indicator gives investors a better understanding of historical return per share as at the closing date.
Cash flow from operations per share, after dilution	Cash flow from operating activities divided by the average number of shares during the period. The difference between before and after dilution is the Group's issued convertibles.	In the Company's view, the key indicator gives investors a better understanding of the operations' cash flow in relation to the number of shares, adjusted for changes in the number of shares during the period.
Earnings per share, before/after dilution	Profit for the period divided by the average number of shares during the period. The difference between before and after dilution is the Group's issued convertibles.	In the Company's view, the key indicator gives investors a better understanding of earnings per share.

# Consolidated income statement

SEK million	Note	2017	2016
Income	5, 6	5,605	3,978
Production and administration expenses		-5,299	-3,738
<b>Gross profit</b>		<b>306</b>	<b>240</b>
Sales and administration expenses		-151	-97
Change in value of investment properties		238	42
Revaluation of joint ventures	19	0	226
Share of profit of associates and joint ventures	19	26	0
<b>Operating profit</b>	7, 8, 9, 10	<b>419</b>	<b>411</b>
Financial income	11	18	11
Financial expenses	12	-36	-28
<b>Net financial items</b>		<b>-18</b>	<b>-17</b>
<b>Profit after financial items</b>		<b>401</b>	<b>394</b>
Taxes	14	-78	0
<b>Profit for the year</b>		<b>323</b>	<b>394</b>
<b>Attributable to:</b>			
Parent Company shareholders		323	394
Non-controlling interests		0	0
<b>Earnings per share</b>			
Earnings per share before dilution, SEK		13.94	22.40
Earnings per share after dilution, SEK		13.81	21.22
Weighted average number of ordinary shares before dilution, number of shares		23,169,394	17,590,630
Weighted average number of ordinary shares after dilution, number of shares		23,396,120	18,567,901

# Consolidated statement of comprehensive income

SEK million	Note	2017	2016
<b>Profit for the year</b>		<b>323</b>	<b>394</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit/loss:			
Translation differences for the year		0	0
<b>Total comprehensive income</b>		<b>323</b>	<b>394</b>
<b>Attributable to:</b>			
Parent Company shareholders		323	394
Non-controlling interests		0	0



# Consolidated statement of financial position

SEK million	Note	Dec 31, 2017	Dec 31, 2016
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets	15	23	23
Investment properties	16	895	329
Other tangible fixed assets	17	95	75
Deferred tax assets	29	0	48
Participations in associates and joint ventures	19	446	424
Non-current interest-bearing receivables	20	10	30
Other non-current receivables	20	213	231
<b>Total fixed assets</b>		<b>1,682</b>	<b>1,160</b>
<b>Current assets</b>			
Project and development properties	21	283	242
Inventories	22	1	2
Accounts receivable	23	845	589
Accrued but not invoiced income	24	319	252
Prepaid expenses and accrued income	25	57	19
Other current receivables	26	786	602
Cash and bank balances		431	571
<b>Total current assets</b>		<b>2,722</b>	<b>2,277</b>
<b>Total assets</b>		<b>4,404</b>	<b>3,437</b>

SEK million	Note	Dec 31, 2017	Dec 31, 2016
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	27		
Share capital		2	2
Other paid-in capital		806	777
Translation reserve		-1	-1
Retained earnings including profit/loss for the year		1,014	691
<b>Equity attributable to Parent Company shareholders</b>		<b>1,821</b>	<b>1,469</b>
<b>Non-controlling interests</b>		<b>0</b>	<b>0</b>
<b>Total equity</b>		<b>1,821</b>	<b>1,469</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	28	641	436
Other non-current liabilities	28	152	208
Deferred tax liability	29	29	0
Other provisions	30	158	120
<b>Total long-term liabilities</b>		<b>980</b>	<b>764</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	28	54	128
Accounts payable		799	541
Current tax liabilities		8	10
Other current liabilities		185	146
Invoiced but not accrued income	24	297	172
Accrued expenses and prepaid income	31	260	207
<b>Total current liabilities</b>		<b>1,603</b>	<b>1,204</b>
<b>Total equity and liabilities</b>		<b>4,404</b>	<b>3,437</b>

# Consolidated statement of changes in equity

SEK million	Share capital	Other paid-in capital	Translation reserve	Retained earnings including profit/loss for the year	Total equity attributable to Parent Company shareholders	Non-controlling interests	Total share-holders' equity
<b>Opening balance as at January 1, 2016</b>	<b>2</b>	<b>155</b>	<b>-1</b>	<b>297</b>	<b>453</b>	<b>0</b>	<b>453</b>
Total comprehensive income							
<b>Profit for the year</b>				<b>394</b>	<b>394</b>	<b>0</b>	<b>394</b>
<b>Other comprehensive income</b>							
Translation differences	-	-	0	-	-	-	0
Total other comprehensive income, after tax	-	-	0	0	0	0	0
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>394</b>	<b>394</b>	<b>0</b>	<b>394</b>
<b>Transactions with shareholders:</b>							
New share issue	0	598	-	-	598	-	598
Conversion, convertible debenture loans	0	23	-	-	23	-	23
Equity component of convertible debenture loans	-	1	-	-	1	-	1
<b>Total transactions with shareholders</b>	<b>0</b>	<b>622</b>	<b>-</b>	<b>-</b>	<b>622</b>	<b>-</b>	<b>622</b>
<b>Closing balance as at December 31, 2016</b>	<b>2</b>	<b>777</b>	<b>-1</b>	<b>691</b>	<b>1,469</b>	<b>0</b>	<b>1,469</b>
<b>Opening balance as at January 1, 2017</b>	<b>2</b>	<b>777</b>	<b>-1</b>	<b>691</b>	<b>1,469</b>	<b>0</b>	<b>1,469</b>
Total comprehensive income							
<b>Profit for the year</b>				<b>323</b>	<b>323</b>	<b>0</b>	<b>323</b>
<b>Other comprehensive income</b>							
Translation differences	-	-	0	-	-	-	0
Total other comprehensive income, after tax	-	-	0	0	0	0	0
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>323</b>	<b>323</b>	<b>0</b>	<b>323</b>
<b>Transactions with shareholders:</b>							
New share issue	0	2	-	-	2	-	2
Conversion, convertible debenture loans	0	27	-	-	27	-	27
Equity component of convertible debenture loans	-	-	-	-	-	-	-
<b>Total transactions with shareholders</b>	<b>0</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>29</b>
<b>Closing balance as at December 31, 2017</b>	<b>2</b>	<b>806</b>	<b>-1</b>	<b>1,014</b>	<b>1,821</b>	<b>0</b>	<b>1,821</b>

# Consolidated statement of cash flow

SEK million	Note	2017	2016
<b>Cash flow from operating activities</b>			
Operating profit		419	411
Adjustment for non-cash items	33	-195	-397
Interest received		3	-
Interest paid		-33	-19
Income taxes paid		-2	-6
		<b>192</b>	<b>-11</b>
Decrease (-) increase (+) in project and development properties		-41	233
Decrease (-) increase (+) in inventories		1	2
Decrease (-) increase (+) in accounts receivable		-248	-237
Decrease (-) increase (+) in receivables		-139	-103
Decrease (-) increase (+) in accrued but not invoiced		-67	-55
Decrease (-)/increase (+) in accounts payable		258	192
Decrease (-)/increase (+) in current liabilities		-34	17
Decrease (-) increase (+) in invoiced but not accrued		125	7
<b>Cash flow from operating activities</b>		<b>47</b>	<b>45</b>
<b>Investment activities</b>			
Acquisition of fixed assets		-62	0
Acquisitions of investment properties		-248	-175
Sale of fixed assets		0	-
Business combinations		-8	-10
Disposal/reduction of financial assets		-1	-16
<b>Cash flow from investment activities</b>		<b>-319</b>	<b>-201</b>
<b>Financing activities</b>			
New share issue	27	2	598
Borrowings	33	218	547
Convertible debenture loans raised	33	8	16
Repayment of borrowings	33	-79	-427
Change of financing activities	33	-17	-18
<b>Cash flow from financing activities</b>		<b>132</b>	<b>716</b>
<b>Cash flow for the year</b>		<b>-140</b>	<b>560</b>
Cash and cash equivalents as at beginning of year		571	11
<b>Cash and cash equivalents as at year-end</b>		<b>431</b>	<b>571</b>



# Parent Company income statement

SEK million	Note	2017	2016
Income	6	117	88
Sales and administration expenses	7	-136	-97
<b>Operating profit</b>	8, 9, 10	<b>-19</b>	<b>-9</b>
Financial income	11	1	2
Financial expenses	12	-24	-11
<b>Net financial items</b>		<b>-23</b>	<b>-9</b>
Appropriations	13	33	-39
<b>Profit after financial items and appropriations</b>		<b>-9</b>	<b>-57</b>
Tax on profit for the year	14	-24	9
<b>Profit for the year</b>		<b>-33</b>	<b>-48</b>

# Parent Company statement of comprehensive income

SEK million	Note	2017	2016
Profit for the year		-33	-48
Other comprehensive income		-	-
Total comprehensive income		-33	-48

# Parent Company balance sheet

SEK million	Note	Dec 31, 2017	Dec 31, 2016
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Equipment, tools, fixtures and fittings	17	5	6
<b>Total tangible fixed assets</b>		<b>5</b>	<b>6</b>
<b>Financial assets</b>			
Participations in Group companies	18	127	75
Deferred tax assets	29	29	54
Other non-current receivables	20	2	1
<b>Total financial fixed assets</b>		<b>158</b>	<b>130</b>
<b>Total fixed assets</b>		<b>163</b>	<b>136</b>
<b>Current assets</b>			
Project and development properties	21	3	3
<b>Current receivables</b>			
Accounts receivable	23	0	0
Receivables from Group companies		903	715
Other current receivables	26	6	0
Prepaid expenses and accrued income	25	9	6
<b>Total current receivables</b>		<b>918</b>	<b>721</b>
Cash and bank balances		392	476
<b>Total current assets</b>		<b>1,313</b>	<b>1,200</b>
<b>TOTAL ASSETS</b>		<b>1,476</b>	<b>1,336</b>

SEK million	Note	Dec 31, 2017	Dec 31, 2016
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	27		
<i>Restricted equity</i>			
Share capital		2	2
Statutory reserve		1	1
		<b>3</b>	<b>3</b>
<i>Non-restricted equity</i>			
Share premium reserve		803	774
Accumulated profit or loss		-94	-46
Profit for the year		-33	-48
		<b>676</b>	<b>680</b>
<b>Total equity</b>		<b>679</b>	<b>683</b>
<b>Non-current liabilities</b>			
Convertible debentures	28	23	15
Non-current interest-bearing liabilities	28	298	297
Other provisions	30	20	-
<b>Total long-term liabilities</b>		<b>341</b>	<b>312</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	28	1	27
Accounts payable		14	15
Liabilities to Group companies		430	282
Current tax liabilities		1	0
Other current liabilities		3	2
Accrued expenses and prepaid income	31	7	15
<b>Total current liabilities</b>		<b>456</b>	<b>341</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,476</b>	<b>1,336</b>



