

Gothenburg, 17 April 2019

Dear stakeholders,

Serneke Group AB supports the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption.


With this communication, we express our intent to advance those principles within our sphere of influence. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations.

Yours Sincerely,



Ola Serneke
CEO, Serneke Group AB





On behalf of AB Eidar, 177 rental apartments were finished during the year in the Mars block in Trollhättan. The block is Nordic Ecolabeled – the first multi-family dwellings in the city to receive the label. The project also included a parking garage and center functions, such as retailing, offices and restaurants.



Contents

About Serneke	2
2018 in brief	4
Development in business areas	6
CEO Statement	8
Objectives, strategy and values	12
Financial objectives	13
Strategy for profitable growth	14
Business model	15
Platform for growth	16
Value creation	18
Market	20
Market forces	22
Sustainability	25
Governance and Framework	28
A safe working environment	29
A stimulating workplace	30
Financial objectives	32
Major focus on ethics and anti-corruption	34
Auditor's opinion regarding the statutory sustainability report	34
Business areas	36
Business Area Construction	37
Business Area Civil Engineering	38
Business Area Project Development	42
Business Area Property Management	46
The share	48
Board of Director's Report	50
Risks and risk management	53
Corporate governance	56
Multi-year summary	68
Financial definitions	69
Financial reports	72
Notes	84
Auditor's report	111
Annual general meeting	115

The audited Annual Report of Serneke Group AB (publ), 556669-4153, consists of pages 50–110. The Annual Report is published in Swedish and English, and the Swedish is the original version. Sustainability priorities are integrated into the entire Annual Report.

Next generation construction group

Serneke is an innovative construction group with a strong endeavor to belong and to add something new. For the customers, the community and the next generation. Serneke provides comprehensive services in construction and property development with the goal of being perceived as the most innovative, committed and dynamic company in the industry. Focus is on large and more challenging projects where Serneke's competitive advantages make the biggest difference.

INCOME, SEK MILLION

6,516

GROWTH 2018

16%

NUMBER OF EMPLOYEES

1,150

Stable customers

The customers consist of the state, municipalities and county councils, state and municipal property companies, as well as private property companies and industrial and commercial companies.

Four regions

Operations are focused on the three metropolitan areas of Gothenburg (Region West), Stockholm (Region East) and Malmö (Region South). In 2018, Region Central Sweden was also established with a focus on Örebro County, Värmland and Dalarna. The number of employees at the end of 2018 amounted to 1,150.

Milestones

- 2018** Sale of Säve Airport to Castellum, acquisition of outstanding share of Karlastaden Holding AB, establishment of Region Central Sweden
- 2017** Detailed development plan for Karlastaden 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

SALES TREND 2003-2018

SEK MILLION

8,000
6,000
4,000
2,000
0

03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18

Between 2003 and 2018, Serneke's income increased from SEK 14 million to approximately SEK 6.5 billion, which corresponds to an average annual growth rate of approximately 50 percent.

Focus on construction and civil engineering operations

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 the income comes from the contracting operations business in the Construction and Civil Engineering business areas.



2018 in brief

INCOME, SEK MILLION

6,516

OPERATING PROFIT,
SEK MILLION

595

OPERATING MARGIN, %

9.1

ORDER BOOKINGS,
SEK MILLION

4,692

ORDER BACKLOG DECEMBER
31, 2018, SEK MILLION

6,382

INCREASED SALES AND
IMPROVED EARNINGS

Consolidated income amounted to SEK 6,516 million (5,605), an increase of 16 percent. Operating profit amounted to SEK 595 million (419) and was impacted positively by the sale of S ve Airport of SEK 271 million and a revaluation effect upon acquisition of the remaining 50 percent of the Karlastaden project of SEK 229 million. The previous year's operating profit was affected by an unrealized value change in investment properties of SEK 238 million.

Sale of outstanding interest in Karlastaden Holding AB

During the year, Serneke acquired all of NREP's shares in Karlastaden Holding AB for a purchase consideration of SEK 600 million. The acquisition is made in light of the project entering a new phase with production and continued development, which has entailed a greater need for simplified management and faster decision pathways. The acquisition makes it possible for Serneke to continue to control and drive the project forward and be responsible for the completion.

Divestment of S ve Airport

During the year, S ve Airport was sold to Castellum for a purchase consideration of SEK 1.1 billion. The transaction includes a total of five adjacent properties, which contain a larger number of buildings and around three million square meters of developable land.

Large projects in the order backlog

The order backlog at year-end amounted to SEK 6,382 million (7,965). At year-end, 30 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 55 percent with an order value of more than SEK 100 million. 29 percent of Construction's customers and 27 percent of Civil Engineering's customers consisted of municipal or government-owned companies.

Geographic expansion

Serneke's operations have to-date been organized into three regions: South, West and East, with a main focus in and around the three metropolitan areas of Malm , Gothenburg and Stockholm. During the year, a new region was established, Central Sweden, with a focus on  rebro County, V rmland and Dalarna.

Slightly subdued construction and civil engineering market

Activity in large parts of the Swedish construction and civil engineering market remained high during 2018. The main driving forces included major infrastructure investments and continued extensive construction of housing, offices and civil engineering work. In some segments, mainly housing in the Stockholm region, a somewhat subdued development was seen compared with the record number of construction and projects begun in the previous year.

Impairments in construction projects

Impairment losses in two projects in the Construction business area affected the consolidated operating profit by around SEK 70 million during the year. The impairments were made as a result of significant cost increases related to bankruptcies among subcontractors. The added costs were mainly due to renovations and additional work to complete the projects.



SIGNIFICANT EVENTS AFTER YEAR-END

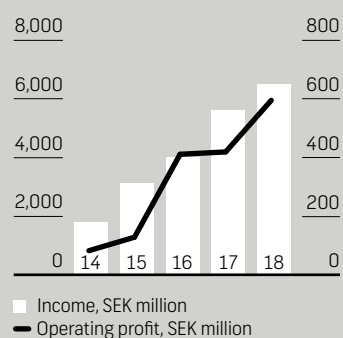
In February 2019, an agreement was signed with Wåhlin Fastigheter to build and renovate around 170 apartments in Solna. The contract is valued at approximately SEK 280 million.

At the beginning of March 2019, an agreement was signed with Framtiden Byggutveckling AB on the construction of 125 apartments, offices and an elderly home around the square Selma Lagerlöfs Torg in Gothenburg, Sweden. The order is valued at approximately SEK 315 million. The agreement also includes an option for another phase of 101 apartments worth approximately SEK 168 million.

KEY INDICATORS

SEK M	2018	2017
Revenue	6,516	5,605
Operating result	595	419
Operating margin, %	9.1	7.5
Earnings per share, SEK after dilution	26.16	13.81
Equity per share, SEK after dilution	100.47	77.73
Equity/assets ratio, %	40.9	41.3
Net debt	552	254
Net debt/equity ratio, %	24.3	13.9
Order bookings	4,692	6,400
Order backlog	6,382	7,965

INCOME AND OPERATING PROFIT



Development in business areas 2018

Construction

The Construction business area increased its income by 12 percent during the year. A slightly subdued market combined with cut-backs in two construction projects contributed to a lower operating profit than the previous year. Prominent projects during the year included a contract for the construction of the headquarters of Lidl Sweden and a cooperation agreement with the Swedish Exhibition & Congress Centre in Gothenburg.

Civil Engineering

The Civil Engineering business area increased its income by 39 percent during the year, with an increase operating margin. Among the larger projects during the year is the construction of a new boiler house for a new combined heat and power plant for Borås Energi and Miljö AB, excavation, leveling and groundwork for the construction of Karlatornet, the construction of a new wastewater treatment plant in Strömstad, as well as earthworks and details for multi-dwelling buildings and terraced houses in Upplands Väsby.

Project Development

During the year, a large number of projects were conducted in various phases. Completed projects during the year included the Gamlestaden travel center in Gothenburg, the regional public service building Regionens Hus in Skövde and housing projects outside Alingsås. On-going projects included Magasinhusen in Landskrona, Trevågor in Helsingborg, Karlatornet in Gothenburg, Mälardalen University and continued planning work together with Järfälla Municipality for a new city district in Veddesta outside Stockholm.

Property Management

Extensive focus during the year was on the development of Säve Airport. Since the acquisition, the vision for the area has been to develop the airport area for industry, logistics and experiences segment. At the beginning of the summer, the plans crystallized for a mixed-purpose industrial zone with a mix of industry, logistics, retailing and experiences. At the end of the year, the project was sold to Castellum.

EXAMPLES OF NEW ASSIGNMENTS IN 2018

- Housing for seniors for Hemsö in Halmstad
- Porsche Center for Castellum in Jönköping
- Parking garage for Borås Municipality
- Housing for seniors for Riksbyggen in Kungälv
- Framework agreement with Specialfastigheter
- Renovation of office building AFA Fastigheter
- Hotel for Diös in Sundsvall
- Development of housing together with Midroc in Västra Sjöstaden, Trelleborg
- Office building for Scania Industrial Maintenance in Södertälje
- Student apartments in Trollhättan for AB Eidar Trollhättans Bostadsbolag
- Housing for Magnolia in Ophelias Brygga, Malmö
- Office building in Trollhättan
- Land preparation work for Karlstad
- Building for Northvolt Labs in Västerås
- Headquarter for Lidl Sweden in Järfälla, Stockholm
- Renovation of the Royal Dramatic Theatre in Stockholm
- Collaboration project together with the Swedish Exhibition & Congress Centre in Gothenburg
- Renovation of 600 apartments for AB Eidar Trollhättans bostadsbolag in Trollhättan


REVENUE

SEK M	2018	2017
Business Area Construction	5,530	4,919
Business Area Civil Engineering	866	623
Business Area Project Development	304	212
Business Area Property Management	107	51
Elimination	-291	-200
Total	6,516	5,605

OPERATING RESULT

SEK M	2018	2017
Business Area Construction	90	183
Business Area Civil Engineering	10	1
Business Area Project Development	230	65
Business Area Property Management	257	213
Group-wide*	8	-43
Total	595	419
<i>Net financial items</i>	<i>-37</i>	<i>-18</i>
Profit/loss before tax	558	401

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



On behalf of AB Svenska Bostäder, Serneke is building a high-rise building in Sabbatsberg called the Tegnér Tower. The building is being built at the corner of Tegnérgatan–Hälsobrunnsgatan in the Sabbatsberg district of Stockholm. The tower block will be 11 floors high and will contain about 40 tenant-owner apartments.

Tegnér Tower in Sabbatsberg, Stockholm



“Säve is a great example of how we committedly and innovatively take a holistic approach to free up potential and make the value in assets visible that might not be considered as obvious at first glance.

A WORD FROM THE CEO

Major focus on profitability and control

How would you describe development in 2018?

“If we think about the financial development, the consolidated income for the year was SEK 6,516 million, an increase of 16 percent compared with the previous year. The lower growth rate can mainly be related to a weaker development for Business Area Construction. Here, the development is a reflection of a generally subdued market. Operating profit was SEK 595 million, equivalent to a margin of 9.1 percent. Our financial position is still stable, and at year-end we had an equity/assets ratio of around 41 percent.

If we look at individual events, there are mainly two major deals that stand out – the sale of Säve Airport and the acquisition of outstanding participations in the Karlstad project, both fully in line with our strategy. Extensive focus was otherwise on continuing to develop both offerings and internal processes. In terms of the market, we perceive more caution, not least in the housing sector. We also note that the lead times until decisions among our customers, municipal and private, are getting longer.”

At the end of the year, the properties at Säve Airport were sold. Why did you choose to sell?

“Our model is based on acquiring properties with potential, developing them and then selling them when the right situation arises. Säve is a great example of how we committedly and innovatively take a holistic approach to free up potential and make the value in assets visible that might not be considered as obvious at first glance. We acquired the then Göteborg City Airport in April 2016. The following year, we made a supplemental acquisition of a nearby prop-

erty. Since then, we have worked hard to put a new vision to the area and also began the work on a new detailed development plan. We are now passing the baton to the new owner.”

The other major deal was the acquisition of outstanding participations in Karlastaden. What does this mean to Serneke?

“Through the acquisition, we acquired full control over the project. Focus in recent years has to a large extent been on planning. Now, the project is entering a new phase. The deal we made at the end of the year enables faster decision pathways and simplified management.”

What does the timetable look like?

“For the part of the project that is closest to completion, Karlatornet, preparatory earth and groundworks were begun in the past year. Among other things, the 58 pilings that the tower will sit on were anchored to the rock 50–70 meters underground. With the aim of optimizing the potential in all upcoming areas, we will review both the use and the block divisioning of the development rights now this spring 2019. In the time that the review is under way, we will have a slightly lower level of activity in the area. In parallel with this, we are of course also working on the financing of the project.”

The Construction and Civil Engineering business areas accounted for nearly 95 percent of sales during the year. Describe the development of the contracting operations.

“We are continuing to grow, but at a slightly slower pace than before. For Business Area Construction, sales grew by 12 percent. The lower growth rate is partly a consequence of a subdued market, but also a result of a greater focus on profitability and control. In terms of earnings, we were impacted by impairment losses in two construction projects totaling approximately SEK 70 million. The impairment losses resulted in even clearer procedures and processes regard-

ing risk management and internal control in every phase – from planning and implementation to governance, control and follow-up. Business Area Civil Engineering is showing continued good growth. Behind the development is extensive work for the construction of Karlatornet in Gothenburg, as well as larger infrastructure assignments in Stockholm, Borås and Upplands Väsby, to name a few.”

In 2018, we saw a somewhat subdued housing market. How would a continued decline affect Serneke?

“The slow-down we have seen mainly concerns the premium segment in the Stockholm region. This segment has been overheated – and the pace of construction now slowing down to a normal level feels sound. In extension, it can also have positive effects, not least when it comes to quality and a more stable pricing. If we look at our operations, an absolute majority of the income comes from our construction and civil engineering operations. The assignments here mainly consist of larger and longer projects with customers such as the government, municipalities and stable property owners. The order backlog includes a wide range of assignments, with both residential and commercial properties, schools and other public sector buildings. The breadth of the portfolio makes us to some extent sensitive to developments in specific segments. For our proprietary projects, the basic principle is also that we do not begin building until the majority of the project is sold.”

How would you describe the focus in 2019?