# Statement of changes in equity, Parent Company

SEK million	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Share premium reserve	Profit or loss brought forward including profit for the year	
<b>Opening balance as at January 1, 2016</b>	<b>2</b>	<b>-</b>	<b>154</b>	<b>-46</b>	<b>110</b>
Profit for the year				-48	-48
<b>Total comprehensive income</b>				<b>-48</b>	<b>-48</b>
<b>Transactions with shareholders</b>					
New share issue	0	-	598	-	598
Conversion, convertible debenture loans	0	-	22	-	22
Equity component of convertible debenture loans	-	1	-	-	1
<b>Total transactions with shareholders</b>	<b>0</b>	<b>1</b>	<b>620</b>	<b>-</b>	<b>621</b>
<b>Closing balance as at December 31, 2016</b>	<b>2</b>	<b>1</b>	<b>774</b>	<b>-94</b>	<b>683</b>
<b>Opening balance as at January 1, 2017</b>	<b>2</b>	<b>1</b>	<b>774</b>	<b>-94</b>	<b>683</b>
Profit for the year				-33	-33
<b>Total comprehensive income</b>				<b>-33</b>	<b>-33</b>
<b>Transactions with shareholders</b>					
New share issue	0	-	2	-	2
Conversion, convertible debenture loans	0	-	27	-	27
<b>Total transactions with shareholders</b>	<b>0</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>29</b>
<b>Closing balance as at December 31, 2017</b>	<b>2</b>	<b>1</b>	<b>803</b>	<b>-127</b>	<b>679</b>

# Parent Company statement of cash flows

SEK million	Note	2017	2016
<b>Cash flow from operating activities</b>			
Operating profit		-19	-9
Adjustment for non-cash items	33	22	2
Interest received		1	2
Interest paid		-24	-11
Income taxes paid		-	0
		<b>-20</b>	<b>-16</b>
Decrease (-)/increase (+) in receivables		-196	-280
Decrease (-)/increase (+) in accounts payable		-1	11
Decrease (-)/increase (+) in current liabilities		124	-143
		<b>-73</b>	<b>-412</b>
<b>Cash flow from operating activities</b>		<b>-93</b>	<b>-428</b>
<b>Investment activities</b>			
Acquisitions of tangible fixed assets		-1	-1
Disposal of tangible fixed assets		0	0
<b>Cash flow from investment activities</b>		<b>-1</b>	<b>-1</b>
<b>Financing activities</b>			
New share issue	27	2	598
Borrowings	33	8	309
Repayment of borrowings	33	-	-5
<b>Cash flow from financing activities</b>		<b>10</b>	<b>902</b>
<b>Cash flow for the year</b>		<b>-84</b>	<b>473</b>
Cash and cash equivalents as at beginning of year		476	3
<b>Cash and cash equivalents as at year-end</b>		<b>392</b>	<b>476</b>

# Notes

## NOTE 1 General information

Serneke Group AB (publ) ("Serneke"), corporate identity 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' (together "Group") operations comprise comprehensive services in construction, civil engineering, project development and property management. Serneke operates in both the public and commercial 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 accounts 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 Annual Accounts Act and Recommendation RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board.

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

### New and amended standards applied by the Group

The following standards are applied by the Group for the first time for fiscal years beginning January 1, 2017:

- Disclosure Initiative: Amendments to IAS 7. The changes in IAS 7 require disclosure of changes in liabilities from financing activities, see Note 33.

The application of the change has not had any impact on any reported amounts for the previous financial year and the change will not have any effect on current or future periods.

### Interpretations

IFRS Interpretations Committee (IFRIC) has not published any new interpretations that have come into effect for the financial year 2017.

### New standards and interpretations that have not yet been applied by the Group

A number of new standards and interpretations will gain legal force for financial years beginning after January 1, 2017 and have not been applied in the preparation of this financial report. These new standards and interpretations are expected to affect the Group's financial statements as follows.

IFRS 15 Revenue from Contracts with Customers was published on May 28, 2014 and replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 provides a model for revenue recognition for almost all income generated through agreements with customers, with the exception of leases, financial instruments and insurance contracts. The core principle for revenue recognition in accordance with IFRS 15 is that a company must recognize revenue in a way that reflects the transfer of the promised good or service to the customer, in the amount that the company expects to be entitled to receive in exchange for the good or service. Revenue is then recognized once the customer gains control of the good or service. IFRS 15 includes a substantial amount of

guidance for specific areas and there are extensive disclosure requirements. IFRS 15 is applicable for the financial year beginning on or after January 1, 2018, with earlier application permitted. Serneke has conducted an analysis of the effects of IFRS 15 and determined that application of the new rules does not result in any significant conversion effects in recognition of revenue. Serneke implements the standard with forward-looking retroactive transition method from January 1, 2018.

IFRS 9 Financial Instruments was published on July 24, 2014, and replaces IAS 39 Financial Instruments: Recognition and measurement. The standard contains new requirements for the classification and valuation of financial instruments, impairment and general rules for hedge accounting. The standard is mandatory for periods beginning January 1, 2018. Serneke has conducted an analysis of the effects of IFRS 9, which shows that the new rules do not result in any significant conversion effects. The new principles for classification of financial assets are based on an analysis of the business model under which the asset is managed and the asset's cash flow character. Credit loss provision is made in a model based on expected losses. Serneke will apply IFRS 9 retroactively from January 1 2018, with the help of the transition relief included in the standard.

IFRS 16 Leases was published on January 13, 2016, and replaces IAS 17 Leases. IFRS 16 introduces a right-of-use model, which for the lessee entails 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. For the lessor, IFRS 16 does not involve any major differences, compared with IFRS 17. IFRS 16 is applicable for the financial year beginning on January 1, 2019, with earlier application permitted provided that IFRS 15 is applied at the same time.

Serneke's assessment is that the application of IFRS 16 may affect the reported amounts in the financial statements regarding the Group's financial assets and liabilities. Serneke has not yet conducted a detailed analysis of the effects of applying IFRS 16 and cannot yet quantify the effects.

Serneke believes that other new and amended standards and interpretations that have not entered into force will not have a material impact on the Group's financial statements when applied for the first time.

### Consolidated accounts

The consolidated accounts 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 18.

Subsidiaries are included in the consolidated accounts 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 accounts.

#### **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 profit or loss on disposal is calculated as the difference between:

- i) the sum of the fair value of the consideration received and the fair value of any remaining holdings, and
- ii) 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 disposed 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 IAS 39 Financial Instruments: Recognition and Measurement, or, where applicable, the acquisition cost on initial recognition of an investment in an associate or joint arrangement.

#### **Segment reporting**

An operating segment is part of an enterprise that is able to earn income and incur expenses, the operating results of which are regularly reviewed by the company's highest executive decision maker, and for which there is independent financial information. The company's reporting of operating segments is consistent 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 in the Group are recognized in the currency used in the primary business environment where each unit primarily pursues its operations (functional currency). In the consolidated accounts, 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. In 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 consisting of currency hedges that satisfy conditions for hedge accounting of cash flows or of net investments, for which gains and losses are recognized in other total earnings.

When preparing the consolidated accounts, the assets and liabilities of foreign subsidiaries are translated into SEK (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. Upon disposal of a foreign subsidiary, such translation differences are reported in the income statement as part of the capital gain.

#### **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**

*Business combinations are recognized in accordance with the acquisition 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 in the fair value of a contingent additional purchase consideration price classified as an asset or liability are reported 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 allocations or to the exchange of the acquired company's share-based allocations against the acquirer's equity-related assets are valued at the acquisition date in accordance with IFRS 2 Share-based payments.
- 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 in which 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 the income statement. 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. Transaction costs are added to the acquisition value of acquired net assets on acquisition of assets. In the case of additional acquisitions, deferred tax attributable to the property acquisition is not recognized. Any negotiated tax rebate reduces the acquisition value of the property, which means that the value changes in subsequent valuation are affected by the tax rebate.

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

### Investments in associates and joint ventures

An associate 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.

A joint venture is a collaborative arrangement whereby the parties with joint control over the operations are entitled to the net assets of the operations.

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 rec-

ognize 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 profit of 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.

### Income

#### Construction income

All contracting assignments are initially valued in accordance with IFRIC 15 "Agreements for the Construction of Real Estate". Depending on the form of the agreement, the assignment can be considered a contracting agreement and reported in accordance with IAS 11 Construction contracts, which involves the percentage-of-completion method. If project contracts do not meet the requirements imposed in accordance with IFRIC 15, the contract is treated as a sold service or good. In such a situation, income and profit/loss are recognized in accordance with IAS 18 Revenue, which is normally when transfer of ownership has occurred.

When the outcome of a construction contract recognized in accordance with IAS 11 can be reliably estimated, the income and expenses attributable to the contract are recognized as income and expenses, taking into account the contract's degree of completion at the end of the reporting period. The degree of completion is calculated as the ratio between contracted expenses for work performed at the end of reporting period and estimated total assignment expenses. Revaluations of the project's final forecasts entail corrections of previously accumulated earnings. If it is probable that the total contract expenses will exceed the total contract income, the anticipated loss should be immediately recognized as a cost in its entirety. Changes in the scope of the assignment, claims and incentive compensation are included in the assignment income to the extent that it is likely that adjustments will result in income and can be measured reliably.

If the outcome of a contracting assignment cannot be calculated reliably, income recognition should only be made in amounts corresponding to the incurred assignment expenses that are likely to be compensated for by the client, and assignment expenses are recognized as expenses in the period in which they arise.

When production starts on a housing project, with the client being a housing cooperative, in cases where the property is already owned by Serneke, the property is transferred at its book value to the construction project and included in the project's other production expenses.

Where project contracts with tenant-owner associations fulfill the requirements imposed for a construction contract in accordance with IAS 11, income is based on stage of completion and earnings are calculated based on the same principles as above. Risks associated with commitments to the tenant-owner association in respect of unsold apartments are taken into account in the accumulated earnings.

**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 income is recognized when the right of ownership has been transferred, i.e. when all material risks and benefits have been transferred to the buyer. When agreements encompass both sales of properties and development rights, as well as construction contracts for planned construction for the buyer, an assessment is made as to whether the property and/or development right transactions' respective construction contracts are separate agreements, or whether they should be regarded as a single agreement, or "linked transaction".

Sales of development rights can be dependent upon decisions regarding future detailed development plans. An assessment is then made as to the probability of the respective detailed development plan. Sales income and earnings are recognized when the probability is deemed to be very high. When sales income is recognized, all remaining commitments in the sales earnings are also taken into account.

**Rental income**

Income that is recognized includes rental income, which is recognized on a straight-line basis. As lessor, the Group only has leases that are classified as operating leases. 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.

**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.

**Leases – the Group as lessee**

A finance lease is a lease according to which the financial risks and benefits associated with ownership of an asset are for all intents and purposes transferred from the lessor to the lessee. Other leases are classified as operating leases.

Assets held in accordance with finance leases are recognized as fixed assets in the consolidated balance sheet at fair value at the beginning of the term, or at the present value of the minimum lease payments, if this is lower. The corresponding liability to the lessor is recognized in the balance sheet as a finance lease liability.

Lease payments are allocated between interest and amortization of the liability. The interest is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The interest expense is recognized directly in the income statement.

The fixed assets are depreciated during the shorter period of the asset's useful life and term.

For operating leases, lease payments are expensed on a straight-line basis over the lease term, unless another systematic way better reflects the user's economic use over time.

**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 directly attributable to the purchase, construction or production of an asset that necessarily takes considerable time to complete for the intended use or sale are included in the acquisition cost of the asset until the date of completion of the asset for its intended use or sale. Interest income from temporary placement of borrowed funds for the above described asset are deducted from the borrowing costs that may be included in the asset's acquisition value.

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 principle 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 claims 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 in which 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.

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 recognized at acquisition cost, less accumulated depreciation and any impairment losses.

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 carrying amount of a tangible fixed asset is derecognized from the statement of financial position on retirement or disposal, or when no future economic benefits are expected from use or retirement/disposal of the asset. The profit or loss arising from the scrapping or disposal of the asset is the difference between any net income on disposal and its carrying amount, recognized in the income statement in the period when the asset is removed from the statement of financial position.

### Investment properties

Properties acquired for more long-term strategic development within the Property business area are classified as investment properties when the Group's intention with the holding is 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 16 for further information.

Acquisition of investment properties is normally recognized as an asset in connection with the point at which possession of the properties occurs.

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 value 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 revaluated 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

A financial asset or financial liability is recognized in the balance sheet when the Company becomes party to the contractual conditions of the instrument. A financial asset or part of a financial asset is removed from the balance sheet when the rights in the contract are realized, expire or when the Company loses control of it. A financial liability or part of a financial liability is removed from the balance sheet when the commitment in the contract has been fulfilled or is otherwise extinguished.

At every balance sheet date, the Company conducts an assessment as to whether there are objective indications that a financial asset or group of financial assets is impaired due to past events. Examples of such events include a significant deterioration in the financial position of the counterparty, or non-payment of overdue amounts.

Financial assets and financial liabilities that on subsequent recognition are not measured at fair value via the income statement are recognized on initial recognition at fair value with additions/deductions for transaction expenses. Financial assets and financial liabilities that on

subsequent recognition are measured at fair value via the income statement are recognized on initial recognition at fair value. On subsequent recognition, financial instruments are measured at amortized cost or at fair value, depending on their initial categorization in accordance with IAS 39.

On initial recognition, a financial asset or a financial liability is placed into one of the following categories:

#### *Financial assets*

- Fair value via the income statement
- Changes in loans and accounts receivable
- Investments held to maturity
- Financial assets available for sale

#### *Financial liabilities*

- Fair value via the income statement
- Other financial liabilities measured at amortized cost

#### *Fair values of financial instruments*

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and liabilities with standard terms that are traded on an active market is determined taking account of quoted market prices.

The fair value of other financial assets and liabilities is determined in accordance with generally accepted valuation models based on information retrieved from observable, relevant market transactions.

For all financial assets and liabilities, the carrying amount is deemed to be a good approximation of their fair value, unless otherwise stated in the notes that follow.

#### *Amortized cost*

Amortized cost refers to the amount at which the asset or liability was initially recognized, less amortization, additions or deductions for accumulated allocation in accordance with the effective interest method of the initial difference between received/paid amounts and amounts due to be paid/received on the maturity date, and less impairment.

The effective interest rate is the rate that, on discounting of all future anticipated cash flows over the expected term, results in the initially recognized value of the financial asset or the financial liability.

#### *Offsetting of financial assets and liabilities*

Financial assets and liabilities are offset and recognized in the balance sheet at a net amount when a legal right exists to offset and when there is an intention to settle the items at a net amount, or to realize the asset and settle the liability at the same time.

#### *Cash and cash equivalents*

Cash and cash equivalents includes cash funds and bank balances, as well as other current liquid investments that can be easily converted into cash and are subject to a negligible risk in terms of changes in value.

In order to be classified as cash and cash equivalents, the term may not exceed three months from the acquisition date. Cash funds and bank balances are categorized as 'Loans and receivables', which means measurement at amortized cost. As bank deposits are payable on demand, amortized cost corresponds to a nominal amount. Current investments are categorized as 'Held-for-trading' and are measured at fair value, with changes in value recognized in the income statement.

#### *Accounts receivable*

Accounts receivable are categorized as 'Loans and receivables', which means measurement at amortized cost. However, the anticipated maturity of the accounts receivable is short, which is why they are recognized at a nominal amount without discounting. Deductions are made for receivables that are deemed to be bad debts. Impairment losses on trade receivables are recognized in operating expenses.

#### *Accounts payable*

Accounts payable are categorized as 'Other financial liabilities', which means measurement at amortized cost. However, the anticipated maturity of the accounts payable is short, which is why the liability is recognized at a nominal amount without discounting.

#### *Liabilities to credit institutions and other borrowings*

Interest-bearing bank loans, bank overdrafts and other loans are categorized as 'Other financial liabilities' and measured at amortized cost, according to the effective interest method. Any differences between the loan amount received (net of transaction expenses) and repayment or amortization of loans is recognized over the term of the loan, in accordance with the Group's accounting policy for borrowing expenses (see above).

#### *Convertible debentures*

The Group has issued a convertible debenture (compound financial instrument), which the owner can convert into a certain number of ordinary shares in the issuing company. The convertible debenture includes both a liability and an equity component. The Group recognizes the liability component and the equity component separately in the statement of financial position. The issuer of a convertible debenture initially establishes the carrying amount of the liability component by calculating the fair value of a similar liability that has no conversion right. The carrying amount of the equity component, which corresponds to the right to convert the instrument into ordinary shares, is subsequently obtained by the fair value of the compound financial instrument in its entirety being reduced by the fair value of the financial liability.

In the subsequent recognition, the liability component is measured at amortized cost in accordance with the effective interest method. The equity component is only revalued on conversion or redemption.

During the year, the Parent Company has issued a convertible debenture (compound financial instrument), which can be converted into a certain number of ordinary shares in the issuing company.

#### *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 selling price less estimated expenses for completion and the expenses estimated as necessary for effectuating the 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 probable.

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 acquisition cost and net realizable value. The acquisition cost is determined through the application of the First In First Out method, (FIFO). Net realizable value is the estimated selling price less estimated expenses for completion and the expenses estimated as necessary for effectuating the sale.



### Appropriations

Provisions are recognized when the Group has an existing commitment (legal or informal) resulting from past events, it is likely that an outflow of resources will be required in order to settle such commitment 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 or all of the amount required to settle a provision is expected to be replaced by a third party, the compensation shall be reported separately as an asset in the statement of financial position when it is virtually certain that it will be obtained if the company regulates the obligation and the amount can be calculated reliably.

### 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 physical persons are defined as Board members, senior executives and close family members to these.

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 Annual Accounts Act and the Swedish Financial Reporting 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 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 accounts, 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 accounts, 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.

#### Financial instruments

The Parent Company does not apply IAS 39 Financial Instruments: Recognition and measurement. In the Parent Company, a method is applied based on acquisition cost in accordance with the Swedish Annual Accounts Act. This entails that financial assets are measured at cost less impairment losses, if any, and current financial assets are measured at the lower of cost and fair value. Financial liabilities are measured at amortized cost using the effective interest method. Principles of recognition and derecognition of financial instruments are equivalent to those applied for the Group and as described above.

### 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 deduction.

### Changes in accounting policies

The amendments to RFR 2 Accounting for Legal Entities that have entered into force for the financial year 2017 have not affected the Parent Company's financial reports.

### Changes in RFR 2 that have not yet entered into force

The Parent Company has not yet begun to apply the changes in RFR 2 Accounting for Legal Entities, which will gain legal force January 1, 2018 or later.

Described below are those changes expected to have an impact on the Parent Company's financial statements in the period in which they are applied for the first time. The new standard for financial instrument classification, measurement and recognition of financial assets and liabilities. In RFR 2, there are exemptions from applying IFRS 9 for a legal entity, as well as the introduction of rules for recognizing financial instruments in RFR 2 to be applied by the companies that choose to apply the exemption. The amendment shall take effect on the same date that IFRS 9 is first applied in the consolidated accounts, i.e. for financial years beginning January 1, 2018 or later.

Serneke has conducted an analysis of the effects of IFRS 9, which shows that the new rules do not result in any significant conversion effects. Serneke will apply IFRS 9 retroactively from January 1, 2018.

Management believes that other amendments to RFR 2, which have not yet entered into force, are not expected to have any material impact on the Parent Company's financial statements when applied for the first time.

## 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 of future events considered 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 and outstanding commitments, which could have a highly significant impact on the Group's performance and financial position. Continuing commitments can also be difficult to identify in 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, which the Group had assessed as very likely to be approved, this could have a significant impact on performance and financial position.
- In the valuation of investment properties, assessments and estimates may have a significant impact on the Group's recognized earnings and financial position. Valuation of investment properties requires a number of different assessments, such as yield requirements, etc.

- Valuation of Group-owned investment properties and investment properties owned through associates and joint ventures could have a significant impact on the Group's earnings and financial position. Assessments concerning Group-owned investment properties affect the 'Investment property' item in the balance sheet and in the income statement, the item 'Change in value of investment properties' is recognized. The assessment relating to investment properties owned through associates and joint ventures affects the item Participations in associates and joint ventures in the balance sheet and, in the income statement, the effect is reported on the line Share of profit of associates and joint ventures.
- The Group's project and development properties are not measured at market value in the consolidated balance sheet. Nevertheless, assessments and estimates have a significant impact on the Group's market value. Valuation of these properties requires a number of different assessments – see above.
- 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. 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 15.
- In 2016, Serneke, via Karlavagnstornet Holding AB, sold 50 percent of the shares in Karlavagnsplatsen Holding AB to NSF II Sweden AB (NREP).  
The purchase consideration for the transferred shares in Karlavagnsplatsen Holding AB amounted to half of the underlying value of building rights that the parties preliminarily considered to amount to approximately SEK 1.5 billion. In addition, the purchase consideration may be adjusted in the event that the development rights are resold at a price lower than that agreed between the parties in determining the purchase consideration. Serneke has made a number of commitments to the buyer, including that Serneke shall ensure that property-owning companies are provided with certain agreed sites, plots and premises. Serneke shall also be responsible for all property registration expenses, including any stamp tax and for certain other obligations and services involved in advancing the project, including decontamination, demolition and development measures.  
In order to reflect the implications of the transaction, Serneke has allocated the purchase consideration between both the sale of shares and the sale of future services. The earnings from the sale of participations were recognized in the income statement at the time of disposal. Earnings from sales of services is recognized in the income statement over time in accordance with the percentage-of-completion method.
- 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 value. For further information on conditional purchase terms, see Note 4.

#### NOTE 4 Financial risk management and financial instruments, cont

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 for exposure, management and follow-up of financial risks is determined by the Board in a financial policy 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. The Group works continually to improve its liquidity situation. Work on streamlining collection of accounts receivable is under way and has been a priority in the Group.

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 28

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 bank overdraft with Nordea of SEK 200 million carries a covenant, which means that the Group shall have an equity/assets ratio of 25 percent. In the most recent report on December 31, 2017, the equity/assets ratio was 41.3 percent (42.7).