“A great deal of energy will be devoted to improving profitability in the construction operations. Important parts of this work are greater internal efficiency and a continued overhaul of internal processes. We will also continue to grow – balanced and under control. Here, continued focus will be on larger projects in the three metropolitan regions of Stockholm, Gothenburg and Malmö.”

FACTS

Name: Ola Serneke

Born: 1971

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



**KARLASTADEN – AN ENTIRELY
NEW CITY DISTRICT TAKES SHAPE**

Just about ten minutes from Gothenburg Central Station, you will find Lindholmen and Karlastaden. This is where Serneke plans to construct a dense mixed urban development with 2,000 apartments (tenant-owned and rental apartments), as well as offices, shops, restaurants, a medical center and a school.

The project involves the creation of a new district, which in total is expected to consist of 8 blocks on 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.



“ In total, we have made 58 bored piles, where each pile will bear a load of 4,500 tons.

THE KARLASTADEN PROJECT:

58 important milestones completed

The Karlastaden project took several important steps forward during the year. The foremost of them included preparatory earth and groundwork prior to the construction of Karlatornet, the part of the project that is closest to completion. Among other things, the 58 pilings that the tower will sit on were anchored to the rock 50–75 meters down in the ground. Magnus Eckert is the production manager at Serneke Civil Engineering and who was responsible for the work during the year on the foundation reinforcement for Karlatornet.

“Karlatornet will extend 245 meters into the sky. Building so high demands thorough foundation work – and great humility for the task. In terms of laying foundations and ground work, we have extensive expertise in the Group, but have also obtained help from international experts from Germany and the UK, to name a few,” says Magnus.

Karlatornet will rest on so-called bored piles with a diameter of two meters. During

the year, the 58 pilings that the tower will sit on were anchored to the rock 50–75 meters down in the ground.

“A bored pile is an in-situ cast, reinforced pile of concrete. In order to put the piles in place, we have drilled 40–50 meters through clay, then 6–10 meters through frictional soil, to then anchor the pile 4–7 meters into the rock. After we reached the full depth, we sucked up the remaining sediment and lift down a reinforcement cage. We then filled the hole from the bottom up with around 200 cubic meters of concrete. In total, we have made 58 bored piles, where each pile will bear a load of 4,500 tons, compared with a “regular” pile that bears around 150 tons. So Karlatornet will be very firmly anchored,” explains Magnus.

With the bored piles in place, excavating and making space for the base plate now remain.

“The base plate consists of 3,500 cubic meters of concrete in a 3.75 meter thick layer that will interlink the piles. Once it is in place, we and the civil engineering team will hand it over to Business Area Construction for the continued work on the actual building.”



Magnus Eckert, Production Manager
Serneke Civil Engineering

Vision and business concept

VISION

We are to be on the leading edge in the global development of smart and sustainable community building.

We do so by challenging the industry, engaging the present and inspiring the future.

MISSION

We belong and add something new.

We drive development forward by challenging norms, thinking differently and finding new approaches to old problems. For our customers, the community and the next generation.

BUSINESS CONCEPT

We provide comprehensive services in construction and property development.

The goal is to be perceived as the most innovative, committed and dynamic company in the industry. Our focus is on larger and more challenging projects where our competitive advantages make the biggest difference.

OFFERING

Smart and sustainable community building.

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

An employee at Serneke is:

COMMITTED AND COURAGEOUS

We are more committed to everything we do. Everything can be developed, and being able to improve and think in new ways motivates us. We feel proud and take responsibility.

HONEST & RESPECTFUL

Only by accepting shortcomings and weaknesses can we develop. We are always honest, to ourselves and others. Regardless of whom we meet, where or how, we always show respect. Mutual respect paves the way for dialog, cooperation and development. Trust is something you earn.

UNCOMPLICATED & ABLE TO ACT

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.

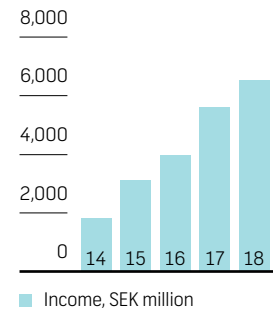
VISIONARY AND SOLUTION-ORIENTED

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

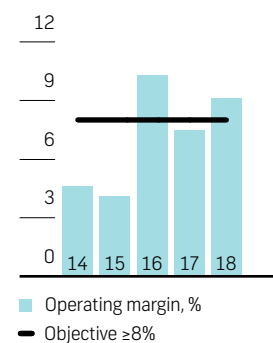
GROWTH

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



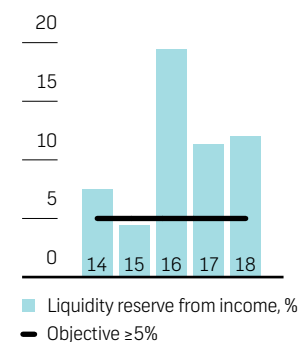
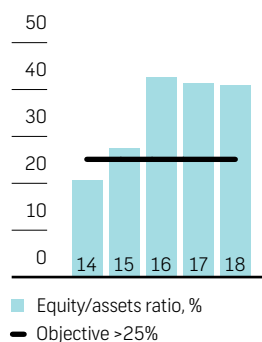
PROFITABILITY

The long-term target in the business areas Construction and Civil Engineering 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 8 percent.



CAPITAL STRUCTURE

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



DIVIDEND POLICY & PROPOSED DIVIDEND 2018

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 2019, the Board of Directors proposes a dividend of SEK 0 (4) per share.

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 world 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 larger 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 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 offer, 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 project and property development

Parts of the cash flows 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 flows 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 provides 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. Potential acquisitions that can supplement the existing market offer and contribute with positive synergies are continuously being evaluated. 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 construction business.



Marie Engström, Construction Manager, Construction

"I have the funnest job in the world"

What drives you?

"If you put together the right team, they can succeed with almost anything. My main job, besides project responsibility and budget responsibility is to lead my staff and be there for them. I work closely with my staff and am very careful when I put my teams together. Nobody should be an expert; everyone can learn from each other."

What is the best thing about your job?

"The pace and the constant development! I am passionate about developing people. The best is seeing when they understand something, when it clicks and they succeed. I have the funnest job in the world. The complexity is so enjoyable and no two days are alike."

Most of the revenues in 2018, around 95 percent, came from the construction operations.

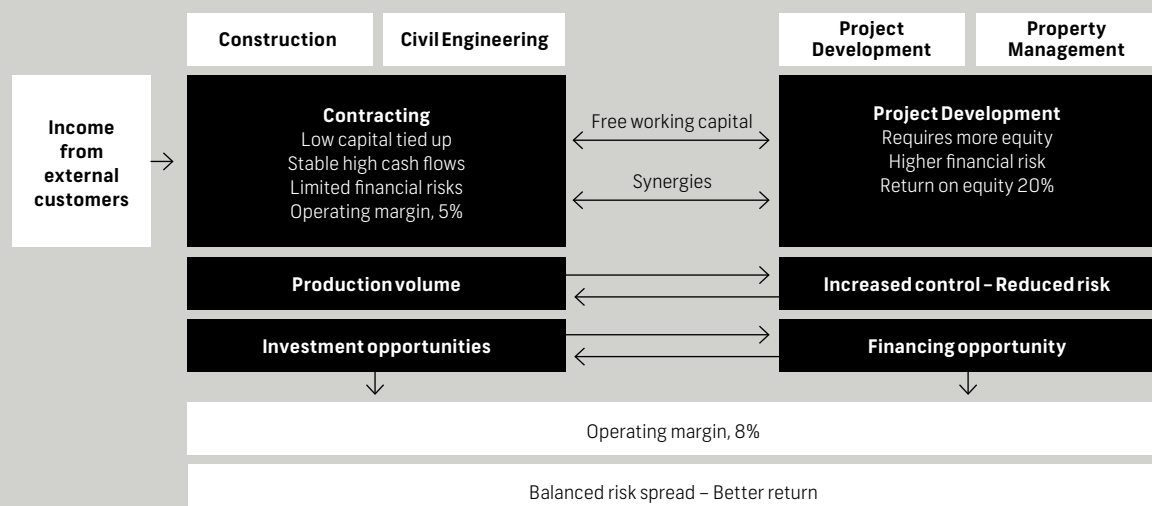
Business model

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 the business 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. Supplemental expertise in property management enables control over the time of sale, as well as the cash flows and possibility of long-term value growth.



Stable platform for continued growth with good profitability

Serneke has the overall goal of growing in a structured manner with greater profitability. The strategy is based on the Group's common strengths and an understanding of both the surrounding world and the market.

A strong position in the construction industry

With sales of SEK 6,516 million, Serneke is currently one of Sweden's largest construction companies. In 2018, growth in the construction operations was around 15 percent.

Favorable market characterized by structural demand

Major investments in infrastructure and continued extensive housing construction as a result of structural changes in demography and urbanization are expected to contribute to high activity in the construction and civil engineering market in the future as well. Investments in residences, commercial buildings and facilities are estimated to reach approximately SEK 533.5 billion in 2019.

A well-known brand

A strong corporate culture and a well-known 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.

Large 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.

Well risk-adjusted 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 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.





In December 2018, the regional public services building Regionens Hus in Skövde was finished. The building will house hundreds of offices, reception, conference rooms and common areas.



Adem Nyström, Quality, Environment and Work Environment Coordinator

“We work for greater environmental awareness”

What does the Quality, Environment and Work Environment Department do?

“Our job is to increase awareness and knowledge around quality, the environment and work environment to ensure that we work effectively, have safe workplaces and act in an environmentally aware way. By being a central support function that supports production, we build up a broad knowledge base in the organization and can work more effectively.”

What is the best thing about your job?

“That no two days are alike and being able to meet people all the time. As well as the spirit in the company, being able to talk with anyone and that I have the possibility to influence and make changes at Serneke.”

Focusing 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.

The foundation for Serneke's value creation is a competitive offering and a risk-weighted business model. Based on a strong brand, clear processes and good internal control, Serneke aims to create value for both clients and end customers.

Strong community involvement

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.

- **From an employer's perspective**, this entails creating job opportunities and providing stimulating work that promotes 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 business on the environment and the climate.
- **From a societal perspective**, it is about conducting operations in a way that generates tax revenues and contributes to a positive local development. Through the projects, Serneke contributes to a better, more secure society and a positive urban development.

Financial sustainability

Serneke's business is to be operated in a manner that ensures long-term sustainable financial sustainability – thus allowing 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 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.



The Nohlagabadet aquatic center in Alingsås was completed in 2018



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 2018, a dividend of SEK 0 per share is proposed. Read more about the dividend policy on page 48.

Suppliers and partners

Serneke strives to have long-term and mutually value-creating relationships with selected suppliers and partners. During 2018, the cost of purchases of raw materials and services amounted to SEK 5,464 million (4,828). Purchasing is therefore Serneke's largest cost item, corresponding to 84 percent (86) of sales.

Employee

Serneke creates value for its employees by offering competitive employment conditions, ongoing skills development and a forward-looking corporate culture. During 2018, salaries amounted to a total of SEK 556 million (437) and pension expenses to SEK 55 million (44).

DISTRIBUTED FINANCIAL VALUE, SEK 1,380 MILLION



■ Retained in operations, SEK 604 million
 ■ Net interest, SEK 37 million
 ■ Taxes and social security contributions, SEK 128 million
 ■ Salaries and pension expenses, SEK 611 million

Partly subdued construction and civil engineering market

Activity in large parts of the Swedish construction and civil engineering market remained high during 2018. The main driving forces included major infrastructure projects and continued extensive construction of offices and civil engineering work. In some segments, mainly housing, a somewhat subdued development was seen compared with the record number of construction and projects begun in the previous year.

CONSTRUCTION INVESTMENT IN METROPOLITAN REGIONS 2017-2019*

SEK billion	2017	2018*	2019*
Sweden			
Housing	260.5	256.0	233.0
Premises	164.8	172.7	176.5
Civil engineering works	86.7	91.7	95.2
Total	512.0	520.4	504.7
Stockholm			
Housing	103.1	92.8	75.9
Premises	59.8	63.2	64.4
Civil engineering works	25.6	27.7	28.5
Total	188.5	183.7	168.8
Gothenburg			
Housing	33.3	37.6	38.0
Premises	17.1	17.8	18.7
Civil engineering works	10.1	11.1	12.7
Total	60.5	66.5	69.3
Malmö			
Housing	21.2	22.4	21.7
Premises	15.4	15.6	15.6
Civil engineering works	3.8	4.0	4.1
Total	40.4	42.0	41.5

*Forecast

Source: Swedish Construction Federation

According to preliminary figures, total investments in the Swedish construction and civil engineering sector in 2018 amounted to approximately SEK 520* billion, which is around 2 percent higher than the previous year. For the first time in several years, investments in housing decreased during the year, albeit marginally and from extremely high levels. Behind the slowdown are such factors as the extensive credit restrictions introduced in recent years that affect both businesses and private households. The investments in offices and infrastructure continued to increase during the year.

In terms of the different market segments, investments in residential housing accounted for approximately 50 percent, premises for approximately 33 percent, and civil engineering for approximately 17 percent.

Boost from metropolitan regions

Of the total investments in construction and civil engineering projects, the metropolitan regions of Stockholm, Gothenburg and Malmö accounted for more than 50 percent.

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 Hisingsleden, 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.

Divided construction market in the future

Growth in housing construction is expected to slow relatively strongly in 2019 due to stricter lending, modest increases in real wages and rising mortgage rates. However, there are large differences between different segments. On the office and infrastructure side, a continued high level of activity is expected in the future as well. The need for new public service properties is extensive and there is also a large need for modernization since existing buildings are beginning to get old. In 2019, investments in housing are expected to amount to approximately SEK 233 billion, in premises to approximately SEK 177 billion and in civil engineering to approximately SEK 95 billion.

Division and players in Swedish construction market

The Swedish construction market is generally divided into contracts for construction and civil engineering, respectively. 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 this, there are housing developer JM, government-owned infrastructure companies Svevia and Infranord, the Norwegian construction company Veidekke and Serneke.

* <https://www.sverigesbyggindustrier.se/UserFiles/Files/Byggnkonjunkturen-nr2-2018.pdf>



Collaboration between developers and construction companies is becoming increasingly common. The results are a more efficient and more transparent process.

Trends in the construction market

Turnkey contracts increasingly common

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 between developers and construction companies

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 process, 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 stricter 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 as well as the 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.