GROUP	Available liquidity	
	Dec 31, 2017	Dec 31, 2016
Cash and bank balances	431	571
Unused bank overdraft	200	200
<b>Total</b>	<b>631</b>	<b>771</b>

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

GROUP 2017 SEK million	Currency	Average interest rate as at the balance sheet date, %	Nominal amount original currency	Amount SEK, including interest	Maturing September 2018	Maturity 2019–2020	Maturing 2021 or later
Bank loans	SEK	1.74%	315	331	38	274	19
Finance lease liabilities	SEK	1.25%	61	64	22	42	-
Convertible debentures	SEK	2.09%	23	24	0	24	-
Bond	SEK	6.25%	300	356	19	337	-
<b>Total interest-bearing financial liabilities</b>			<b>699</b>	<b>775</b>	<b>79</b>	<b>677</b>	<b>19</b>
Accounts payable	SEK	-	799	799	799	-	-
Other liabilities	SEK	-	162	162	162	-	-
<b>Total non-interest-bearing financial liabilities</b>			<b>961</b>	<b>961</b>	<b>961</b>	<b>-</b>	<b>-</b>
<b>Total financial liabilities</b>			<b>1,660</b>	<b>1,736</b>	<b>1,040</b>	<b>677</b>	<b>19</b>

GROUP 2016 SEK million	Currency	Average interest rate as at the balance sheet date, %	Nominal amount original currency	Amount SEK, including interest	Maturing September 2017	Maturity 2018–2019	Maturing 2020 or later
Bank loans	SEK	1.93	184	191	85	97	9
Finance lease liabilities	SEK	1.25	44	45	20	25	-
Convertible debentures	SEK	3.12	41	43	27	16	-
Bond	SEK	6.25	300	352	19	333	-
<b>Total interest-bearing financial liabilities</b>			<b>569</b>	<b>631</b>	<b>151</b>	<b>471</b>	<b>9</b>
Accounts payable	SEK	-	541	541	541	-	-
Other liabilities	SEK	-	224	224	224	-	-
<b>Total non-interest-bearing financial liabilities</b>			<b>765</b>	<b>765</b>	<b>765</b>	<b>-</b>	<b>-</b>
<b>Total financial liabilities</b>			<b>1,334</b>	<b>1,396</b>	<b>916</b>	<b>471</b>	<b>9</b>

Further information is provided under Note 28.

### Interest risk

Interest 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 28.

### 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 of losing income because counterparties are unable to fulfill 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 7.5 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 23 for an aging analysis of outstanding accounts receivable and provisions for and settled doubtful accounts receivable. The credit standing of receivables not yet due is deemed to be good.

The Group and Parent Company's maximum exposure to credit 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 IAS 39 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	Financial assets and liabilities valued at fair value via the income statement		Financial assets available for sale		Loans and receivables		Other financial liabilities		Total carrying amount		Fair value	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Financial assets</b>												
Other non-current receivables	-	-	2	1	221	259	-	-	223	260	223	261
Accounts receivable	-	-	-	-	845	589	-	-	845	589	845	589
Other current receivables	-	-	-	-	581	463	-	-	581	463	581	463
Cash and bank balances	-	-	-	-	431	571	-	-	431	571	431	571
<b>Total financial assets</b>	-	-	<b>2</b>	<b>1</b>	<b>2,078</b>	<b>1,882</b>	-	-	<b>2,080</b>	<b>1,883</b>	<b>2,080</b>	<b>1,884</b>
<b>Financial liabilities</b>												
Convertible debentures	-	-	-	-	-	-	23	41	23	41	23	41
Liabilities to credit institutions	-	-	-	-	-	-	315	184	315	184	315	184
Bond	-	-	-	-	-	-	296	294	296	294	305	308
Lease liability	-	-	-	-	-	-	61	44	61	44	61	44
Other short- and long-term liabilities	-	-	-	-	-	-	162	224	162	224	162	224
Accounts payable	-	-	-	-	-	-	799	541	799	541	799	541
<b>Total financial liabilities</b>	-	-	-	-	-	-	<b>1,656</b>	<b>1,328</b>	<b>1,656</b>	<b>1,328</b>	<b>1,665</b>	<b>1,342</b>

Effects from measurement of financial instruments at fair value are included in consolidated earnings at SEK 0 million (0).

### 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 16 Investment properties for information about buildings and land valued at fair value that are attributable to Level 3.

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 active if quoted prices from a stock exchange, broker, industry group, pricing service or supervisory authority are easily and regularly available and these prices represent real and regularly occurring market transactions at arm's length.

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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Financial assets</b>								
Financial assets available for sale	-	-	-	-	2	1	2	1
<b>Total financial assets</b>	-	-	-	-	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>
<b>Financial liabilities</b>								
Other short- and long-term liabilities	-	-	-	-	84	31	84	31
<i>Of which, additional purchase considerations</i>	-	-	-	-	84	31	84	31
<b>Total financial liabilities</b>	-	-	-	-	<b>84</b>	<b>31</b>	<b>84</b>	<b>31</b>

The most important items are described below:

In 2015, an asset acquisition was made that included an additional purchase consideration for future detailed development plan changes and construction. The fair value of the additional purchase consideration amounts to SEK 31 million, which is unchanged from the previous year. Otherwise, no changes have occurred in relation to previously reported periods.

In May 2016, Söve flygplats was acquired from Swedavia. In addition to the purchase consideration, Serneke is to pay the seller an additional purchase consideration of up to SEK 200 million if a number of conditions specified in the share purchase agreement are met. Serneke currently estimates that the fair value of the additional purchase consideration amounts to SEK 45 million (0).



### 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 2017, the Group's equity/assets ratio amounted to 41.3 percent (42.7). The Group is subject to externally imposed capital requirements, which are detailed under Note 28.

## 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, Project Development and Property. 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:** Civil Engineering conducts all infrastructure-related operations in the Group. The business area carries out contracts to both external clients as well as to 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.

**Property:** The operations entail management and development of properties for long-term appreciation. Management is conducted of commercial properties.

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

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

### 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 sales between business areas are eliminated at Group level.

### Assets and liabilities by operating segment

The assets and liabilities of the business areas consist of capital employed. Capital employed comprises the business area's respective balance sheet total, reduced by deferred tax assets less interest-bearing liabilities and deferred tax liabilities. Consolidated goodwill is attributed to each of the business areas responsible.

## Consolidated income and profit

THE GROUP 2017 Amount in SEK million	Construction	Civil Engineering	Project- Development	Property Management	Group-wide	Elimination	Group
External sales	4,806	557	201	49	12	-20	5,605
Internal sales	113	66	11	2	115	-307	0
<b>Total income</b>	<b>4,919</b>	<b>623</b>	<b>212</b>	<b>51</b>	<b>127</b>	<b>-327</b>	<b>5,605</b>
<b>Operating profit</b>	<b>183</b>	<b>1</b>	<b>65</b>	<b>213</b>	<b>-43</b>	<b>-</b>	<b>419</b>
Financial income	0	0	16	1	1	-	18
Financial expenses	-1	-1	-8	-3	-23	-	-36
<b>Earnings after financial items</b>	<b>-1</b>	<b>-1</b>	<b>8</b>	<b>-2</b>	<b>-22</b>	<b>-</b>	<b>-18</b>
Tax	0	0	-1	-49	-28	-	-78
<b>Profit for the year</b>	<b>182</b>	<b>0</b>	<b>72</b>	<b>162</b>	<b>-93</b>	<b>-</b>	<b>323</b>

SEK million	Construction	Civil Engineering	Project- Development	Property Management	Group-wide	Elimination	Total Segment
<b>Assets</b>							
Goodwill	23	-	-	-	-	-	23
Deferred tax assets	1	0	1	0	25	-27	0
Investment properties	-	-	-	895	-	-	895
Participations in associates and joint ventures	-	-	356	90	-	-	446
Other fixed assets	104	14	158	34	8	-	318
Project and development properties	-	-	280	-	3	-	283
Accrued but not invoiced	278	58	0	2	-	-19	319
Other current assets	735	109	834	34	408	-	2,120
<b>Total assets</b>	<b>1,141</b>	<b>181</b>	<b>1,629</b>	<b>1,055</b>	<b>444</b>	<b>-46</b>	<b>4,404</b>

OTHER SEGMENT INFORMATION SEK million	Construction	Civil Engineering	Project- Development	Property Management	Group-wide	Elimination	Total Segment
Depreciation	-10	-4	-1	-2	-3	-	-20
Impairment losses	-	-	0	-	0	-	0
Share of profit of associates and joint ventures	-	-	38	-7	-4	-	27
Change in value of investment properties	-	-	-	228	10	-	238

THE GROUP 2016 Amount in SEK million	Construction	Civil Engineering	Project- Development	Property Management	Group-wide	Elimination	Group
External sales	3,208	370	371	14	15	-	3,978
Internal sales	21	85	2	1	84	-193	0
<b>Total income</b>	<b>3,229</b>	<b>455</b>	<b>373</b>	<b>15</b>	<b>99</b>	<b>-193</b>	<b>3,978</b>
<b>Operating profit</b>	<b>86</b>	<b>-36</b>	<b>334</b>	<b>37</b>	<b>-10</b>	<b>-</b>	<b>411</b>
Financial income	0	0	0	0	11	-	11
Financial expenses	0	0	0	0	-28	-	-28
<b>Earnings after financial items</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-17</b>	<b>-</b>	<b>394</b>
Tax	0	0	0	0	0	-	0
<b>Profit for the year</b>	<b>86</b>	<b>-36</b>	<b>334</b>	<b>37</b>	<b>-27</b>	<b>-</b>	<b>394</b>

SEK million	Construction	Civil Engineering	Project- Development	Property Management	Group-wide	Elimination	Total Segment
<b>Assets</b>							
Goodwill (included in other fixed assets)	23	-	-	-	-	-	23
Deferred tax assets	-	-	-	-	48	-	48
Investment properties	-	-	-	329	-	-	329
Investments in associates and joint ventures	-	-	327	97	-	-	424
Other fixed assets	94	11	189	28	13	-	335
Project and development properties	-	-	239	-	3	-	242
Accrued but not invoiced	179	72	1	-	-	-	252
Other current assets	867	72	692	62	491	-400	1,784
<b>Total assets</b>	<b>1,163</b>	<b>155</b>	<b>1,448</b>	<b>516</b>	<b>555</b>	<b>-400</b>	<b>3,437</b>

OTHER SEGMENT INFORMATION SEK million	Construction	Civil Engineering	Project- Development	Property Management	Group-wide	Elimination	Total Segment
Depreciation	8	3	1	1	4	-	17
Impairment losses	-	-	51	-	-	-	51
Revaluation of associated companies and joint ventures	-	-	226	-	-	-	226
Share of profit of associates and joint ventures	-	-	0	4	-4	-	0
Change in value of investment properties	-	-	-	42	-	-	42
Significant items other than depreciation, amortization and impairment not matched by payments	0	-	-	14	-	-	14

#### Information regarding geographical areas

The Group only pursues operations within Sweden, with three main geographical areas – West, South and East.

**NOTE 6** Income per income type

	Group		Parent Company	
	2017	2016	2017	2016
Construction contracts	5,502	3,642	0	2
Income from sales of project and development properties	38	318	-	1
Rental income*	22	15	6	5
Administrative services	-	-	110	80
Other	43	3	1	0
<b>Total</b>	<b>5,605</b>	<b>3,978</b>	<b>117</b>	<b>88</b>

\* Some project and development properties are rented out under operating leases and generate rental income. Rental contracts mainly concern short-term leases up until construction begins. The sum of the year's variable fees included in profit for the financial year amounts to SEK 0 million (0) in the Group and SEK 0 million (0) in the parent. Future minimum lease income relating to non-cancellable operating leases expires substantially within one year.

**NOTE 7** Operating expenses by type of expense

	Group		Parent Company	
	2017	2016	2017	2016
Material	-804	-465	-	-
Subcontractors	-3,281	-2,250	-	-
Employees	-683	-527	-41	-34
Carrying amount sold property held for resale	-	-101	-	-
Other production expenses	-525	-327	-	-
Depreciation	-20	-17	-2	-2
Impairment losses	0	-51	0	0
Other	-137	-97	-93	-61
<b>Total</b>	<b>-5,450</b>	<b>-3,835</b>	<b>-136</b>	<b>-97</b>

**NOTE 8** The auditor's fee and cost compensation

	Group		Parent Company	
	2017	2016	2017	2016
Deloitte				
auditing assignments	2	3	2	2
auditing-related services	0	1	0	3
tax consultancy	0	0	0	0
Consultation	0	1	0	0
<b>Total Deloitte</b>	<b>2</b>	<b>5</b>	<b>2</b>	<b>5</b>

Deloitte was appointed as the primary auditing firm in 2013.

**NOTE 9** Leasing**Operating leases – lessee**

Operating lease expense for the year:

	Group		Parent Company	
	2017	2016	2017	2016
Minimum lease payments	91	78	14	13
Variable payments	2	2	2	2
<b>Total</b>	<b>93</b>	<b>80</b>	<b>16</b>	<b>15</b>

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

	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Within one year	19	22	13	13
1–5 years	58	48	49	46
Later than 5 years	25	17	19	17
<b>Total</b>	<b>102</b>	<b>87</b>	<b>81</b>	<b>76</b>

The operating leases relate particularly to the rental of premises, including the Group's head office in Gothenburg and local offices in Stockholm, 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.

The lease term for the Group and Parent Company's rented premises amounts to 1–9 years. The lease may be extended at the end of the term at what the Group considers to be a fee consistent with market rates. Rental payments increase annually according to an index, based on the index figure for the month of October. The lease term for other premises varies between three and seven years.

The lease term for various pieces of office equipment varies between 3 and 4 years.

In 2015, the Group and Parent Company signed a new lease for its current headquarters in Gothenburg. This lease is for 10 years and the rent will be settled in accordance with index clauses. In 2016, the Group and Parent Company signed a new lease for office premises in Stockholm. The lease is for three years with three-months' notice, after which the lease can be extended for six months at a time, and the rent is regulated in accordance with index clauses.

**NOTE 10** Number of employees, salaries, other remuneration and social security costs

AVERAGE NUMBER OF EMPLOYEES	2017		2016	
	Number of employees	Of which number of men	Number of employees	Of which number of men
<b>Parent Company</b>				
Sweden	48	15	42	13
<b>Total in the Parent Company</b>	<b>48</b>	<b>15</b>	<b>42</b>	<b>13</b>
<b>Subsidiary</b>				
Sweden	893	810	737	666
<b>Total for subsidiaries</b>	<b>893</b>	<b>810</b>	<b>737</b>	<b>666</b>
<b>Total in Group</b>	<b>942</b>	<b>825</b>	<b>779</b>	<b>679</b>

TOTAL SALARIES, REMUNERATION ETC.	2017		2016	
	Salaries and other remunerations	Social security contributions (of which pension costs)	Salaries and other remunerations	Social security contributions (of which pension costs)
Parent Company	26	11	20	8
		(3)		(2)
Subsidiary	411	174	322	134
		(41)		(32)
<b>Total Group</b>	<b>437</b>	<b>185</b>	<b>342</b>	<b>142</b>
		(44)		(34)

Distribution of senior executives as at balance sheet date	Parent Company		Subsidiary	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
<b>Women:</b>				
Board including CEO	2	2	0	0
other senior executives	0	2	0	0
<b>Men:</b>				
Board including CEO	4	4	9	11
other senior executives	9	7	0	0
<b>Total</b>	<b>15</b>	<b>15</b>	<b>9</b>	<b>11</b>

REMUNERATION TO SENIOR EXECUTIVES Details in SEK thousand				
2017	Basic salary/ Fee	Other benefits	Pension costs	Total
Chairman of the Board Kent Sander *	750	-	-	750
Member of the Board Anders Wennergren **	200	-	-	200
Member of the Board Ludwig Mattsson	200	-	-	200
Board Member Kristina Willgård	275	-	-	275
Board Member Mari Broman	200	-	-	200
Member of the Board & CEO Ola Serneke	2,658	-	-	2,658
Other senior executives ***	11,668	895	3,015	15,578
<b>Total</b>	<b>15,951</b>	<b>895</b>	<b>3,015</b>	<b>19,861</b>
Of which remuneration from Parent Company	7,660	362	1,241	9,263

2016	Basic salary/ Fee	Other benefits	Pension costs	Total
Chairman of the Board Ulf Ivarsson *	450	-	-	450
Member of the Board Anders Wennergren **	200	-	-	200
Member of the Board Ludwig Mattsson	200	-	-	200
Board Member Kristina Willgård	275	-	-	275
Board Member Mari Broman	200	-	-	200
Member of the Board & CEO Ola Serneke	2,329	0	-	2,329
Other senior executives ***	9,679	667	2,509	12,855
<b>Total</b>	<b>13,333</b>	<b>667</b>	<b>2,509</b>	<b>16,509</b>
Of which remuneration from Parent Company	6,744	258	983	7,985

\* In 2017, Ulf Ivarsson left the Board and Kent Sander was elected Chairman of the Board. Remunerations for this person have in the table above only been included during the period during which he was on the Board and in the capacity as Chairman of the Board.

\*\* Fees at market rates for legal counsel are invoiced by law firm Glimstedt, of which Board member Anders Wennergren is a partner. For 2017, legal expenses for the law firm Glimstedt amounted to SEK 0 million (2).

\*\*\* 4) "Other senior executives" refers to the seven individuals in addition to the CEO who are members of Serneke's Group management. As at the end of 2017, Group Management consisted of 10 people, including CEO.

**Variable remuneration**

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

**Other benefits**

Other benefits largely comprise the assessed rental value of company cars.

**Pensions**

The Group only has defined-contribution pension plans.

**Agreements on severance pay and termination**

There are no agreements between the Company and the CEO regarding severance pay. The same applies for other senior executives. The period of notice shall normally be six months if the executive resigns. In the event of termination by the company, the notice period shall not exceed twelve months.

**NOTE 11** Financial income

	Group		Parent Company	
	2017	2016	2017	2016
Interest income	18	11	1	2
Exchange gains	0	0	0	0
Other	0	0	0	0
<b>Total financial income</b>	<b>18</b>	<b>11</b>	<b>1</b>	<b>2</b>

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



**NOTE 12** Financial expenses

	Group		Parent Company	
	2017	2016	2017	2016
Interest expenses	-35	-26	-23	-9
Interest expense attributable to convertible debentures	-1	-2	-1	-2
Exchange rate losses	0	0	0	0
<b>Total financial expenses</b>	<b>-36</b>	<b>-28</b>	<b>-24</b>	<b>-11</b>

All interest expenses are attributable to financial liabilities measured at amortized cost.

**NOTE 13** Appropriations

	Parent Company	
	2017	2016
Group contributions received	274	133
Group contributions paid	-241	-172
<b>Total appropriations</b>	<b>33</b>	<b>-39</b>

**NOTE 14** Tax on profit for the year, cont

CURRENT TAX	Group		Parent Company	
	2017	2016	2017	2016
Current tax on profit for the year	0	0	-	0
Adjustments recognized in current year regarding prior years' current tax	2	-4	-	0
<b>Total</b>	<b>2</b>	<b>-4</b>	<b>-</b>	<b>0</b>

DEFERRED TAX	Group		Parent Company	
	2017	2016	2017	2016
Deferred tax on losses	-28	9	-29	9
Deferred tax attributable to temporary differences	-52	-5	5	0
<b>Total</b>	<b>-80</b>	<b>4</b>	<b>-24</b>	<b>9</b>
<b>Total tax</b>	<b>-78</b>	<b>0</b>	<b>-24</b>	<b>9</b>

Income tax in Sweden is calculated at 22 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	
	2017	2016	2017	2016
Profit/loss before tax	401	394	-9	-57
Recognized tax for the year	-78	0	-24	9
Theoretical tax expense	-88	-87	2	13
<b>Difference</b>	<b>10</b>	<b>87</b>	<b>-26</b>	<b>-4</b>
<b>The difference is explained by</b>				
Non-deductible tax effect of impaired assets	0	-6	0	0
Tax effect of non-deductible expenses	-4	-1	-1	-1
Tax effect of non-taxable income	6	0	0	1
Tax effect of non-taxable Group contributions from subsidiaries	-	-	12	10
Tax effect of non-deductible Group contributions to subsidiaries	-	-	-37	-14
Tax effect of unmeasured losses	-	-	-	-
Tax effect of non-taxable income from disposal of associates	-	48	-	-
Tax effect of non-taxable income from disposal of associates	-	50	-	-
Tax effect of share of profit of associates	6	-	-	-
Tax effect of revaluation of associates on acquisition	-	0	-	-
Taxes attributable to previous years	2	-4	-	0
<b>Total</b>	<b>10</b>	<b>87</b>	<b>-26</b>	<b>-4</b>

**NOTE 15** Goodwill

	Group	
	Dec 31, 2017	Dec 31, 2016
Acquisition cost, opening balance	23	23
Purchasing	-	-
Impairments for the year	-	-
<b>Closing acc. cost of acquisition</b>	<b>23</b>	<b>23</b>

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 has been identified under 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 (10) and after tax amounted to 6 percent (8).

**Sensitivity analysis**

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

Investment properties are recognized in the consolidated statement of financial position at fair value and changes in value are recognized in the consolidated statement of comprehensive income. Acquisitions for the year were acquired in September and October 2017, respectively and, of the closing carrying amount, land accounted for SEK 80 million.

Changes in value of the properties amounted to SEK 238 million (42), which is based on external valuations of all investment properties. The property Sävde Depå, access to which was gained on September 1, was acquired exclusively as Serneke had previously disposed of a lease agreement that burdened the property. Serneke has, in accordance with procedures, valued Sävde Depå at market value, which generated an earnings effect of SEK 244 million.

Investment properties are properties that are managed with the purpose of generating rental income, capital appreciation or a combination of both. The Group also owns investment properties through associated companies, for which changes in value resulting from fair value estimations are recognized in the associated company's share. The Group's share of the investment properties in associated companies amounted to SEK 320 million (355). See Note 19 Participations in associates and joint ventures.

**Valuation model**

Property values are based on internal values, which are corroborated annually by external 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.

As at December 31, 2017, Serneke has carried out an external valuation of all properties. This is to ascertain the reliability of the internal valuation.

**Significant assumptions that have been used in the cash flow model:****Income**

Future income is based on existing leases with inflation of two percent, as well as forecast changes in occupancy rates.

**Operation and maintenance expenses**

When assessing properties' future property expenses, estimated normalized expenses have been used.

**Required Yield**

The required yield between 5.8 and 8.7 percent (6.1–7.4).

**External valuation**

To ascertain the Company's assessment of the value, all significant investment properties are also valued by an external, independent valuer, which ensures the property's anticipated future value against a consideration of prevailing market conditions.

**Sensitivity analysis\***

The assumption that has the greatest impact on the valuations is the yield requirement. At +/-1 percentage unit's change in the yield and +/-3 percent of income and operating and maintenance expenses, the consolidated results are affected by (SEK millions):

+/-1 percentage unit yield: -192/+266 (-85/+116)

+/-3 percent income: +53/-53 (+23/-23)

+/-3 percent operation and maintenance expenses: -10/+10 (-6/+6)

\* The sensitivity analysis includes effects of investment properties in associates.