Changed regulations for greater 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 forces

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 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 property market development. 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 buildings and commercial real estate, as well as infrastructure investments. Altogether, the National Board of Housing, Building and Planning estimates

that on average 63,200 new residences need to be built during the period 2019 to 2025 to meet demand. About 75 percent of this need is expected to derive from the three metropolitan regions.

Housing prices

The sharply increasing price trend on housing has in recent years been largely the result of high demand for housing combined with falling interest rates. Development is positive for the construction industry, since demand for housing tends to correlate strongly with demand for new construction and renovation of housing.

Interest rates

In 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. In recent years, low interest rates have resulted in low funding costs and more borrowers who are prone to initiate construction projects than previously.

Industry-specific factors

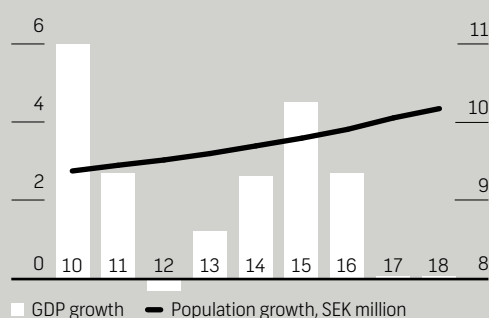
Political initiatives

Many major construction and infrastructure projects procured by the public sector are dependent on political decisions, objectives

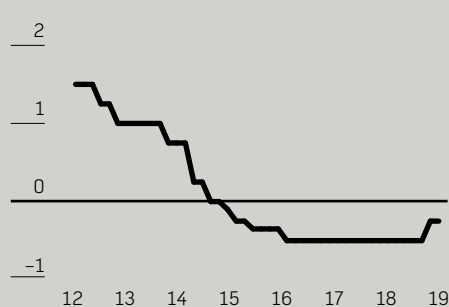
and considerations. Examples of policy decisions that can affect the market for major construction works include large-scale infrastructure projects.

In 2018, the Government decided on a national plan for the transport system for 2018–2029. The plan covers measures that entail an important step towards a modern and sustainable transport system. The financial framework for the plan is SEK 622.5 billion. Examples of policy decisions that can affect the market for major construction projects include decisions on the development of districts or the repurposing of neighborhoods from industrial use to housing and office space, or decisions to extensively refurbish and renovate 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 a major challenge, as these properties have often been neglected in terms of maintenance and are in major 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.

GDP DEVELOPMENT AND POPULATION GROWTH 2010–2018



REPO RATE 2012–2019, %



The Mars block in Trollhättan



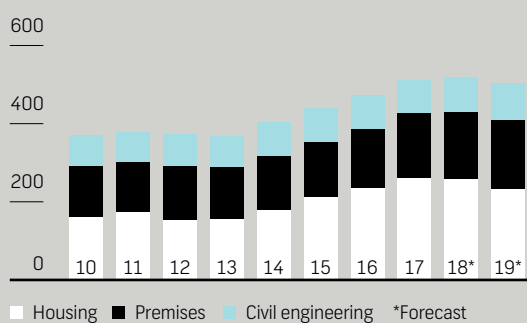
**DISTRIBUTION OF BUILDING INVESTMENTS
IN SWEDEN IN 2018 (SEK BILLION)**



■ Housing, 256
 ■ Premises, 172,7
 ■ Civil engineering, 91,7

Source: Swedish Construction Federation

**CONSTRUCTION INVESTMENT IN SWEDEN
BY SEGMENT IN 2018 (SEK BILLION)**



Source: Euroconstruct

"We want to be involved and contribute to a better, more inclusive, society and positive urban development – and improved public health. We are convinced that this approach is good for the community and the local businesses."

Ola Serneke





Cruyff Court, Biskopsgården

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 is an important part. Among other things, Serneke is involved in a project with the City of Gothenburg that aims to provide young people in one of Gothenburg's problem areas hope for the future by offering guiding practical placements. 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 apprenticeship 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.

Plans for the future

Serneke is one of the main sponsors of IFK Göteborg's "Plans for the future" project. The project, which is being conducted together with the organization Cruyff Foundation, aims to create better conditions for children and young people by promoting health, community and security. In cooperation with the Johan Cruyff Foundation, IFK Göteborg and Serneke are building three soccer fields in the Gothenburg suburbs of Hammarkullen, Biskopsgården and Bergsjön.

The plans are called courts and are significantly smaller than regular soccer fields. They are built up in urban environments that are natural gathering points for children and young people. The areas will invite both organized activities and spontaneous sports and be framed by the rules and values prepared by the Johan Cruyff Foundation. Today, the concept is in 21 countries and to-date, around 200 courts have been built throughout Europe.

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. Assessments from IVA (Royal Swedish Academy of Engineering Sciences) and the Swedish Construction Federation indicate that the overall environmental impact of the construction processes in Sweden is about 10 million tons of carbon dioxide per year, 4 million tons of which comes from housing projects and 6 million tons from construction projects. This is the same size as the emissions from all passenger cars in Sweden, and more than all trucks and buses generate together. In addition to the direct impact during the construction phase, there is then an impact from use as well as from demolition.

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

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 efforts being conducted regarding these issues in connection with all activities carried out within the Group.

Priorities and overall objectives

The central parts of Serneke's sustainability work focus on an active commitment to society and minimizing the risk of injury to persons, property and the environment, as well 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 are crucial for achieving objectives.

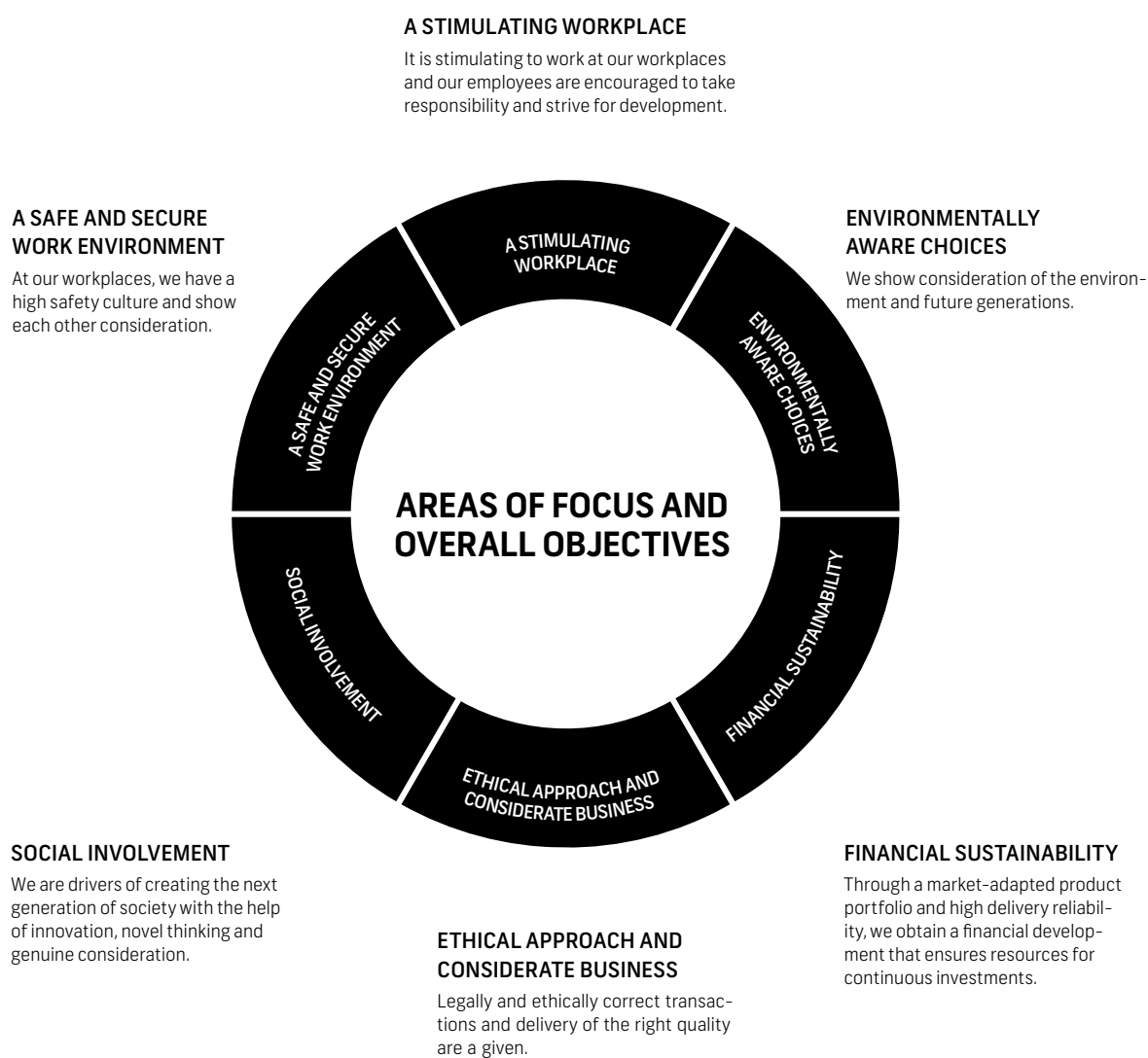
VALUES

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

- Committed & courageous
- Uncomplicated & able to act
- Honest & respectful
- Visionary & solution-oriented

ABOUT THE SUSTAINABILITY REPORT

This statutory sustainability report is submitted by the Board of Serneke Group AB, but does not form part of the formal annual report. Serneke's business model is presented on page 15. The sustainability framework is presented on pages 26–28, Work environment aspects on page 29, environmental aspects on page 32, human rights on page 30 and anti-corruption on page 34. Risk descriptions can be found on pages 53–55. Unless otherwise stated, the information relates to the entire Serneke Group, including subsidiaries.



Governance and Framework

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

Code of Conduct

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

tions, 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 work environment policy describes the framework for the physical and psychosocial work environment. The diversity and equal opportunity policy describes Serneke's ambitions with regard to gender equality, diversity and equal opportunity issues. The alcohol and drug policy describes Serneke's view of alcohol and drugs.

Global Compact

Serneke adheres to both the UN Global Compact and the Universal Declaration of Human Rights. The Global Compact was introduced in 1999 by the UN former Secretary General Kofi Annan and is currently, with over 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, 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. Among them are the "Keep the zero" (collaboration to prevent accidents in the construction industry), the shared road map for how the construction and civil engineering sector can enable a transition to a fossil-free Sweden and an industry-wide agreement that aims to combat bribes and corruption in the publicly financed construction and property sector.

Certifications

Serneke Bygg AB and Serneke Anläggning AB are certified in accordance with ISO 14001:2015 (environment), ISO 9001:2015 (quality), EN 1090:2 (construction steel). A hotel in Serneke Fastigheter is certified according to the Green Key environmental certification.

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 primarily carried out 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 CEO is 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 and clear processes regarding internal control, these control procedures ensure a consistently high level of quality. The principal external controls include audits in relation to ISO certification and re-certification, inspections by the Swedish Work Environment Authority and the Swedish Tax Agency's control of personnel ledgers and the trade unions' job site and workplace inspections and ongoing monitoring.

A safe and secure 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. Systematic work environment efforts with primarily preventive risk identification with action plans, continuous follow-up and competence-improvement measures for the employees form the basis of this work.

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 and a distinct safety culture form 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 acci-

dents, 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 project, a risk analysis is always done of all work steps and actions are taken to help or minimize the risks.

Serneke has a Quality, Environment and Work Environment department (KMA) that visits the Group's projects to monitor and identify improvement areas. Once a year, joint meetings with safety officers are held to review procedures and improvement areas.

A new system for reporting and follow-up

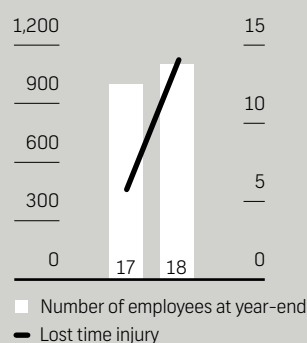
To create a further overview, it was decided in 2018 to introduce a new support system, IA, with a focus on reporting and follow-up of work environment events. The system makes it possible within the Group to share information on work environment events, investigations and measures – and thereby learn from both their own and others' expe-

riences. Implementation of the system, which enables statistics and further analysis in real time, was begun in 2018 and will be completed in 2019.

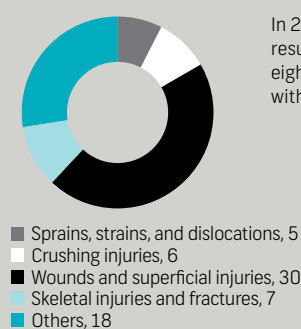
"Keep the zero"

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

ACCIDENT RATE



THE MOST COMMON KIND OF ACCIDENTS AND INJURIES IN 2018



In 2018, 25 accidents occurred that resulted in absence of more than eight hours and/or medical treatment with subsequent sick leave.

A stimulating workplace

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.

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

Continued strong growth in 2018

At year-end, the number of employees in the Group was approximately 1,150. In recent years, recruitment rates have been high, and in 2018 the number of employees grew by about 150 people. Reinforcements have been made in all areas of the Group, both in the business areas and centrally. The high portion of white-collar employees, around 67 percent of the average number of full-time employees, provides good possibilities to govern and control the entire process from tender to delivery.

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.

The courses are based on both a surrounding world analysis and a structured skills inventory.

All courses required and offered for the respective position are described in a common course catalog. In 2018, the number of implemented training hours increased sharply, not least as a result of higher investments in contract law and internal business systems. During the year, a major investment in leadership training was also begun for selected managers. In addition to this, a preparatory course for prospective managers is also being planned.

Human rights

Serneke supports and respects the UN's Universal Declaration of Human Rights and the International Labor Organization's (ILO) international program on the elimination of child labor (IPEC).

Equality and diversity

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

The proportion of women in the organization is still relatively low, but increased from 10 percent in 2015 to 17 percent. 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 2018, the percentage was 28.5 percent.

Anonymous reporting of incidents

If an employee discovers something that violates Serneke's Code of Conduct, values, policies or applicable law, there is the possibility of anonymously and through a third

party reporting improprieties. The purpose of the function is to ensure that any irregularities are brought to the attention of Serneke in the event the normal communication channel via the immediate supervisor or HR function is not possible. In 2018, no cases were received with a bearing on Serneke's operations, employees or management.

Health promotion

At Serneke, movement is encouraged. In addition to health care contributions, a variety of exercise opportunities are provided. The Company's own sports association Serneke IF arranges ski trips, running training, yoga and cycling, as well as the possibility to participate in many different exercise competitions.