**NOTE 16** Investment properties

	Group	
	Dec 31, 2017	Dec 31, 2016
<b>Opening carrying amount</b>	<b>329</b>	<b>13</b>
Acquisitions for the year	248	267
Capital expenditures	80	7
Unrealized changes in value	238	42
<b>Closing carrying amount</b>	<b>895</b>	<b>329</b>

	Group	
	Dec 31, 2017	Dec 31, 2016
Rental income from investment properties	20	10
Property expenses from investment properties	-19	-3
<b>Earnings from property management</b>	<b>1</b>	<b>7</b>

**NOTE 17** Tangible fixed assets

	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Buildings and land	15	13	-	-
Plant and machinery	3	1	-	-
Equipment, tools, fixtures and fittings	77	61	5	6
<b>Closing accumulated cost of acquisition</b>	<b>95</b>	<b>75</b>	<b>5</b>	<b>6</b>

BUILDINGS AND LAND	Group	
	Dec 31, 2017	Dec 31, 2016
Acquisition cost, opening balance	35	35
Reclassification	-	-
Purchasing	3	-
Disposal/retirement	-	-
<b>Closing accumulated cost of acquisition</b>	<b>38</b>	<b>35</b>
Opening depreciation	-22	-19
Depreciation for the year	-1	-3
Sales/scrapping	-	-
Reclassification	-	-
<b>Closing accumulated depreciation</b>	<b>-23</b>	<b>-22</b>
<b>Closing carrying amount</b>	<b>15</b>	<b>13</b>

PLANT AND MACHINERY	Group	
	Dec 31, 2017	Dec 31, 2016
Acquisition cost, opening balance	16	16
Purchasing	2	-
Sales/scrapping	-7	-
<b>Closing acc. cost of acquisition</b>	<b>11</b>	<b>16</b>
Opening depreciation	-15	-14
Sales/scrapping	7	0
Depreciation for the year	0	-1
<b>Closing acc. depreciation/amortization</b>	<b>-8</b>	<b>-15</b>
<b>Closing carrying amount</b>	<b>3</b>	<b>1</b>

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Acquisition cost, opening balance	101	87	8	11
Purchasing	42	32	2	4
Reclassification	-	-1	-	-
Disposal/retirement	-25	-17	-2	-7
<b>Closing accumulated cost</b>	<b>118</b>	<b>101</b>	<b>8</b>	<b>8</b>
Opening depreciation	-40	-31	-2	-2
Reclassification	-	-	-	-
Disposal/retirement	18	6	1	2
Depreciation for the year	-19	-15	-2	-2
<b>Accumulated depreciation, closing balance</b>	<b>-41</b>	<b>-40</b>	<b>-3</b>	<b>-2</b>
<b>Closing carrying amount</b>	<b>77</b>	<b>61</b>	<b>5</b>	<b>6</b>
<b>Of which financially leased assets</b>	<b>60</b>	<b>40</b>	<b>3</b>	<b>2</b>

**NOTE 18** Participations in Group companies

	Parent Company	
	Dec 31, 2017	Dec 31, 2016
Acquisition cost, opening balance	75	28
Shareholder contributions paid	52	47
<b>Closing cost of acquisition</b>	<b>127</b>	<b>75</b>

Company, corporate identity number	Domicile	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
		Share of equity %*	Share of equity %*	Carrying amount	Carrying amount
Serneke Construction AB, 556621-6908	Gothenburg	100%	100%	15	15
Serneke Anläggning AB, 556782-0591	Gothenburg	100%	100%	37	37
Serneke Industri AB, 556630-8184	Gothenburg	100%	100%	1	1
Serneke Project AB, 556688-6601	Gothenburg	100%	100%	0	0
Serneke Fastighet AB, 556982-4914	Gothenburg	100%	100%	74	22
				<b>127</b>	<b>75</b>

\* Also the share of votes

Parent Company Serneke Group AB owns 100 percent of the shares of its five 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 shown in the table above. Other companies in the Group specified in the respective subsidiary's annual report.

**NOTE 19** Participations in associates and joint ventures

	Group	
	Dec 31, 2017	Dec 31, 2016
Opening amount	424	94
Acquisition of participations in associates	0	-
Shareholder contributions	34	7
Dividend	0	-
Joint venture converted to Group company during the year	-38	-
Share of profit, after tax	26	5
Residual percentage at partial disposal of a Group company *	-	318
<b>Closing value</b>	<b>446</b>	<b>424</b>

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

In 2016, 50 percent of the shares in Karlavagnsplatsen Holding AB were sold, after which the controlling influence was lost and remaining shares were revalued at fair value. The fair value of the remaining shares has been obtained by determining what the other party has paid for the disposed shares. The consolidated income statement for the year 2016 includes capital gains from disposed shares amounting to

SEK 226 million (excluding transaction costs). The corresponding amount has been partly recognized as a revaluation gain on remaining shares in the earnings and partly with remaining net assets of SEK 92 million recognized as acquisition value for the joint venture participation.

COMPANY, ORGANIZATION	Domicile	Dec 31, 2017 Ownership share *	Dec 31, 2016 Ownership share *	Associated companies/ Joint ventures	Valuation Method
Karlstaden Holding AB, 559057-5816	Gothenburg	50.0%	50.0%	Joint venture	The equity 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	50.0%	50.0%	Associated companies	The equity method
Herrestads Etablering AB, 556966-0086	Trollhättan	20.0%	0%	Associated companies	The equity method

\*Also the share of votes

**Description of operations**

- Karlstaden Holding AB – The company is carrying out the Karlstaden project that will house approximately 2,000 residential units and 70,000 square meters of commercial space.
- Änglagården Holding AB – The company shall own, manage and develop Prioritet Serneke Arena.
- 7H Bil AB – The company's operations are sales of cars etc.
- Fastighetskompaniet i Väst AB – The company will own, manage and develop properties.
- Herrestads Etablering AB – The company conducts property development.

**SUMMARY OF FINANCIAL INFORMATION**

SUMMARY BALANCE SHEET	Karlstaden Holding AB		Änglagården Holding AB		7H Bil AB		Fastighetskompaniet i Väst AB		Herrestads Etablering AB	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Total assets	783	352	1,006	1,103	81	71	0	0	0	-
Total liabilities and provisions	677	342	696	751	62	52	0	0	0	-
Total net assets	106	10	310	352	19	19	0	0	0	-
<b>The Group's share of net assets</b>	<b>356</b>	<b>330</b>	<b>83</b>	<b>91</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>

SUMMARY PROFIT/LOSS STATEMENT	Karlstaden Holding AB		Änglagården Holding AB		7H Bil AB		Fastighetskompaniet i Väst AB		Herrestads Etablering AB	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Income	2	2	81	68	266	209	0	0	0	-
Profit for the year	-2	0	-20	43	5	5	0	0	0	-
Preferential rights to other shareholders*	-	-	-55	-77	-	-	-	-	-	-
<b>The Group's share of profit**</b>	<b>-1</b>	<b>0</b>	<b>-8</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>

\* 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. During 2016 (SEK 13 million) and 2017 (SEK 22 million), dividends have been paid to the other shareholders, whereupon the preferential right amounted to SEK 55 million as at the end of 2017. Serneke also has a commitment in the form of an operational guarantee in relation to the other co-owners in Änglagården Holding AB. The operational 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 operational guarantee has affected earnings for the year negatively by SEK 11 million (14) and the outstanding provision for remaining commitment amounts to SEK 7 million.

\*\* Unrealized changes in value of the associate's investment property were negative in the amount of SEK 89 million (48 million), of which the Group's share after tax was negative in the amount of SEK 28 million (15). Serneke Group AB (publ) has also 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, 2017, the associate's liability to credit institutions amounted to SEK 460 million (479).



**NOTE 20** Other non-current receivables

	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Opening amount	261	167	1	1
Incoming from property sales	-	161	-	-
Incoming other	27	9	-	-
Reclassification	-65	-	1	-
Settlement	-	-76	-	-
<b>Closing value*</b>	<b>223</b>	<b>261</b>	<b>2</b>	<b>1</b>
<i>*of which interest-bearing</i>	10	30	-	-
<i>*including receivables from associated companies and joint ventures</i>	62	67	-	-

**NOTE 21** Project and development properties

	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Opening cost*	242	629	3	3
Purchasing	74	-	-	-
Reclassification	-10	-	-	-
Subsequent to asset acquisition*	-	67	-	-
Capital expenditures	34	50	-	-
Impairment losses	-	-51	-	-
Sales	-6	-453	-	-
Other	-51	-	-	-
<b>Closing accumulated cost</b>	<b>283</b>	<b>242</b>	<b>3</b>	<b>3</b>

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

**Capitalized interest**

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

**NOTE 22** Inventories

	Group	
	Dec 31, 2017	Dec 31, 2016
Raw materials and supplies	1	2
<b>Total</b>	<b>1</b>	<b>2</b>

**NOTE 23** Accounts receivable

	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Accounts receivable, gross	850	595	0	0
Provision for bad debts	-5	-6	-	-
<b>Total accounts receivable, net of provision for bad debts</b>	<b>845</b>	<b>589</b>	<b>0</b>	<b>0</b>

	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Provision for bad debts at start of year	-6	-10	-	-
Provision for doubtful accounts receivable for the year	-1	-6	-	-
Settled doubtful accounts receivable	2	10	-	-
<b>Total provision for bad debts</b>	<b>-5</b>	<b>-6</b>	<b>0</b>	<b>0</b>

GROUP	2017			2016		
	Gross	Reserve, doubtful accounts receivable	Customer Receivables	Gross	Reserve, doubtful accounts receivable	Customer Receivables
Age analysis, accounts receivable						
Not yet due	644	0	644	458	0	458
Due within 30 days	95	0	95	47	0	47
Due 31-60 days	11	0	11	5	0	5
Due 61-90 days	3	0	3	2	0	2
Due > 90 days	97	-5	92	83	-6	77
<b>Total</b>	<b>850</b>	<b>-5</b>	<b>845</b>	<b>595</b>	<b>-6</b>	<b>589</b>

**NOTE 24 Contracting assignments**

	Group	
	Dec 31, 2017	Dec 31, 2016
Contract expenses and recognized profit	4,662	2,099
Less invoiced amounts	-4,343	-1,847
<b>Accrued but not invoiced income</b>	<b>319</b>	<b>252</b>
Invoiced amounts	5,462	4,346
Less contract expenses and recognized profit	-5,165	-4,174
<b>Invoiced but not accrued income</b>	<b>297</b>	<b>172</b>

**NOTE 25 Prepaid expenses and accrued income**

	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Pre-paid rent	8	6	3	3
Prepaid leasing	2	1	0	0
Prepaid insurance	1	3	0	0
Accrued income	16	4	0	0
Other prepaid expenses	30	5	6	3
<b>Total</b>	<b>57</b>	<b>19</b>	<b>9</b>	<b>6</b>

**NOTE 26 Other current debt**

	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Receivables from sales of project properties	516	447	-	-
Receivable from joint ventures	192	140	-	-
Other current receivables	78	15	6	0
<b>Total</b>	<b>786</b>	<b>602</b>	<b>6</b>	<b>0</b>

**NOTE 27 Equity****Share capital**

At the beginning of 2016, share capital amounted to SEK 1,656,579 and the number of shares was 16,565,785 at a quotient value of 0.1, comprising 5,360,000 Series A shares and 11,205,785 Series B shares.

In 2016, the Company's Series B shares were introduced on the Nasdaq Stockholm exchange, Mid Cap list, by which Series B shares became available to the public. The offering comprised a total 5,786,818 shares, of which 5,681,818 were newly issued Series B shares. The subscription price of the offering was SEK 110 per share, entailing that the new share issue amounted to SEK 625 million. After issue costs recorded against equity of net SEK 27 million after tax effects, the increase in equity was SEK 598 million.

In 2016, convertibles were converted to a nominal amount of approximately SEK 24 million and, as at the end of 2016, the share capital amounted to SEK 2,271,486. Total number of shares as at the end of December 31, 2016 amounted to 22,714,852, of which 5,360,000 were Series A shares and 17,354,852 Series B shares.

The Company resolved at the Annual General Meeting on April 13, 2015 to issue convertibles at a nominal amount of SEK 49.5 million with an annual interest rate of 4.0 percent and at a conversion rate of SEK 49.50. All remaining convertibles have been converted during 2017.

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

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

In spring 2017 convertibles were converted to a nominal amount of SEK 27 million and issue costs were SEK 2 million lower than expected, which has been recognized against equity.

At the end of 2017, the share capital amounted to SEK 2,324,846. Total number of shares as at the end of December 31, 2017 amounted to 23,248,452, of which 5,360,000 were Series A shares and 17,888,452 Series B shares.

**Other capital contributions – Group**

Other capital contributions comprise the share premium reserve.

**NOTE 28 Borrowings**

LONG-TERM	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Bank loans	282	101	-	0
Convertible debentures	23	15	23	15
Finance lease liabilities	40	26	2	3
Debenture loan	296	294	296	294
Other	152	208	-	0
<b>Total</b>	<b>793</b>	<b>644</b>	<b>321</b>	<b>312</b>

SHORT-TERM	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Bank overdraft facility	-	-	-	-
Bank loans	33	83	-	1
Finance lease liabilities	21	19	1	0
Convertible debentures	-	26	-	26
Other	-	0	-	0
<b>Total</b>	<b>54</b>	<b>128</b>	<b>1</b>	<b>27</b>
<b>Total borrowings*</b>	<b>847</b>	<b>772</b>	<b>322</b>	<b>339</b>

\*All borrowings in the Group are in SEK.

**Collateral for borrowings**

Total borrowing includes bank loans and other borrowings collateralized with SEK 186 million (184). Collateral for borrowings consists of the Group's properties, liens on assets and pledged shares in subsidiaries. For further information regarding collateral, see Note 32.

**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, 2017	Dec 31, 2016
Effect on future financial expenses +/-1%	-7/+7	-5/+5
Effect on future financial expenses +/-3%	-21/+21	-15/+15

**Available credit**

	Group	
	Dec 31, 2017	Dec 31, 2016
Bank overdraft facility	200	200
Utilized amount	-	-
<b>Available credit</b>	<b>200</b>	<b>200</b>

As at December 31, 2017, criteria for a covenant were fulfilled regarding a bank overdraft facility the Group has signed with Nordea. Serneke has committed to an equity/assets ratio of 25 percent. As at 31 December 2017, Serneke showed an equity/assets ratio of 41.3 percent (42.7).

**Bank loans**

The bank loans mature in 2025 and, as at December 31, 2017 have an average interest rate of 1.70 percent (1.93).

The exposure, regarding bank loans, to interest rate changes and contractual dates for interest renegotiation are, as at the end of the reporting period, as follows:

	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
< 12 months	32	83	-	1
12-36 months	264	92	-	0
> 36 months	19	9	-	0
<b>Total</b>	<b>315</b>	<b>184</b>	<b>-</b>	<b>1</b>

**Convertible debentures**

In August 2016, a new convertible debenture loan was issued aimed at employees. The amount issued totals SEK 15,882,000 and the loan carries an interest rate of 1.6 percent. Interest payments occur annually in August. The loan matures on August 26, 2019. Conversion may take place at fixed times over a period of 10 business days after the year-end report is published in 2017, 2018 and 2019 as well as August 1-12, 2019. The conversion price is 120 SEK. The market interest rate for corresponding loans without collateral is assessed to be an interest rate of 4.0 percent, and if the convertible's interest rate is lower than the estimated market interest rate, SEK 1 million of the issued convertible has been recognized in equity.

In August 2017, a new 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 each year and at the due date of the loan. The loan matures on September 8, 2020, providing conversion has not taken place before. The conversion rate is SEK 157.70. The market interest rate for corresponding loans without conversion rights is an interest rate in line with the interest rate on the convertible loan, therefore no part of the issued convertible bond is recognized in equity. In April 2017, conversion of convertible loans amounted to SEK 26,473,125.

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 expense, in addition to interest, is recognized in relation to the convertibles.

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

	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Nominal amount	23	42	23	42
Liability component as at issue date	-23	-41	-23	-41
Equity component	0	1	0	1
Liability component as at issue date	-23	-41	-23	-41
Effective interest rate	0	0	0	0
<b>Liability component as at December 31</b>	<b>-23</b>	<b>-41</b>	<b>-23</b>	<b>-41</b>

**Finance lease liabilities**

The Serneke Group as lessee has mostly finance leases relating to private cars. The conditions for these are:

The lease payments are variable and reflect the interest rate plus surcharge. The payment frequency is monthly in advance. The leasing fee is based on the reference interest rate (STIBOR 90 days with a 90 day fixed-interest term) and a margin with the straight-line depreciation method. The lease period is normally 36 months. Serneke is entitled to early termination of the lease after 12 months. In the event of early termination, Serneke will pay, at the settlement date, booked residual value as well as due lease payments and accrued interest rates.

The carrying amounts of the leased assets are detailed under Note 17.

## Liabilities finance leases:

	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Maturity date:				
Within one year	21	19	1	0
1-5 years	40	26	2	3
<b>Total</b>	<b>61</b>	<b>45</b>	<b>3</b>	<b>3</b>

**Debenture loan**

In September 2016, Serneke issued an unsecured debenture loan of a nominal value of SEK 300 million. The debenture loan has a variable interest rate of STIBOR 3 months plus 6.25 percent. Serneke has listed the debenture loan on the Nasdaq Stockholm exchange. The loan has financial covenants regarding the equity/assets ratio and liquidity. The equity/assets ratio is to reach 20.0 percent for the period until September 30, 2017, 22.5 percent for the period until September 30, 2018, and 25.0 percent for the period until September 30, 2019. Cash and cash equivalents corresponding to one year's interest payment remain valid. The covenant requirements also stipulate that all properties be valued by an external party. Serneke fulfilled the requirements as at December 31, 2017.

**Other**

"Other" consists mainly of deferred income related to the Karlstad project. For further information on the transaction, see Note 3 in the Board of Directors' Report

**NOTE 29** 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, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
<b>Deferred tax assets</b>				
Buildings and land	1	-	-	-
Investment properties	10	1	-	-
Project and development properties	-	6	-	-
Loss carryforwards	26	54	25	54
Other deferred tax assets	10	1	4	-
<b>Total deferred tax assets</b>	<b>47</b>	<b>62</b>	<b>29</b>	<b>54</b>
<b>Deferred tax liabilities</b>				
Buildings and land	-3	-3	-	-
Investment properties	-72	-11	-	-
Project and development properties	-	-	-	-
Other deferred tax liabilities	-1	-	-	-
<b>Total deferred tax liabilities</b>	<b>-76</b>	<b>-14</b>	<b>-</b>	<b>-</b>
<b>Total deferred tax assets and liabilities, net</b>	<b>-29</b>	<b>48</b>	<b>29</b>	<b>54</b>

The Group and Parent Company recognize deferred tax assets to the extent it is deemed likely that the deduction can be made against future taxable surpluses.

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 30** Other provisions

	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Additional purchase consideration	84	31	-	-
Provision relating to possession of property	5	5	-	-
Provision for commitments attributable to property sales	6	62	-	-
Provision for guarantee commitments	63	22	20	-
<b>Total</b>	<b>158</b>	<b>120</b>	<b>20</b>	<b>-</b>

	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
<b>Provisions consist of;</b>				
Long-term portion	158	39	20	-
Short-term portion	-	81	-	-
<b>Total</b>	<b>158</b>	<b>120</b>	<b>20</b>	<b>-</b>

	Additional purchase consideration	Provision relating to possession of property	Provision for commitments relating to property sales	Provision for guarantee commitments	Total
<b>As at January 1, 2017</b>	<b>31</b>	<b>5</b>	<b>62</b>	<b>22</b>	<b>120</b>
Incoming provisions	45	-	3	48	96
Provisions for acquisitions	8	-	-	-	8
Reversed unused amounts	-	-	-8	-	-8
Used during the year	-	-	-51	-7	-58
<b>As at December 31, 2017</b>	<b>84</b>	<b>5</b>	<b>6</b>	<b>63</b>	<b>158</b>

**Additional purchase consideration**

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

**Provision relating to possession of 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 probable. 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**

Concerns the projects' individually estimated expenses to correct problems and shortcomings that may occur during the guarantee period, which usually is five years.

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

**NOTE 31** Accrued expenses and prepaid income

	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Accrued interest expenses	0	2	0	2
Accrued personnel expenses	70	52	3	2
Prepaid rental income	8	5	0	0
Deferred income	157	129	-	-
Other accrued expenses	25	19	4	11
<b>Total</b>	<b>260</b>	<b>207</b>	<b>7</b>	<b>15</b>



**NOTE 32** Pledged assets and contingent liabilities**Pledged assets**

REFERS TO LONG-TERM BORROWINGS	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Property mortgages	305	108	-	0
Machinery and equipment with ownership reservation	-	2	-	1
Liens on assets	48	48	-	-
<b>Total</b>	<b>353</b>	<b>158</b>	<b>-</b>	<b>1</b>

CONCERNING SHORT-TERM BORROWINGS	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Property mortgages	32	83	-	-
Machinery and equipment with ownership reservation	-	0	-	0
Pledged shares in subsidiaries	-	459	-	-
Blocked funds	120	-	120	-
Liens on assets	200	221	200	221
<b>Total</b>	<b>352</b>	<b>763</b>	<b>320</b>	<b>221</b>

CONCERNING PROPERTY SALES	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Property mortgages	19	-	-	-
<b>Total</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Contingent liabilities**

	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Guarantee obligations of benefit for Group companies	-	-	541	246
Guarantee and contracting guarantees for Group companies	-	-	106	30
Guarantees in connection with property sales	186	184	184	184
Guarantees for letter of credit in tenant-owners' association	91	5	91	5
Guarantees for advance payment and contribution guarantees in tenant-owner's association	125	4	125	4
Guarantees for the benefit of associated companies *	145	50	145	50
<b>Total</b>	<b>547</b>	<b>243</b>	<b>1,192</b>	<b>519</b>

\* 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. As at December 31, 2017, the associate's liability to credit institutions amounts to SEK 460 million (479).

In May 2016, Söve flygplats was acquired from Swedavia. In addition to the purchase consideration of SEK 175 million, Serneke will pay the seller an additional purchase consideration of up to SEK 200 million if a number of conditions are met under the share purchase agreement, including requiring the properties have detailed development plans and are developed and that the sale is conducted to an external party. Serneke estimates that the fair value of the additional purchase consideration amounts to SEK 45 million (0).