In the continued efforts for health and fitness, a Health Promotor was employed in 2018 with the task of continuing to develop the health promotion work, increasing knowledge and understanding and inspiring a sound lifestyle.

Regular employee surveys

A great focus is placed on measuring and following up the employees' attitude and the initiatives undertaken within the Group. Regular employee surveys are an important part of this work. Previously, a more extensive survey has been conducted every two years. In 2018, the work was begun to replace the traditional survey with web-based pulse measurements at more frequent intervals. Continuous follow-up, greater transparency and more possibilities of rapidly applying the right kind of measure were thereby made possible.



PROPORTION OF BLUE-COLLAR WORKERS TO WHITE-COLLAR WORKERS



■ Blue-collar workers, 33%
■ White-collar workers, 67%

PERCENTAGE OF WOMEN AND MEN



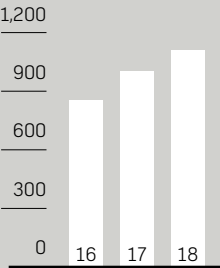
■ Women, 17%
■ Men, 83%

PERCENTAGE OF EMPLOYEES BY BUSINESS



■ Construction, 65%
■ Civil Engineering, 16%
■ Project Development, 5%
■ Property Management, 2%
■ Other divisions, 12%

NUMBER OF EMPLOYEES



Environmentally aware choices

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

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's focus is on minimizing environmental impacts during construction. However, through the planning, active choices and documentation, environmental performance is optimized for the use and demolition stages as well. In the investment properties, continuous work is conducted to streamline energy use and minimize the environmental impact in the operations by providing good sorting possibilities for waste.

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

Climate impact

In 2018, Serneke began work to map and measure climate impact from the opera-

tions. Primarily the direct climate impact was mapped. Focus in the future is to find effective measurement methods for the indirect climate impact. For the calculation of greenhouse gas emissions, translation from consumption to emissions was done according to the Greenhouse Gas Protocol's guidelines.

Purchasing

On a larger scale, purchasing activities and supplier relationships are regulated in accordance with the applicable Code of Conduct, adopted purchasing policy and environmental policy. 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 special materials to ensuring the projects at the overall level meet specific assessment criteria, such as SundaHus and Basta, or requirements of new start work and internships.

Energy consumption and transports

Serneke conducts a systematic effort with the aim of continuously reducing energy use from the operations and minimizing the impact from transports. Energy mapping is done continuously in every part of the operations.

In 2018, an agreement was signed with Göteborg Energi for the possibility of Good Environmental Choice labeled electricity to all of the Group's properties and projects. 4GWH comes directly from the solar park in Säve. In terms of total electricity consumption, renewable electricity accounted for approximately 98 percent in 2018.

Materials – and resource efficiency

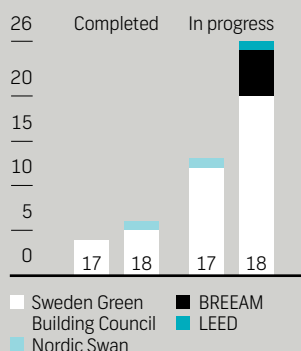
Resource consumption and waste management constitute one of Serneke's highest priority environmental issues. The construction and civil engineering industry accounts for about one-third of all waste generated in Sweden and about a quarter of the hazardous waste. The objective of the Group is to minimize material and resource consumption, reduce waste generation and reduce the proportion of unsorted waste.

Among the more important aspects is increasing the precision of the calculation of how much materials will be needed and to choose environmentally friendly materials. Concrete is one of the common materials with a high environmental impact. In the Civil Engineering operations, major focus is therefore placed on minimizing spillage in concrete work. The objective is for the amount of spillage to be less than 2 percent. In 2018, the amount in examined projects was 0.9 percent.

Waste management

The work on waste management is conducted based on the so-called "waste hierarchy". The order of priority entails first preventing waste material, secondly reusing, thirdly recycling, and only then depositing in landfills. The hierarchy applies on the condition that it is environmentally appropriate and economically feasible.

ENVIRONMENTALLY CERTIFIED PROJECTS

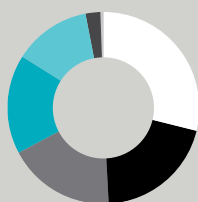


We have extensive experience and are well-versed in working with different types of environmental certifications. Within the organization, there is qualified competence within the certification systems BREEAM, LEED, the Nordic Swan ecolabel, and the Sweden Green Building Council. Through the certifications, systematic work on environmental and sustainability issues is facilitated all the way from planning to operation. 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. In 2018, the proportion of on-going projects with some kind of environmental certification increased considerably. To further support this work, a specific environmental certification coordinator was employed.

PERCENTAGE OF
RENEWABLE ELECTRICITY 2018

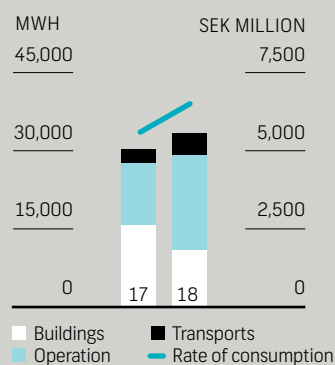
98%

WASTE



- Contaminated mass, 29.1%
- Recycling, 20.1%
- For sorting by waste handler, 18.1%
- Re-use, 16.7%
- Energy recovery, 13.1%
- Landfill, 2.5%
- Hazardous waste*, 0.4%

ENERGY CONSUMPTION:



GREENHOUSE GAS EMISSIONS

	2018
Greenhouse gas emissions CO ₂ E (ton) (scope1+2)	1,509
Of which scope 1	1,276
Of which scope 2	233
Net sales (SEK million)	6,516
CO ₂ E (ton)/SEK million	2.3

For the calculation of emissions, translation from consumption to emissions was done according to the Greenhouse Gas Protocol's guidelines.

* Handling of hazardous waste according to the waste stairway varies depending on materials

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 trust among employees, customers, suppliers, capital market and society as a whole.

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 corporate Code of Conduct describes the basic principles of how managers and employees throughout the organization are to conduct their daily work and contact with suppliers, competitors and other third parties. It also clearly defines policies on 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.

Auditor's opinion regarding the statutory sustainability report

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

Assignments and responsibilities

The Board is responsible for the sustainability report for the financial year 2018 on pages 25–34 and for its preparation in accordance with the Annual Accounts Act.

Focus and scope of the audit

Our audit has been conducted in accordance with FAR's recommendation RevR 12 Auditor's opinion on the statutory sustainability report. This entails that our review of the sustainability report has a different focus and a significantly lesser scope than the focus and scope of an audit under International Standards on

Auditing and good auditing practice in Sweden. We consider this audit to provide us with sufficient grounds for our statement.

Statement

A sustainability report has been prepared.

Gothenburg, April 4, 2019
Deloitte AB

Harald Jagner
Authorized Public Accountant



SERNEKE GOALS

Sponsorship for the next generation

Goals is the collective name of all of our sponsor activities and aim to realize goals. Our own and those set by society, associations, athletes and organizations. We actively want to contribute to a positive development in environments where people can thrive and grow, which in turn benefits society and the next generation. It is difficult to find an expression that better captures what we want to achieve with our sponsor involvement. Goals are what our athletes and teams always strive to achieve, match after match, competition after competition. But visionary and long-term ambitions that extend far beyond sports also fit within this expression.

Serneke Goals build on the three overall goals that all of our efforts shall aim for.

BENEFIT THE NEXT GENERATION

We want to be involved and help the next generation by creating the right conditions for their ambitions. Therefore, all of our sponsored activities shall do the same.

BREAKING NEW GROUND

Challenging and thinking new are in our DNA. We want the activities, associations or organizations that we sponsor to have the same ambitions.

JOY AND COMMUNITY

Goals and achievements may never supersede the joy of what one does. Joy should be the foundation of all of our undertakings.



**ORDER BACKLOG, DEC 31,
2018 BY CLIENT**



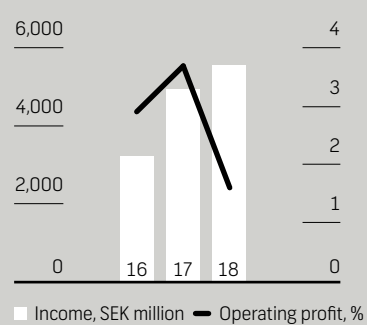
Public sector clients, 29%
Private clients, 71%

**ORDER BACKLOG, DEC 31,
2018 BY PRODUCT MIX**



Housing (new production), 46%
Renovation/expansion, 4%
Offices, 11%
Retail, 2%
Public buildings, 20%
Other, 17%

INCOME AND OPERATING MARGIN



Income, SEK million — Operating profit, %

BUSINESS AREA CONSTRUCTION

Increasing numbers of collaborative projects

The business area offers comprehensive services in the construction sector, focusing on major construction contracts in the metropolitan regions. The operations mainly comprise housing construction and commercial and public properties.

Business Area Construction operates in all segments of the construction industry: new construction, renovation and expansion. The focus is mainly on large projects. The business area's customers mainly comprise municipal and private property companies, state-owned companies, major project development companies, industrial companies, central government, municipalities and county councils, developers of commercial centers, and Business Area Project Development.

Multiple new collaborative projects

Fully in line with the strategy, several major collaboration agreements were signed during the year with both public and private actors.

At the beginning of the year, a collaboration agreement was signed with the Swedish Exhibition & Congress Centre. The agreement means that Serneke in collaboration with the Centre will conduct a development project that among other things concerns expanded entrances, flexible conference and even areas and increased hotel and office capacity in a new fourth tower. As an initial step in the development project, at the beginning of 2019, a construction contract was signed for the construction of new congress and exhibition halls.

Among other prominent collaboration projects are agreements on the construction of 100 student apartments for AB Eidar Trollhättans Bostadsbolag, renovation of Falkenberg Uppersecondary School Building 3 for Falkenberg Municipality and renovation of Skara's new city hall for Skara Municipality.

During the year, contracts were also signed on the construction of a new headquarters for Lidl in Stockholm, offices for Scania in Södertälje and the first stage of

Nortvolt Labs' major battery production initiative in Västerås. The project is a turnkey contract, including groundwork, foundations, the new plant building and offices.

Large projects in the order backlog

As at year-end, 30 percent of the order backlog consisted of projects with an order value of more than SEK 300 million. 55 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. Order bookings amounted to SEK 4,071 million (5,815) and at the end of the period, total order backlog amounted to SEK 6,190 million (7,649).

Strengthened organization and geographic expansion

The organization was strengthened during the year through a relatively large amount of recruitment, mainly of white-collar workers. During the year, a regional manager and several supervisors were appointed in the South region and a new regional manager was appointed in the West region. In parallel, the new region Central Sweden was established with a focus on Örebro County, Värmland and Dalarna.

Focus 2019

Focus in 2019 will partly be on strengthening profitability, and partly on continued growth. The objective is to maintain the strong position in Gothenburg and at the same time continue to strengthen the position in the East and South regions.

INCOME, SEK MILLION

5,530

OPERATING PROFIT, SEK MILLION

90

OPERATING MARGIN, %

1.6

ORDER BOOKINGS, SEK MILLION

4,071

ORDER BACKLOG, SEK MILLION

6,190

INCOME AND PROFIT

Income amounted to SEK 5,530 million (4,919), an increase of 12 percent. Operating profit amounted to SEK 90 million (183) and the operating margin was 1.6 percent (3.7). The margin was negatively impacted by the project impairments of SEK 70 million recognized in the third quarter.

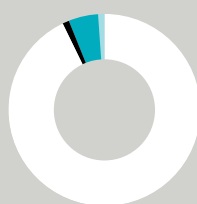


ORDER BACKLOG, DEC 31, 2018 BY CLIENT



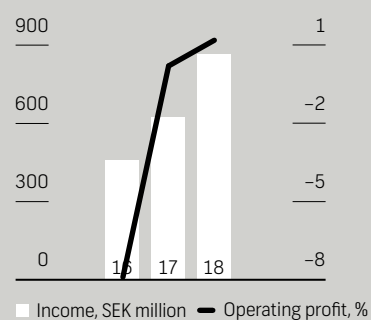
Public sector clients, 27%
Private clients, 73%

ORDER BACKLOG, DEC 31, 2018 BY CUSTOMER SEGMENT



Land, 93%
Concrete, 1%
Road, 5%
Industry, 1%

INCOME AND OPERATING MARGIN



BUSINESS AREA CIVIL ENGINEERING

Strong growth and improved margin

Business Area Civil Engineering conducts concrete and civil engineering-related operations. The operation carries out construction contracts for both external customers, as well as the Group's other business areas. Focus is on national and regional infrastructure projects and civil engineering contracts in industry and maintenance services.

Business Area Civil Engineering performs all kinds of services within the excavation and civil engineering sectors: earthworks, foundations, infrastructure, electrical grids, power plants, harbor contracts, industry projects and concrete works. Customers mainly consist of the Construction and Project Development business areas, municipalities, the Swedish Transport Administration, property companies and actors in the industry.

Including intra-Group joint ventures, the proportion of external customers during the year amounted to 86 percent. Of them, private and public customers each accounted for around 50 percent.

Continued projects in Stockholm, Gothenburg and Malmö

Among the more prominent projects during the year were continued earthwork preparations for the construction of Karlatornet in Gothenburg. During the year, the 58 pilings that the tower will sit on were anchored to the rock 50–70 meters down in the ground. Each pile has a diameter of two meters and has a bearing strength of 4,500 tons.

In Borås, construction continued of a new boiler house for a new combined heat and power plant for Borås Energi och Miljö AB. The boiler house will have 4,000 square meters of floor space, be ten stories high and 45 meters tall at the highest point. The project is one of the largest to-date for Business Area Civil Engineering.

Among other large projects in Region West was the construction of a new wastewater treatment plant in Strömstad. The project comprises about 11 different processing facilities, including remodeling, extension and new construction.

In Stockholm, the civil engineering work began prior to the start of construction of the district Vega growing forth. The project entails the construction of roads and electricity, telecommunications, heating, water and sewerage mains. Among other large projects is a construction contract for Midroc for a development area in Upplands Väsby. The contract includes excavation work and detailed planning for 194 apartments in multi-dwelling buildings and 25 terraced houses and associated garage and restaurant space to be built in the up-and-coming area of Eds Allé. Large new projects in Region South include a contract with the City of Malmö on a civil engineering project in the new city district Hyllie. The project comprises completion of the street environment in a number of blocks where new housing had been built.