**NOTE 33** Cash flow statement

ADJUSTMENTS ITEMS NOT AFFECTING CASH FLOW	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Share of profit of associates and joint ventures	-26	-	-	-
Revaluation on acquisition of controlling interest	-	-226	-	-
Unrealized changes in value	-238	-42	-	-
Capital gains	-	-218	-	-
Provisions	37	15	-	-
Amortization and depreciation	20	68	2	2
Other items not affecting cash flow	12	6	20	0
<b>Total</b>	<b>-195</b>	<b>-397</b>	<b>22</b>	<b>2</b>

**Reconciliation of net debt**

Net debt	Group		Parent Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Cash and cash equivalents	431	571	392	476
Non-current interest-bearing receivables	10	30	0	0
Borrowings – due within one year	-54	-128	-1	-27
Borrowings – due after one year	-641	-436	-321	-312
<b>Net debt</b>	<b>-254</b>	<b>37</b>	<b>70</b>	<b>137</b>
Cash and cash equivalents	431	571	392	476
Non-current interest-bearing receivables	10	30	0	0
Gross debt – fixed interest rate	-23	-15	-23	-42
Gross debt – floating rate	-672	-549	-299	-297
<b>Net debt</b>	<b>-254</b>	<b>37</b>	<b>70</b>	<b>137</b>

Group	Other assets		Liabilities attributable to financing activities				Total
	Cash and cash equivalents	Non-current interest-bearing receivables	Financial leases that expire within 1 year	Financial leases that expire after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	
<b>Net debt as at 1 January 2017</b>	571	30	-19	-25	-109	-411	<b>37</b>
Cash flow	-140	-	17	-	79	-226	<b>-270</b>
Exchange rate differences	0	-	-	-	-	-	<b>0</b>
Other items not affecting cash flow	-	-20	-22	-15	-	36	<b>-21</b>
<b>Net debt as at 31 December 2017</b>	<b>431</b>	<b>10</b>	<b>-24</b>	<b>-40</b>	<b>-30</b>	<b>-601</b>	<b>-254</b>

Parent Company	Other assets		Liabilities attributable to financing activities				Total
	Cash and cash equivalents	Non-current interest-bearing receivables	Financial leases that expire within 1 year	Financial leases that expire after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	
<b>Net debt as at 1 January 2017</b>	476	-	-1	-2	-26	-310	<b>137</b>
Cash flow	-84	-	0	-	0	-8	<b>-92</b>
Exchange rate differences	0	-	-	-	-	-	<b>0</b>
Other items not affecting cash flow	-	-	0	0	26	-1	<b>25</b>
<b>Net debt as at 31 December 2017</b>	<b>392</b>	<b>-</b>	<b>-1</b>	<b>-2</b>	<b>0</b>	<b>-319</b>	<b>70</b>

**NOTE 34** Related parties**Related party relationships**

The Group is subject to significant influence from Ola Serneke whom, through companies, holds 55 percent (55) of the votes in 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 12 percent (13) of the votes.

**Ola Serneke Invest**

Ola Serneke is CEO, Member of the Board, and owner of Ola Serneke Invest.

**Lommen Holding**

Ludwig Mattsson is a Member of the Board of Lommen Holding and, together with the family, owner of the company.

**Adapta**

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

**Associates**

In addition to the above related party relationships, the Group has a close relationship with its associates. See Note 19.

**Subsidiaries**

In addition to the related party relationships stated for the Group, the Parent Company has a close relationship with its subsidiaries. See Note 18.

**Summary, related party transactions**

Group	2017	2016
<b>Transactions with Ola Serneke Invest</b>		
Sales to Ola Serneke Invest	2	4
Purchases from Ola Serneke Invest	0	0
Receivable from Ola Serneke Invest	-	-
Debt to Ola Serneke Invest	-	-
<b>Transactions with Lommen Holding</b>		
Sales to Lommen Holding	-	-
Purchases from Lommen Holding	-	-
Receivable from Lommen Holding	-	-
Debt to Lommen Holding	-	-
<b>Transactions with Adapta</b>		
Sales to Adapta	372	235
Purchases from Adapta	12	11
Receivable from Adapta	50	36
Debt to Adapta	4	4
<b>Transactions with associates and joint ventures</b>		
Sales	198	42
Purchases	3	5
Receivable	262	213
Debt	29	15

**Remuneration to senior executives**

Information on remuneration to senior executives is presented in Note 10.

**NOTE 35** Events after balance sheet date**Dispute resolved for acquisition of Värmdö Byggtreprenader AB**

On August 27, 2014, an agreement was signed to acquire 100 percent of the shares in Värmdö Works AB. Under the contingent purchase consideration, Serneke was to pay a variable purchase price based on the company's operating profit for 2015 up to a maximum of SEK 30 million. Serneke and the seller of Värmdö Byggtreprenader AB were involved in a dispute regarding the payment of an additional purchase consideration and the seller initiated arbitration proceedings. Serneke's view was that the additional purchase consideration should not be paid. The ruling from the arbitration proceedings was issued in February 2018 in favor of Serneke, which entails that no additional purchase consideration will apply. The financial effects of the ruling will be recognized in the next quarterly report.

**NOTE 36** Distribution of Parent Company profit

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

Profit/loss brought forward	-93,984,886
Share premium reserve	802,570,581
Profit for the year	-32,683,077
<b>Total</b>	<b>675,902,618</b>

The Board proposes that the available earnings be appropriated as follows, SEK:

Dividend	92,993,808
Carried forward:	582,908,810

**The Board's opinion on the proposed distribution of profit**

The Group's equity has been determined in accordance with the IFRS standards adopted by the EU and their interpretations (IFRIC) and in accordance with Swedish law, including the Financial Reporting Council, RFR 1. The Parent Company's adjusted equity has been determined in accordance with Swedish law and Financial Reporting Council, RFR 2.

The proposed dividend is in line with the Board's defined dividend policy. Serneke's long-term dividend policy is to distribute 30 to 50 percent of net profit after tax for the previous financial year. Taking into consideration the overall strategy in which growth is prioritized over dividends over the next few years, the dividend proposal has taken into account actual development and growth opportunities. The proposed dividend amounts to 29 percent of net profit after tax.

In assessing the size of the dividend, the Board has taken into account the Group's investment needs, consolidation needs and position in general, and that the Group's future development can occur with retained financial strength and continued good freedom of action. The proposed dividend to shareholders reduces the Group's equity/assets ratio from 41.3 percent to 40.1. The Group's equity/assets ratio decreases by more than 1 percentage point through the proposed dividend. The equity/assets ratio is prudent in view of the fact that the company and the Group's operations continue to be profitable. The liquidity of the company and the Group is estimated to be maintained at an equally prudent level.

The Board is of the opinion that the proposed dividend does not prevent the company and other companies included in the Group from fulfilling their obligations in the short and long term, nor from carrying out the required investments. The proposed dividend can thus be defended with regard to the provisions of the Companies Act (2005:551) 17 Chapter 3, Section 2–3 (prudence rule).

**APPROVAL OF THE FINANCIAL STATEMENTS**

The Annual Report was approved by the Board and approved for publication March 28, 2018.

The Board of Directors and the CEO hereby certify that the Annual Report has been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for legal entities and gives a true and fair view of the company's position and results and that the management report gives a fair overview of the development of the company's operations, position and performance and describes significant risks and uncertainties the company faces.

The Board of Directors and the CEO certify that the consolidated accounts 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 development of the Group's operations, position and performance and describes significant risks and uncertainties the companies included in the Group face.

Gothenburg, March 28, 2018

Kent Sander  
*Chairman*

Mari Broman  
*Board Member*

Ludwig Mattsson  
*Board Member*

Ola Serneke  
*Board Member*  
*CEO*

Anders Wennergren  
*Board Member*

Kristina Willgård  
*Board Member*

Our audit report regarding this Annual Report and consolidated accounts has been submitted on March 28, 2018

Deloitte AB

Harald Jagner  
*Authorized Public Accountant*

# Auditor's report

This auditor's report is a translation of 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 2017-01-01 - 2017-12-31 except for the corporate governance report on pages 62-71. The annual accounts and consolidated accounts of the company are included on pages 56-112 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 2017 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 2017 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 report on pages 62-71.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the 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.

### 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 – Percentage of completion method construction contracts

#### Description of risk

Revenue from construction contracts is recognized according to percentage of completion based on income and costs. The percentage of completion is mainly based on project costs paid compared to estimated total project costs at completion (degree of completion).

To be able to apply the percentage of completion method the Group has to assess income and costs in a reliable way. This requires efficient and coordinated processes and systems for managing and following up on contract assignments. Incorrect estimates and assumptions regarding income and costs may 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 administration report on page 59. Accounting principles and critical judgment areas regarding percentage of completion related to construction contracts are described in note 2 – Significant accounting principles, in note 3 – Significant judgments and estimates and in note 24 – 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 principles for revenue recognition and compliance with IFRS,
- Review and evaluation of internal controls regarding the appliance of percentage of completion, and
- Review of a number of construction contracts by interviews with management and managers, analysis of risks and uncertainty in forecasts for a selection of projects, verification of information in forecasts against contracts together with calculation of degree of completion and revenue.

### Valuation of investment properties

#### Description of risk

The Group reports investment properties at fair value. The properties are valued internally and as quality control the properties have also been valued by external parties. Valuation of investment properties requires management to perform a number of



assessments and assumptions about, for example, future cash flows and determination of yield requirements for each property. Relatively small changes in assessments and assumptions can have a significant impact on the Group's result and financial position.

The Group disclosure information about accounting principles and significant judgment areas regarding investment properties in note 2 – Significant accounting principles, in note 3 – Significant judgments and estimates and in note 16 – Investment 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 for classification and valuation of investment properties and compliance with IFRS,
- Review of the Group's procedures and internal controls regarding valuation of properties and evaluation of assumptions applied,
- Review of input data and calculations in the Group's valuation on property level for significant properties,
- Review of the result of external valuations and compared the result with the Group's valuations and
- Review of that relevant notes in compliance with IFRS have been disclosed in the financial reports.

#### **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 1–55 and page 117. 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we

are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## 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 2017-01-01 - 2017-12-31 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 the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess 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 62-71 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing 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 Swedish Annual Accounts Act.

Deloitte AB, was appointed auditor of SERNEKE Group AB by the general meeting of the shareholders on the 2017-05-03 and has been the company's auditor since 2013-05-14.

Gothenburg 28 March 2018

Deloitte AB

*Signature on the original document*

Harald Jagner  
Authorized public accountant

# Annual General Meeting 2018

The Annual General Meeting of Serneke Group AB (publ) will be held on May 3, 2018 at 6:00 p.m. (CET) Location: Kvarnbergsgatan 2, Gothenburg.

Shareholders wishing to take part in Serneke Group AB's Annual General Meeting must be registered in the shareholders' register maintained by Euroclear Sweden AB as of April 26, 2018, and have notified the company of their attendance, no later than April 26, 2018, 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: 031-712 97 00 or by e-mail: [agm@serneke.se](mailto: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 26, 2018

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 27, 2018. 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.Group](http://www.serneke.Group).

The notification will be made available on [www.serneke.group](http://www.serneke.group).







**SERNEKE®**

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