Good growth

In total, income increased by 39 percent during the year. Operating profit amounted to SEK 10 million, an operating margin of 1.2 percent. Order bookings amounted to SEK 621 million and at the end of the year, total the order backlog amounted to SEK 192 million.

Focus 2019

Focus in 2019 will be on continued growth with good profitability. In terms of geographical markets, particular focus will be on continuing expansion in every region. Another objective is to continue to grow in the market for larger projects in a controlled manner. Extensive focus will also be on infrastructure projects, especially in railways. Of the SEK 700 billion the State decided to invest in infrastructure in the next ten years, SEK 460 billion is earmarked for the railways. A further SEK 300 billion has been allocated to a new high-speed rail network. This will increase the need for construction contractors with expertise in rail construction.

INCOME, SEK MILLION

866

OPERATING PROFIT, SEK MILLION

10

OPERATING MARGIN, %

1.2

ORDER BOOKINGS, SEK MILLION

621

ORDER BACKLOG, SEK MILLION

192

INCOME AND PROFIT

Income amounted to SEK 866 million (623), an increase of 39 percent. Operating profit amounted to SEK 10 million (1) and the operating margin was 1.2 percent (0.2).

CONSTRUCTION AND CIVIL ENGINEERING

Focusing 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.

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 2018 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 quality, Serneke has an established form of cooperation 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 2018, 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. Within the framework of Serneke's quality work, supplier evaluation is included as an important parameter. Prior to procurement, the purchaser conducts a thorough evaluation and control to ensure the supplier's professionalism. A supplier evaluation is also performed following completion of an assignment, providing a basis for the continued strategic purchasing work.

Stable customers

The customers to the Construction and Civil Engineering business areas are comprised of both private and publicly owned actors. At the end of 2018, the total order backlog amounted to SEK 6,382 million (7,965). Of this amount, private clients accounted for around 70 percent and public clients accounted for around 30 percent. The public clients include the State, county councils and regions, municipalities and publicly owned companies. The private clients are comprised of stable, solvent and professional actors with a long history where the credit risk is deemed to be low.



EXAMPLES OF COLLABORATIVE PROJECTS AND PARTNERSHIP

1 Workshop and development of Partnership or 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 and development phase

4 Production start meeting

6 Continuous monitoring of budget and schedule

8 Handover and operations review

9 Final Meeting for follow-up and experience feedback

11 Guarantee inspection, analysis and evaluation

BUSINESS AREA PROJECT DEVELOPMENT

Development of properties and housing

Since 2014, the Project Development business area has focused on building an organization and developing a risk-adjusted project portfolio. In 2018, projects are conducted in every phase, from planning and construction to housing sales.

INCOME, SEK MILLION

304

OPERATING PROFIT,
SEK MILLION

230

VALUE OF PROJECT
PORTFOLIO, SEK MILLION

2,507

INCOME AND PROFIT

Income amounted to SEK 304 million (212), an increase of 43 percent. There, SEK 30 million is included as other income attributable to the final agreement with NREP. Operating profit amounted to SEK 230 million (65). Operating profit includes a revaluation effect of SEK 229 million.

The Business Area Project Development is responsible for acquisitions and development of projects and development properties. The operations mainly comprise acquisitions of developed or undeveloped land that is being refined into residential and commercial properties. The development of project and development properties takes place in-house or together with cooperative partners. Customers are mainly private individuals, tenant-owners' associations and private housing companies and publicly financed tenants, 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. From an earlier focus on acquisition of land and properties, as well as planning work, projects are now conducted in every phase.

Completed projects during the year included the Gamlestan travel center in Gothenburg and the regional public service building Regionens Hus in Skövde. On-going projects included continued work with Mälardalen University. All three projects are sold. The project with Mälardalen University is scheduled for completion in 2019.

Housing projects in various phases

During the year, construction was completed of apartments and terraced houses in Ingared outside Alingsås. On-going projects in a sales phase included the Magasinhusen in Landskrona, Trevågor in Helsingborg, Karlatornet in Gothenburg and Sadelmakaren in Strömstad.

Urban development project in Trelleborg

Serneke and Midroc acquired two industrial properties on the coast in central Trelleborg during the year. Then a declaration of intent was signed with Trelleborg Municipality concerning development of a new city district in the area, with room for around 1,000 new homes, service premises and a new beach and promenade. The first detailed development plan is expected to be finished in 2020. Development work can then begin.

Land allocations

During the year, planning work also continued with Järfälla Municipality for a new city district in Veddesta outside Stockholm. Besides homes, schools, retailing and hotels, a large multisport facility is also being 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.

In March, Serneke secured a land allocation for major hotel investment in Halmstad. Together with Andreas Martin-Löf Arkitekt, Serneke also won the land allocation competition for young architects organized by the City of Stockholm for an area in the Solberga district of Älvsjö.

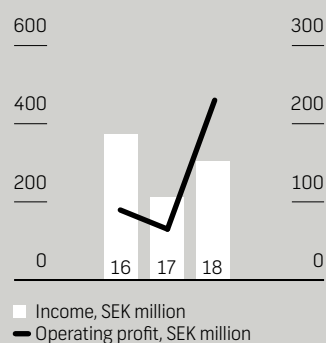
Focus 2019

The strategy moving ahead is based continuing to invest in projects with a low risk profile, at the right price and in good locations that over time have a good return in the market. Focus in 2019 will be on continued implementation. As the majority of projects enter production, the exchange with the other business areas in Serneke will increase.



In December 2018, the regional public services building Regionens Hus in Skövde was finished. Now, around 400 people gather here, all working with regional issues. The building will house hundreds of offices, reception, conference rooms and common areas.

INCOME AND OPERATING PROFIT



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

Design and 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 dialog 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. This creates the conditions for simple and cost-effective solutions that benefit everyone involved. Design, project costing, budget, detailed development plan and schedule are established in the planning phase. After the drawings and plans have been confirmed, contracts are signed with external partners.

3

Sales and marketing

Customers to housing projects developed by the Company by itself are typically individuals who acquire freehold or tenant-owner rights. Sales to private individuals were conducted mainly through real estate agents, digital channels, advertising and mailing. For commercial projects, the customers are usually public or private property owners or tenants.

4

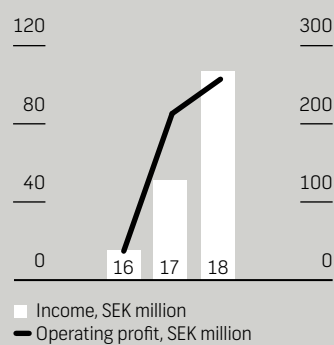
Production and aftermarket

Only when the project preparations have been completed and a predetermined percentage of homes has been sold through binding agreement or a predetermined percentage of leases has been signed, production commences. Cooperation between the different business areas in planning and project implementation creates the conditions for superior 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 performed, in which the project is analyzed and evaluated.



Prioritet Serneke Arena is the Nordic region's largest multisport facility. The arena includes an indoor ski facility, full-sized soccer field, schools, a hotel, gym, and more. Construction of the facility began in the autumn of 2012 and the arena opened to the public in 2015.

INCOME AND OPERATING PROFIT



BUSINESS AREA PROPERTY MANAGEMENT

Focus on long-term value creation

Business Area Property Management's operations consist of acquisitions, development and management of properties with potential for good appreciation.

Since the beginning in 2015, the property portfolio has been developed through selective acquisitions of commercial properties, primarily in the Gothenburg region.

Focus on properties with development potential

Serneke is no traditional property owner. Focus is on acquisitions and development of properties that generate cash flows, but have development potential – and thereby a possibility for long-term appreciation. When the anticipated value of the property has been achieved, the goal is that it will be sold on the market.

Divestment of S ve Airport

The year's single largest event was the sale of S ve Airport to Castellum for a purchase consideration of SEK 1.1 billion. Serneke acquired the then G teborg City Airport in April 2016. The following year, the acquisition was supplemented with a nearby property. The transaction includes a total of five adjacent properties, which contain a larger number of buildings and around three million square meters of developable land. According to the contract, Serneke has a responsibility for the decontamination of pollutants that were in the area. For this purpose, Serneke has made a required reservation, which will continuously be evaluated as the area is developed.

Extensive interest for multisport facilities

The most prominent holdings in the property portfolio include jointly owned Prioritet Serneke Arena, the Nordic region's largest multisport facility. During the year, develop-

ment continued, among other things, through co-working areas for companies active in health and sports. In addition to this, a renovation of the restaurant was also begun. The occupancy rate as of December 31, 2018 was 100 percent. Interest in multi-sport facilities in 2018 remained extensive and Serneke conducted discussions during the year with multiple municipalities regarding establishments.

Fj terv len mountain wintersports facility

Serneke is a part-owner in the mountain sports facility Fj terv len and during the year, the plan for the development of this took several steps forward. The initiatives include more cabins and apartments, a new chair lift, a new center building with a hotel, camping, increased investments in downhill and cross-country skiing, as well as year-round activities.

Focus forward

The ambition in the future is to continue to develop the property portfolio through selective acquisitions of properties. Potential acquisition targets can be either properties developed in the Group with stable cash flows and the potential for long-term appreciation, or other properties with good development potential. Major focus is also on the strategic land and property acquisitions over time that are deemed to have a potential for positive development because of their location or other conditions. Through an active and committed management, the objective is to achieve a balance between risk and opportunities, capital and returns.

INCOME, SEK MILLION

107

OPERATING PROFIT, SEK MILLION

257

VALUE INVESTMENT PROPERTIES, SEK MILLION

281

INCOME AND PROFIT

Income amounted to SEK 107 million (51), an increase of 110 percent. Property management earnings amounted to a loss of SEK 33 million (7), which is attributable to an increase in allocated overhead. Changes in the value of the investment properties were positive in the amount of SEK 281 million (228). Of the value change, SEK 302 million is realized (of which SEK 42 million was recognized as unrealized from earlier quarters) and attributable to the sale of S ve Airport. Unrealized value changes account for a decrease by SEK 21 million regarding the Group's other investment properties and are based on external valuations.

The Share

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

The price paid for Serneke's Class B share decreased by around 33 percent in 2018. The highest price during the year was reached on January 10 at SEK 110 and the lowest price on December 6 at SEK 47.65. The price at year-end corresponded to a market capitalization of around SEK 1,405 million.

In total in 2018, 6,135,013 shares were traded, corresponding to a turnover rate of 26.39 percent. The combined value of the trade in the Class B share amounted to SEK 306,685,042. The average daily turnover amounted to 24,540 shares or SEK 1,226,740.

Shareholders

At December 31, 2018, there were 6,202 shareholders, an increase of 806 shareholders compared with the preceding year. At the same time, the largest shareholder was Ola Serneke Invest AB, with 27.0 percent of the number of shares and 56.9 percent of the number of votes. The second largest shareholder was Lommen Holding AB, with 17.8 percent of the number of shares and 12.8 percent of the number of votes. The remaining shares and votes were owned by institutional investors and private individuals in Sweden and abroad. The percentage of shares owned by international shareholders at year-end was 1.5 percent.

Dividend policy

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

Incentive program

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

The Extraordinary General Meeting of June 29, 2016 resolved to issue convertible debentures with a nominal value of approximately SEK 15.9 million. The convertible debentures 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 Class B shares may be added and share capital may increase by a maximum of SEK 13,235. The holders have the right at certain times during the term to request conversion into new Class B shares. At December 31, 2018, a total of 850 convertibles had been converted to Class B shares and 131,500 convertibles remain.

At the Annual General Meeting on May 3, 2017, a long-term convertible program was adopted for employees in the Group. The program means that the Company raises a convertible loan of a maximum nominal value of SEK 20 million through the issue of 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 4,850.30 at full conversion. The conversion rate was fixed at SEK 157.70. The convertibles fall due September 8, 2020, provided conversion has not taken place before this date. The convertibles will carry a fixed annual interest rate of 2.6 percent. At December 31, 2018, no convertibles had been converted.

At the Annual General Meeting on May 3, 2018, it was resolved to introduce share savings

programs for the employees for 2018, 2019 and 2020. Participation in the programs presupposes that the employee acquires and keeps Class B shares in Serneke during the term of the program. The participants who keep the savings shares during the savings period of around three years and are also employed during the period will, after the end of the respective savings period, receive 0.5 Class B shares in Serneke, so-called matching shares, for every savings share attributable to such a savings period at no cost. In addition to matching shares, participants will also be able to receive at no cost more Class B shares in Serneke, so-called performance shares, on condition that the participant is employed in the Group during the entire savings period and that certain performance requirements are met.

The maximum number of shares covered by the programs amounts to 1,553,120 Class B shares corresponding to around 5.5 percent of the number of shares issued after dilution and around 1.9 percent of the number of votes after dilution.

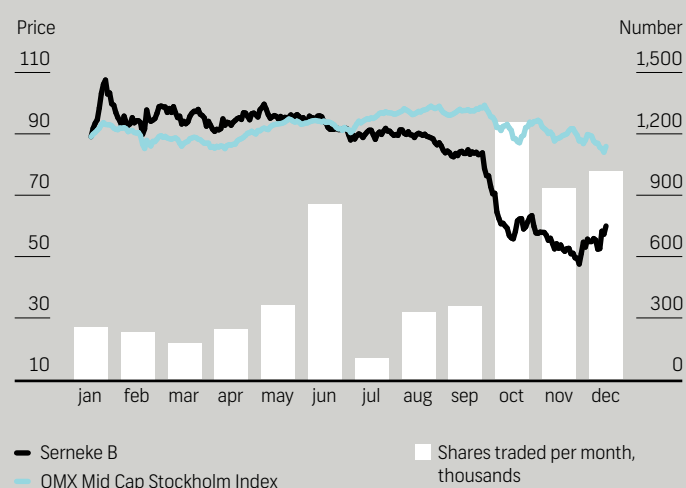
The Annual General Meeting resolved in accordance with the Board's proposal that the supply of matching and performance shares in accordance with the program shall be ensured by the Company buying back Class B shares. Until the next Annual General Meeting, the Board was authorized to buy back a maximum of 1,778,271 Class B shares. In 2018, a total of 814,987 Class B shares had been bought back at a value of SEK 65 million.

KEY PERFORMANCE INDICATORS PER SHARE

SEK (unless otherwise stated)	2018	2017
Profit/loss before dilution	26.37	13.94
Profit/loss after dilution	26.16	13.81
Weighted average number of shares before dilution	22,905,389	23,169,394
Weighted average number of shares after dilution	23,085,392	23,396,120
Cash flow from operations, before dilution	11.57	2.03
Cash flow from operations, after dilution	11.48	2.01
Shareholders' equity, before dilution	101.28	78.33
Shareholders' equity, after dilution	100.47	77.73
Provision at December 31	60.1	89.25
Dividend, SEK ¹⁾	0	4.00

1) Board's proposal to the 2019 Annual General Meeting.

SHARE PERFORMANCE 2018



Source: Serneke & Medinvest Group

SERNEKE'S TEN LARGEST SHAREHOLDERS, DECEMBER 31, 2018

Name	Class A shares	Class B shares	Total number of shares	Percentage shares, %	Percentage of votes, %
Ola Serneke Invest AB	3,710,000	2,342,399	6,052,399	26.98	56.90
Lommen Holding AB	540,000	3,457,803	3,997,803	17.82	12.78
Christer Larsson i Trollhättan AB	380,000	497,000	877,000	3.91	6.20
Ledge Ing AB	330,000	459,980	789,980	3.52	5.42
Vision Group i väst AB	250,000	536,000	786,000	3.50	4.38
Svolder Aktiebolag	-	1,203,941	1,230,941	5.37	1.74
Cliens fonder	-	855,000	855,000	3.81	1.23
Handelsbankens fonder	-	670,441	670,441	2.99	0.97
BNY Mellon	-	345,932	345,932	1.54	0.50
Bert-Åke Eriksson	-	271,684	271,684	1.21	0.39
Madeleine Olsson Eriksson	-	271,684	271,684	1.21	0.39
Total, 10 largest	5,210,000	10,911,864	16 121,864	71.87	90.90
Other shareholders	-	6,311,601	6,311,601	28.13	9.10
Total	5,210,000	17 223,465	22,433,465	100.0	100.0
Repurchased shares	-	814,987	814,987		
Total shares registered	5,210,000	18,038,452	23,248,452		

Source: Euroclear and Serneke

SHARE CAPITAL DEVELOPMENT

Date	Event	Change in number of shares	Class A shares	Class B shares	Total number of shares	Change in share capital	Total share capital	Par value per share
2004	Founding of Company	1,000			1,000		100,000	100
2005	New share issue	4,000			5,000	400,000	500,000	100
2011	Bonus issue/share split	9,995,000	5,000,000	4,995,000	10,000,000	500,000	1,000,000	0.10
2012	New share issue	478,000		478,000	10,478,000	47,800	1,047,800	0.10
2012	New share issue	1,047,670		1,047,670	11,525,670	104,767	1,152,567	0.10
2013	New share issue	2,717,256	360,000	2,357,256	14,242,926	271,725.6	1,424,292.6	0.10
2014	New share issue	286,000		286,000	14,528,926	28,600	1,452,892.6	0.10
2015	Exchange of convertibles	1,309,586		1,309,586	15,838,512	130,958.6	1,583,851.2	0.10
2015	New share issue	727,273		727,273	16,565,785	72,727.3	1,656,578.5	0.10
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
2018	Conversion	0	-150,000	+150,000	23,248,452	0	2,324,845.2	0.10

OWNERSHIP STRUCTURE, DECEMBER 31, 2018

Number of shares	Number of shareholders	Number of shares	Percentage of shares, %
1-1,000	5,684	828,433	4.8
1,001-10,000	410	1,348,168	7.8
10,001-100,000	89	2,507,702	14.6
100,001-	19	12,539,162	72.8

Source: Euroclear and Serneke

SHARE CLASS, NUMBER OF SHARES AND NUMBER OF VOTES, DECEMBER 31, 2018

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

ANALYSTS MONITORING SERNEKE

Erik Granström, Carnegie
erik.granstrom@carnegie.se
Bertil Nilsson, Jarl Securities
bn@jarlsecurities.com
Niclas Höglund, Nordea
niclas.hoglund@nordea.com

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

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

Board of Director's Report

The Board and Chief Executive Officer of Serneke Group AB (publ), corp. ID no. 556669-4153, hereby present the Annual Report and Consolidated Financial Statement for the 2018 financial year. Serneke Group AB, headquartered in Gothenburg, Sweden, is the Parent Company of the Group.

Operations

The Serneke Group conducts operations within the four business areas Construction, Civil Engineering, Project Development and Property Management. The Group provides comprehensive services in construction operations and property development for property companies, industrial companies and commerce in both the private and public sectors. Serneke's operations are focused on the three metropolitan regions of Stockholm, Gothenburg and Malmö, which are the Group's most important markets even if the Group is also expanding geographically to regional growth regions.

MULTI-YEAR, THE GROUP

SEKM	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2015
Income statement				
Revenue	6,516	5,605	3,978	3,107
Operating result	595	419	411	128
Profit after net financial items	558	401	394	112
Profit/loss for the year	604	323	394	137
Key indicators				
Growth, %	16.3	40.9	28.0	72.6
Organic growth, %	16.2	39.1	28.0	51.8
Operating margin, %	9.1	7.5	10.3	4.1
Equity/assets ratio, %	40.9	41.3	42.7	27.4

INCOME

SEKM	Jan-Dec 2018	Jan-Dec 2017
Construction	5,530	4,919
Civil Engineering	866	623
Project Development	304	212
Property Management	107	51
<i>Eliminations and Group-wide</i>	<i>-291</i>	<i>-200</i>
Total	6,516	5,605

OPERATING PROFIT

SEKM	Jan-Dec 2018	Jan-Dec 2017
Construction	90	183
Civil Engineering	10	1
Project Development	230	65
Property Management	257	213
<i>Group-wide</i>	<i>8</i>	<i>-43</i>
Total	595	419

Business concept

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

Order bookings and order backlog

For the period January-December 2018, the order bookings decreased to SEK 4,692 million (6,400). The underlying market is deemed to still be good even if the Group is experiencing a slow-down in some segments. At the end of 2018, the order backlog was SEK 6,382 million, compared with SEK 7,965 million at year-end 2017.

Revenue

Consolidated income for 2018 amounted to SEK 6,516 million (5,605), an increase of 16 percent compared with the corresponding period in the preceding year. The activity in the Swedish construction market in 2018 was good even if there is more caution in the market. The income from the construction operations Construction and Civil Engineering amounted to SEK 6,396 million (5,542), a growth of 15 percent. Income during the period amounted to SEK 304 million (212) and was mainly attributable to project income from tenant-owner housing projects. Income from Property Management amounted to SEK 107 million (51) and the strong increase is mainly attributable to a larger property portfolio and hotel operations.

Earnings

Consolidated operating profit amounted to SEK 595 million (419), an increase of 42 percent compared with the preceding year. The construction operations accounted for SEK 100 million (184) of the operating profit. For the full-year, Construction had an operating margin of 1.6 percent (3.7), accounting for SEK 90 million (183). The operating profit was negatively impacted by the project impairments of SEK 70 million recognized in the third quarter. The operating profit from Civil Engineering was SEK 10 million (1). The business area's growth contributed to reducing central overhead in relation to the revenues, which has an impact on the operating profit. The operating profit from Project Development was SEK 230 million (65). Operating profit includes a revaluation effect that occurred in connection with the acquisition of the remaining 50 percent of the Karlstad project of SEK 229 million when existing holdings were restated at fair value.

Business Area Property Management's operating profit rose during the year and amounted to SEK 257 million (213), which is mainly attributable to the sale of Söve Airport to Castellum. The sale impacted operating profit by SEK 271 million and meant that earlier unrealized value changes on the investment properties have now been realized.

The operating margin for the Group was 9.1 percent (7.5). Net financial items were negative in the amount of SEK 37 million (18), which was negatively affected in an amount of SEK 12 million by the expanded bond that was issued in July in an amount of SEK 700 million. The report tax for the year was SEK 46 million (negative 78) and the positive tax effect is mainly due to a tax-free sale of S ve Airport and a tax-free revaluation effect attributable to the Karlastaden project. The positive tax effect is also attributable to a turnaround of deferred tax liabilities attributable to the properties in S ve.

Earnings for the year amounted to SEK 604 million (323).

Financial position

On December 31, 2018 the equity/assets ratio was 40.9 percent (41.3). At the end of the period, consolidated cash and cash equivalents, including unutilized credit facilities, amounted to SEK 789 million (631).

Over the period, shareholders' equity rose to SEK 2,272 million (1,821). The change is comprised of profit for the year of SEK 604 million, a minority interest of SEK 4 million and share savings program of SEK 1 million, at the same time that there were charges to shareholders' equity of SEK 93 million for dividends and SEK 65 million for share repurchases.

On December 31, 2018, net borrowing amounted to SEK 552 million (254). The net debt/equity ratio was 24.3 percent (13.9). Unutilized committed credit facilities amounted to SEK 400 million (200) at year-end.

Cash flow

Cash flow from operating activities amounted to SEK 265 million (47). The change is mainly attributable to a decreased amount of capital being tied up. Cash flow from investing activities amounted to negative SEK 477 million (319). The foremost explanation of the change is the acquisition of the Karlastaden project, sale of the properties at S ve Airport, investments in investment properties and investments in tangible fixed assets.

Cash flow from financing activities amounted to SEK 170 million (132) and mainly involved new loans in the form of bonds, premature redemption of previous bonds, dividends paid and share repurchases attributable to share saving programs.

Cash flow for the period amounted to a negative SEK 42 million (140).

Acquisitions and disposals

Acquisition of remaining 50 percent of the Karlastaden project

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

The acquisition is a step by step business combination, which means that Serneke must value the previously held 50-percent interest at fair value. This entailed a revaluation effect of SEK 229 million that positively impacts operating profit to a corresponding amount. The revaluation matches the difference between fair value of earlier holdings of SEK 600 million and the previous carrying amount of SEK 371 million as of possession on 28 December.

Sale of S ve Airport

On December 21, Serneke reached an agreement with Castellum on the sale of properties at S ve Airport. Serneke is receiving a fixed purchase consideration of SEK 1.1 billion of which SEK 750 million was paid in connection with occupancy and the remainder is paid in connection with the fulfillment of conditions, although no later than 2030. If the detailed development plan and building permits were to gain legal effect before 2030, the purchase consideration is paid out proportionately for the respective relevant land area.

In addition, there are supplementary purchase considerations of a maximum of another SEK 910 million, excluding a tax discount of SEK 61 million, depending on the outcome of new detailed development plans and building permits on condition that these have been approved by 2030. The transaction generated an operating profit of SEK 271 million and a positive effect on deferred tax of SEK 76 million and accordingly SEK 347 million on profit for the year. The operating profit includes an additional purchase consideration of SEK 76 million, which is Serneke's assessment of the probability that new detailed development plans and building permits will be approved.

Other significant events during the year

Dispute regarding acquisition of V rmd 

Byggentreprenader AB resolved

On August 27, 2014, an agreement was signed to acquire 100 percent of the shares in V rmd  Byggentreprenader AB. According to the agreement regarding conditional purchase consideration, Serneke was to pay a variable purchase consideration based on the Company's operating profit for 2015, amounting at most to SEK 30 million. Serneke and the seller of V rmd  Byggentreprenader AB disputed the payment of a possible additional purchase consideration, upon which the seller initiated arbitration proceedings. Serneke's view was that the additional consideration should not be paid. The ruling on the arbitration proceedings was issued in February 2018 and was to Serneke's advantage, meaning that no additional purchase price was payable. In connection with the dispute, Serneke reversed a provision of SEK 19.6 million, that was reported under Group-wide in the segment reporting.

Serneke has issued a bond and implemented premature redemption of existing bonds

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

The new bond loan carries a variable interest rate of three-month STIBOR +5.25 percent and expires in June 2021. Serneke applied for listing of the new bond loan on Nasdaq Stockholm and the first trading day was July 5.

Additional purchase consideration for S ve

In May 2016, S ve Airport was acquired from Swedavia. In addition to the purchase consideration, Serneke was 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. The parties agreed to settle prematurely the additional purchase consideration, meaning that Serneke paid SEK 55 million to Swedavia. The payment negatively impacted cash and cash equivalents by SEK 55 million and earnings by SEK 8 million.

Outlook

A continued strong urbanization trend is driving the development of commercial properties and investments in public services. Several major infrastructure projects are in the pipeline, which directly and indirectly create business opportunities for Serneke. With a strong foothold in the country's three major metropolitan regions, the Group is well-positioned to continue to grow organically and through acquisitions.

Environment and sustainability report

In accordance with Chapter 6 Section 11 of the Swedish Annual Accounts Act, the company has chosen to prepare the sustainability report as a report separate from the annual report. The sustainability report is found in the annual report on pages 24–35.

Employee

In 2018, the average number of employees amounted to 1,070 compared with 942 in the preceding year.

The Group's future development is contingent on retaining existing dedicated and skilled employees and attracting new ones. Serneke has, therefore, declared a strategic objective to be recognized as the most attractive employer in the industry. Through continuous dialog and responsiveness, Serneke wants to create personal development opportunities in a challenging environment. With stimulating projects and a belief in the ability of our employees, Serneke wants to provide a corporate culture of great personal responsibility and participation.

With a systematic and prioritized work environment through all stages of the process, we strive for a safe and secure work environment that encourages personal growth and commitment.

Convertibles

The Extraordinary General Meeting of June 29, 2016 resolved to issue convertible debentures with a nominal value of approximately SEK 15.9 million. The convertible debentures 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 Class 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 Class B shares.

As at December 31, 2018, 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 amounted to approximately SEK 7.6 million, which means that a maximum of 48,503 Class B shares can increase share capital by no more than SEK 4,850.30 at full conversion. The conversion rate was fixed at SEK 157.70. The convertibles fall due September 8, 2020, provided conversion has not taken place before this date. The convertibles will carry an annual interest rate of 2.60 percent.

Work of the Board in 2018

Serneke's Board consists of five members. In 2018, the Board held 24 minutes meetings in addition to continuous contacts. The Board of Directors is responsible for the organization and management of the company's affairs, including establishing targets and strategy, ensuring procedures and systems for monitoring the stated targets, ongoing assessment of the Group's financial position and evaluating operational management. In general, the Board addresses issues that are of material significance to the Group. In addition to the issues incumbent on the Board to address according to the Board's formal work plan, main issues during the year were strategic decision on property deals and financing, among other matters. A separate description of the Board's work is presented by the Corporate Governance Report on page 56.

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 2019 put forward a proposal for a decision regarding these payments, including that they should be commercially competitive. The full proposal will be published in conjunction with the invitation to the Annual General Meeting. Current employment is not different from the future proposal principles.

PARENT COMPANY

The operations of Serneke Group AB (publ) consist mainly of Group Management and Group-wide services. Annual sales amounted to SEK 143 million (117) and operating profit was SEK 30 million (loss: 19).

The Share

Serneke's Class B share has been listed on Nasdaq Stockholm since November 2016. For more information, please refer to page 48 under "The Share".

Dividend policy & proposed dividend

Serneke's long-term dividend policy is to distribute 30 to 50 percent of net profit after tax for the previous financial year. The Board confirms the dividend policy, but currently chooses to propose no dividend for the 2018 financial year. This is because the Company has a need for financial flexibility to manage its own project portfolio. In the prevailing situation, the Board therefore considers it to be prioritized that the Company maintains a strong financial position.

Proposed appropriation of earnings

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

Retained earnings	-283,591,759
Share premium reserve	802,570,581
Profit for the year	-17,475,067
Total	501,503,755

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

Dividend	0
Carried forward:	501,503,755
Total	501,503,755

Risks and risk management

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

Serneke's operations entail several types of risks, both operational and financial. Operational risks are related to the daily operations and can apply to tenders or project development, assessment of profits, risks linked to production or the price trend. Operational risks are managed by the internal business management that has been developed within the Group. Each business area manages its risks based on the business management and developed procedures and processes. Serneke's financial risks such as interest rate, liquidity, financing and credit risks are managed centrally in order to minimize and control risk exposure.

Furthermore, the Board is responsible for ensuring that accurate information is provided to the Company's stakeholders, that the Company complies with laws and regulations and that the Company develops and implements internal policies and ethical guidelines. A risk analysis for the Group is conducted annually in conjunction with the Board of Directors decides on the update of the Group's risk policy. The CEO and management are responsible for compliance with policies. Related party transactions and internal control are reported to the Board on a monthly basis.

Risk	Description of the risk	Management
EXTERNAL RISKS		
Economic growth	The contracting and property sectors are largely affected by macroeconomic factors such as general economic trends, growth, employment, production rates and trends in prices for new housing and commercial premises, changes in infrastructure, inflation and interest rates. If there were to be a negative trend in one or more of these factors, this could have a material adverse effect on Serneke's operations, performance and financial position.	Serneke closely monitors macroeconomic developments and continuously focuses on efficiency improvements and cost control.
Demography	Population growth and migration flows affect housing demand. Serneke strives to be active in regions with sustained population growth, such as the metropolitan regions of Stockholm, Gothenburg and Malmö. There is nonetheless a risk that changing patterns of population growth and migration flows will negatively affect the conditions for Serneke's operations, which could have a negative effect on Serneke's operations, performance and financial position.	Serneke carefully monitors demographic trends and strives to be active in regions of sustained population growth.
Competitive situation	Serneke operates in an industry that is exposed to competition. Among other factors, Serneke's future competitive opportunities rely on Serneke's capacity to anticipate future changes and react quickly to existing and future market needs. Serneke may be forced to make costly investments, restructuring or price reductions to adapt to a new competitive situation, which could have a negative effect on Serneke's operations, performance and financial position.	Serneke focuses on distinguishing the offer by being more innovative, to think in new and different and work smarter and more cost-effective.
Political risks	<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, accordingly, 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 business.</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 a deterioration in the terms of the project, which could have a negative impact on Serneke's operations, performance and financial position.</p>	Serneke's business is diversified within several disciplines, such as both residential and commercial projects, and through various leasing forms.

Risk	Description of the risk	Management
OPERATIONAL RISKS		
Risks related to production	In contracting operations, the primary limitation of operational risk normally occurs in the tender process. Tenders that are not sufficiently elaborate, or based on inaccurate calculations, can lead to both lower earnings, loss of internal control, and increased costs. The risk that the planning process is delayed, detailed development plans are not approved or that building permits or other permits required for the construction or renovation are not obtained or are delayed.	Before submitting a tender, resources are always hedged for management of the projects. In the tenders submitted, it is always ensured that identified risks can be estimated and managed. Serneke has in recent years gained some experience from large and complex projects and hired senior expertise in risk analysis, cost estimation and project management.
Price development during the project's production time	The risk that the property market developed negatively during the project, which can make the property difficult to sell.	Always aiming for sales prior to or in conjunction with the start of production. Established process with clear analytical and decision-making structure that takes into account market outlets before an investment is made.
Pollution, work environment and environmental risks	Serneke's construction and civil engineering operations have an environmental impact for which Serneke is responsible. In connection with property acquisitions within the framework of the project development operations, there is also a risk of the acquired property having previously been contaminated. Depending on the scale of any pollution, this could have a negative impact on Serneke's brand, operations, performance and financial position. Serneke's operations also include risks related to the work environment. Accidents or serious incidents can incur liability and negative publicity, which could have a negative effect on Serneke's brand, operations, performance and financial position.	Measures related to pollution, occupational health and environmental risks normally handled as part of ongoing operations.
Risks related to the development of projects and properties	In addition to the contractor risk (where applicable), the development of projects and properties, both residential and commercial, under the Company's own auspices and with partners, also entails development, sales and value risk. The realization of such risks could result in additional capital being tied up, but also losses.	Serneke has competent employees supported by ongoing training and the most current industry experience. An important element is the Group's collective experience from similar projects and the solutions developed for special situations.
FINANCIAL RISKS (See Note 4 Financial risk management)		
Interest rate risk	In addition to shareholders' equity, Serneke's operations are financed through borrowing. Interest expenses are primarily affected by the level of current market interest rates and the credit institutions' margins, as well as the strategy chosen by Serneke in fixing interest rates. Market interest rates are mainly affected by the anticipated rate of inflation. Shorter-term rates are affected primarily by the Riksbank's "repo rate", which acts as a monetary policy instrument. In periods with rising inflation expectations, interest levels are expected to rise, which could have a negative effect on Serneke's performance and cash flow.	Financial policy governs the handling of Serneke's interest rate risk. Prevailing interest rates are continuously monitored.
Liquidity risk	Serneke's payment commitments consist primarily of expenses for materials and subcontractors, as well as personnel expenses. Should Serneke lack sufficient liquidity to meet its payment commitments, this could have a negative effect on Serneke's operations, financial position and performance.	The Group continuously monitors its liquidity with monthly reporting to the Board and management. Liquidity planning takes place on a running basis with a focus on both short- and long-term needs.

Risk	Description of the risk	Management
Refinancing risk	Refinancing risk is the risk that financing cannot be secured or renewed on maturity, or can only be obtained or renewed at significantly increased expense. The Company primarily finances its operations through shareholders' equity, borrowing and the Company's own cash flow. There is a risk that it will not be possible to raise additional capital or that it can only be obtained on terms that are unfavorable for Serneke. Although the Group currently has access to long-term financing, Serneke could, in the future, breach its financial covenants and other commitments under credit and loan agreements due to general economic conditions or disruptions in the capital and credit markets. If the Company fails to obtain the necessary capital in the future, this could have a negative impact on the Company's operations, financial position and performance. If the Company fails to refinance its loan agreements or can only obtain refinancing of its loan agreements at significantly increased expense, this could have a material adverse effect on the Company's operations, financial position and performance.	The Group's external financing needs are monitored regularly by management and the Board. The Group's financing activities are centrally organized, which provides a good overview of their financial positions.
Risk of commitments in loan agreements and debenture loans	Serneke's borrowings from credit institutions and the issued debenture loan contains commitments. If a Group company were to breach any of the obligations included in a loan agreement or the terms of the debenture, this could result in the loan being terminated, and even in other loan agreements being terminated as a result of so-called cross-default provisions. A termination of this kind could have a negative effect on Serneke's operations, performance and financial position.	Group fulfillment of loan conditions and covenants is continuously monitored by the Board and management.
Credit and counterparty risk	Uncertainty in the external environment and in the financial markets may mean that customers, suppliers and subcontractors encounter difficulties with their financing. This could also cause planned investments to be delayed, as well as difficulties in meeting existing commitments. Serneke may suffer losses that have a negative effect on its operations, financial position and performance.	The Group's finance policy regulates the handling of credit risks and counter party risks. Credit rating of each new customer is done regularly. The financial situation for existing customers and suppliers is continuously monitored for the early identification of warning signs.
Risk on sale of properties and development rights	On the disposal of properties and development rights, different assessments and estimates may be made regarding the likelihood of various factors, such as changes to detailed development plans and outstanding commitments, which could have a highly significant impact on the Group's performance and financial position. Outstanding commitments may also be difficult to identify by their nature and extent. A sale may be conditional on a future detailed development plan being accepted. In the event that the detailed development plan is not accepted, the occurrence of which had been assessed by the Group as highly probable, there could be significant impact on performance and financial position.	In all significant sales transactions, managers in the business area along with the CFO perform an assessment of outstanding commitments and other uncertainties. These estimates are updated regularly.
Risk at revenue recognition	The profit of contracts is recognized in pace with completion before final profit results are known. Miscalculation can lead to misleading accounting and/or strategic decisions being based on incorrect information.	Construction projects are followed up by management monthly. Through clear processes for project management and continuous follow-up of production estimates, work done and final cost forecasts, it is ensured that reporting is accurate and the strategic decisions are made on the right grounds.
Disputes	Serneke operates in an industry in which disputes occur, both with clients and suppliers. Large-scale and complicated disputes can be costly, time and resource intensive and may disrupt normal operations, which could have a negative impact on Serneke's brand, operations, performance and financial position.	Disputes are regularly monitored and followed up on monthly by management. Through decentralized earnings responsibility and leadership, a customer-focused organization is created that works closely with clients and subcontractors to minimize the risk of disputes.

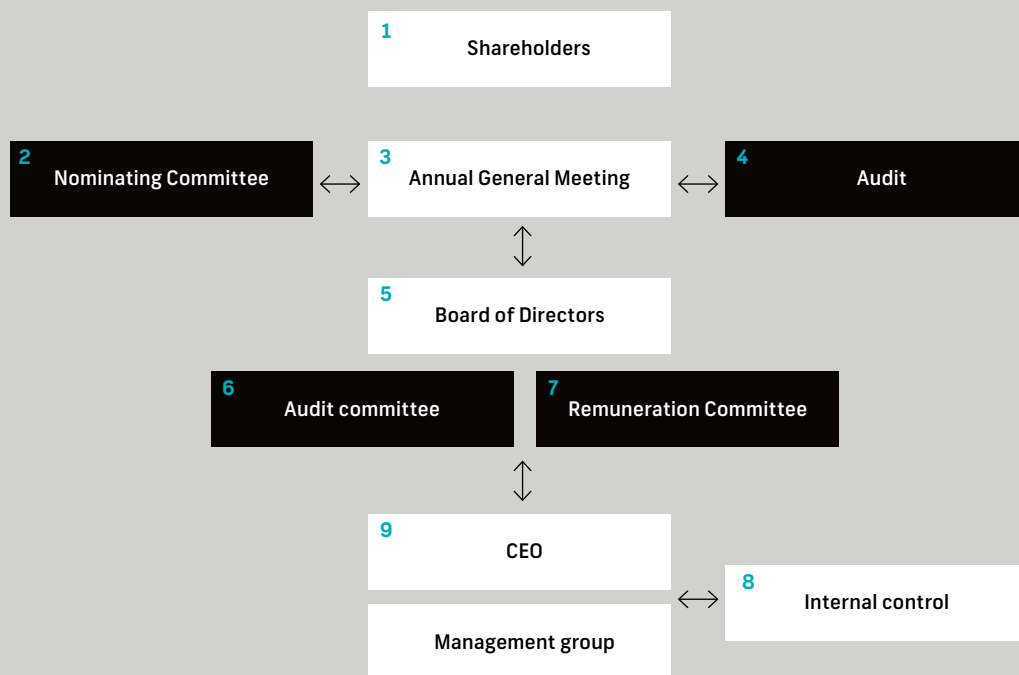
Corporate governance

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

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

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

SERNEKE'S GOVERNANCE STRUCTURE



CHAIRMAN STATEMENT

Focus on profitability and controlled growth

Two major transactions, a somewhat subdued market development and greater focus on internal control in the past year had an impact on the Board's work.

The Board's primary tasks include staking out a long-term direction and creating the best possible conditions for continued positive development. Through sound and well-adapted corporate governance, the goal is to ensure a healthy corporate culture that contributes to developing the Group and its operations – both as a whole and as individual parts.

Transactions, external environment and internal control

Looking at the past year, the Board has devoted considerable energy to two major transactions: the divestment of Sæve Airport and the acquisition of the outstanding participations in Karlastaden. In terms of the divestment of Sæve, it is in many ways a good example of the realization of Serneke's strategy. We see the potential and development possibility, set a clear vision and prepare a concrete plan. In this case, we chose to subsequently sell and thereby realize the value increase. The acquisition of the participations in Karlastaden means that we now own the project entirely, which facilitates the process moving forward as it now enters a new phase.

In addition to these two large transactions, the Board also had continued focus on internal control and the Group's overall capital structure. We have also carefully followed the general development of the construction and civil engineering market. During the year, we could see some slowing in certain segments. The decline is mainly noticeable in the housing sector, and then primarily premium projects in the Stockholm region. It was expected that there would be a recoil after several years of strong growth. Nonetheless, our assessment is that the development in our main segments will continue to be strong in the future. The driving forces include continued demographic changes, with growing populations and urbanization. In all three of Serneke's main regions, Stockholm, Gothenburg and Malmö, extensive infrastructure projects are under way, at the same time that the structural deficit in housing remains extensive.

For the Board, we are monitoring developments in the external environment, as well as our own order bookings, the project portfolio's composition and the overall risk profile.

Major focus on profitability

Serneke's growth rate has been high since the beginning. Looking ahead, we will have an even greater focus on profitability in the next few years. As important parts in this effort, we will intensify the work on internal control, risk management and internal efficiency. Looking at the project portfolio, we will continue to focus extensively on larger assignments for the State, municipalities and stable private clients.

Kent Sander,
Chairman of the Board



Extensive commitment and a good mix of expertise

The Board's work during the year was conducted through ordinary Board meetings, a dedicated strategy conference and through our various committees. The fact that all members are on at least one of the committees creates participation and continuity between the meetings as well.

In order to make long-term decisions, knowledge and insight are needed in both the daily work and external environment and market changes. In my opinion, the Board has a good mix of expertise. The Nomination Committee's proposal on the election of Anna Belfrage and Fredrik Alvarsson as new members would strengthen us further.

Board's proposal on dividend

With regard to the proposed dividend, the Board confirms the long-term dividend policy, but at present chooses to propose no dividend be paid for the 2018 financial year. The background of this is that Serneke is deemed to have a need for financial flexibility to be able to best manage its own project portfolio. In the prevailing situation, the Board therefore prioritizes the maintenance of a strong financial position.

Commitment and drive

The Board's tasks also include supporting Group Management and continuously reviewing and evaluating its work. To succeed in this, an open dialog is needed between the Board and management. For the Board, we perceive this to be the case. Here, I would also like to express our appreciation of the commitment that characterizes the work in the entire organization. We live and work in a rapidly changing time, where the ability to think along new lines is absolutely crucial to succeed. The enthusiasm that characterized the past year bodes well as we are now taking on the next financial year.

Stockholm, March 2019

Kent Sander
Chairman of the Board

1. Shareholders

The Serneke Group consists of 172 companies*. The Parent Company is the Swedish limited liability company Serneke Group AB, the Class B shares of which are listed on the Nasdaq Stockholm exchange in the Mid Cap segment since November 24, 2016.

Share capital in Serneke is represented by Class A and B shares. Each Class A share entitles the shareholder to one vote and each Class B share to one-tenth (0.1) of a vote. All shares carry equal rights to the Company's assets and profits. As of December 31, 2018, there were 6,202 shareholders.

The largest shareholder is Ola Serneke Invest AB with a participating interest of 27.0 percent. The second largest shareholder, Lommen Holding AB, owns 17.8 percent. The larger primary shareholders in Serneke exercise an active ownership role. The Board and Group Management control a total of 75.6 percent of the votes and 49.8 percent of the capital in the Company. The Articles contain no reservations about voting restrictions.

As of December 31, 2018, there were no outstanding authorizations from the Annual General Meeting to the Board to issue new shares. The Annual General Meeting authorized the Board to decide on the buy-back of a maximum total of 1,778,271 Class B shares on one or more occasions in the time until the next Annual General Meeting.

For further information on the ownership structure, trading and share performance, see pages 48–49 of the Annual Report.

2. Nominating Committee

The rules regarding the composition of Serneke's Nomination Committee was decided at the 2018 Annual General Meeting. According to them, the Nomination Committee shall consist of the four largest shareholders in the Company by votes, who then have a right to appoint one member each to the Nomination Committee. If one of the four largest shareholders, in terms of votes, declines to exercise the right to appoint a member to the Nomination Committee, the next largest shareholder is then given the opportunity to appoint a member. These four owner representatives, together with Chairman of the Board, form Serneke's Nomination Committee.

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

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

Nomination Committee's work prior to the 2018

Annual General Meeting

The composition of the Nomination Committee was announced on November 6, 2018. Ahead of the 2019 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 vote at September 30, 2018, and 56.9 percent at December 31, 2018,
- Ludwig Mattsson, appointed by Lommen Holding AB and represented 12.4 percent of the votes at September 30, 2018, and 12.8 percent at December 31, 2018,
- Christer Larsson, appointed by Christer Larsson in Trollhättan AB and represented 6.0 percent of the vote at September 30, 2018, and 6.2 percent at December 31, 2018.
- Sofia Åstenius, appointed by Ledge Ing AB and representing 5.2 percent of the votes at September 30, 2018, and 5.4 percent at December 31, 2018,
- Kent Sander, Chairman of the Board of Serneke Group AB.

Prior to the 2019 Annual General Meeting, the Nomination Committee held five minuted meetings. The Nomination Committee's proposal is available on the corporate website www.serneke.se.

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

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

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

Shareholders have had the opportunity to submit suggestions and comments regarding the Nomination Committee's work for the 2019 Annual General Meeting.

* Subsidiaries, associated companies and joint ventures

3. General Meeting

The right of shareholders to make decisions in Serneke's affairs is exercised through the highest decision-making body, the Annual General Meeting, or Extraordinary General Meeting. The meeting resolves on matters such as amendments to the Articles of Association, election of the Board of Directors and auditors, adoption of the income statement and balance sheet, discharge from liability of the Board and Chief Executive Officer, allocation of profit or loss, principles for appointing the Nomination Committee and guidelines for remuneration to senior management.

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

Right to participate in General Meetings

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

Annual General Meeting 2018

The Annual General Meeting 2018 was held on May 3, 2018 at the Company's headquarters in Gothenburg. Overall, 60.9 percent of the total number of shares and 85.4 percent of the total number of votes were present. The accounts for 2017 were adopted and the Board Members and the CEO were discharged from liability. A decision was also taken on the election of directors and auditors and fees to Board members and auditors. The Meeting also resolved in accordance with the Board's proposal to adopt a share savings program for the employees for 2018, 2019 and 2020. For more information on the share savings program, see page 48 in the annual report.

Annual General Meeting 2019

Annual General Meeting 2019 will be held on Thursday, May 8, 2019 in the Company's premises at Kvarnbergsgatan 2 in Gothenburg, Sweden. Shareholders wishing to take part in Annual General Meeting must be registered as shareholders in the shareholders' register maintained by Euroclear Sweden AB as of Thursday, April 30, 2019, and have notified the Company of their attendance, no later than the same date.

4. Audit

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

According to the Articles of Association, the Annual General Meeting shall appoint at least one and at most two auditors or one or two authorized public accounting firms. The 2018 Annual General Meeting elected the accounting firm Deloitte AB as the Company's auditor, with authorized public accountant Harald Jagner as the principal auditor, for the period extending until the end of the next Annual General Meeting. Harald Jagner is a member of FAR. The Annual General Meeting also resolved that remuneration of the auditor would be paid according to an approved invoice. For information on remuneration of auditors, see Note 9.

The auditors participated in three meetings of the Board's Audit Committee and had one separate meeting with the Board during the year.

5. Board

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

Composition of the Board of Directors

The elected members of the Board are elected by the Annual General Meeting for the period until the conclusion of the next Annual General Meeting. According to the Articles of Association, the Board of Directors shall consist of no less than three (3) and no more than nine (9) ordinary members elected by the General Meeting, without deputies. Board Members are presented on page 65.

Chairman of the Board

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

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

The Chairman is responsible for contacts with the owners regarding ownership issues and for conveying the view of the owners to the Board. The Chairman is not part of Group Management and also does not participate in the operating work in the company.

The work of the Board of Directors

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

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

The Board meets according to an annual schedule and must hold at least five regular meetings between Annual General Meetings. In addition to these meetings, further meetings can be arranged to address issues that cannot be postponed to any of the regular meetings. During the 2018 financial year, the Board has held 24 meetings, for all of which minutes were recorded.

Evaluation of the work of the Board

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

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

The Board's evaluation indicated that the Board work functioned well and that opinions regarding the evaluation for 2018 were taken into account, but that there is room for some further improvements. The evaluation also showed that the Board is a well-composed group with extensive commitment and that the members contribute broad expertise and have extensive experience from various areas that are relevant to Serneke's operations.

Remuneration to the Board of Directors

The 2018 Annual General Meeting resolved that fees totaling SEK 2,500,000 would be paid to the Board, with the Chairman receiving SEK 750,000, each of the other members of the Board not employed by the Company receiving SEK 250,000, the Chairman of the Audit Committee receiving SEK 100,000 and the other two members receiving SEK 50,000. For work in the Remuneration Committee, no fee is payable to the chair (included as a part of the Chairman of the Board members ordinary compensation) and SEK 25,000 each to the other two members. The Nomination Committee's proposal on remuneration prior to the 2019 Annual General Meeting is presented by the convening notice for the Annual General Meeting.

Board Committees

Serneke's Board has two ordinary committees: the Audit Committee and the Remuneration Committee. The work conducted in the committees is reported continuously to the Board. The committees shall be seen as working committees for the Board and do not take over responsibility that is incumbent on the Board as a whole.

6. Audit committee

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

WORK OF THE BOARD IN 2018

● DECEMBER

Board

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

● SEPTEMBER/OCTOBER

Board

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

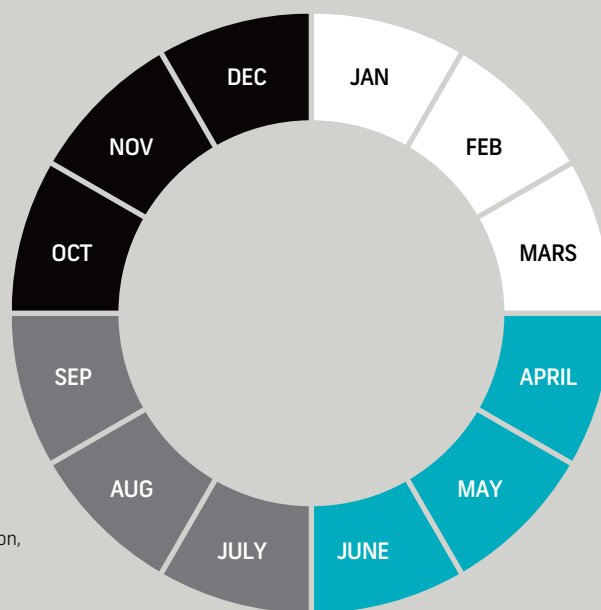
Audit committee

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

● JULY

Board

- Interim Report second quarter



● APRIL/MAY

Board

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

Statutory Meeting

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

● FEBRUARY/MARCH

Board

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

Audit committee

- Audit Status financial audit
- Evaluation of auditors

Remuneration Committee

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

Audit committee

- Audit plan

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

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

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

The Audit Committee held seven minuted meetings in 2018. In these meetings, the auditor's review of the financial statements and the Company's internal controls has been reported and discussed.

7. Remuneration Committee

The Remuneration Committee consists of Kent Sander (Chair), Anna-Karin Celsing and 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 had two meetings regarding remuneration and a number of reconciliations by telephone and e-mail throughout the year.

8. Internal control

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

The Company has established and complies with an internal control plan adopted by the Board. The plan is based on the COSO

framework structure and comprises the continuous monitoring of five critical business processes, and for each process a number of controls are then carried out of essential activities and events.

Among other things, the Board shall ensure that Serneke has good internal control and formalized routines ensuring that the established principles for financial 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 Code of Corporate Governance and mainly includes the following components.

Control environment

The Board bears the overall responsibility for internal control regarding financial reporting. To create and maintain a functioning control environment, the Board has adopted a number of policies and governance documents that regulate the financial reporting. These primarily comprise the Board's agenda, instructions for the CEO and instructions for financial reporting. The Board has also adopted specific 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 is also a detailed time and activity plan for the Company's financial closing and reporting process. Dates of reporting are published in the Group's financial calendar, available via its website.

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

Risk assessment

The Board receives further information on risk management, internal control and financial reporting by the auditor through the Audit Committee or Board meetings with the auditor present.

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

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

Control activities

Control activities mitigate the risks identified and ensure accurate and reliable financial reporting. The Board is responsible for internal control and monitoring of Company management. This involves both internal and external control activities, and by reviewing and monitoring the Company's 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 by system support, and compiled in a report to the CFO who then informs the CEO and Board of the outcome.

Management and review

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

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

Need for internal audit

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

Monitoring

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

9. Chief Executive Officer and Management

The role of the Chief Executive Officer is subordinate to the Board of Directors and the main task is to attend to the ongoing management of the Company and its day-to-day operations. The Board's rules of procedure and instructions for the Chief Executive Officer clarify which issues the Company's Board of Directors shall decide on and which decisions should be made by the Chief Executive Officer. The Chief Executive Officer also produces reports and essential documentation necessary to make decisions at Board meetings and presents the material at Board meetings.

In addition to the CEO, Serneke has ten senior executives, see pages 66–67.

Remuneration to senior executives

In 2018, a total of SEK 16.8 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 21.6 million in 2018, of which SEK 4.0 million constituted remuneration to the CEO.

Principles for remuneration to senior executives

The Annual General Meeting of May 3, 2018 adopted the following guidelines for remuneration and other terms of employment for senior executives. In this context, "senior executives" refers to the CEO and other senior managers in the Serneke Group. These remuneration guidelines also apply to members of the Board to the extent these receive compensation for services rendered to the Serneke Group beyond their roles as members of the Board.

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 generation of value by 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 shall be entitled to deviate from these guidelines where specific reasons exist.

Additional information regarding the Board of Directors and management

According to the Code, Chairman of the Board Kent Sander and Board Members Mari Broman and Anna-Karin Celsing are independent of Serneke, Company management and its principal owners. Board member Ludwig Mattsson 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 dependent in relation to major shareholders and the company.

None of the members of Serneke's Board of Directors or Group Management have any family ties to any other member of Serneke's Board of Directors or Group Management.

There are also no conflicts of interest, through which Board Members or members of Group Management's private interests could conflict with the Company's interests. Board member Ludwig Mattsson has a 25 percent shareholding in Lommen Holding AB. Among other holdings, Lommen Holding AB owns the Adapta Group, which buys contracting services from Serneke, and holds 10 percent in Änglagården Holding AB, a company in which Serneke holds 40 percent of shares.

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. The transactions consist mainly of construction contracts and rental of 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. The transactions are mainly comprised of an acquisition of an investment property (Landskrona Örja 34:34) and rents. Transactions with Michael Berglin are considered to constitute related party transactions as Michael Berglin is a member of Group Management for Serneke Group AB. The transactions are comprised of construction contracts.

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

Regulations

External rules

As a Swedish public limited 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 Code.

Deviations from the Code, market rules or generally accepted practice on the stock market

The Company has not deviated from the Code or market rules. In addition, the Company has also not been subject to decisions in the Nasdaq Stockholm Disciplinary Board or decisions of violations of generally accepted practice on the stock market by the Securities Council.

Internal rules

Serneke has a number of internal regulations that together with the external rules constitute the framework for the operations. The central regulations comprise the Articles of Association, the formal work plan for the Board and committees, the CEO's instructions including instructions for financial reporting, instructions on handling conflicts of interest and the delegation of authority.

The Company's internal rules with regard to ethics and sustainability are collected in the sustainability policy and the business ethics policy. Linked to the sustainability policy and the business ethics policy, there are guidelines that describe practical application in the daily operations. In addition to this, there are the following basic policies: the finance policy, the policy for risk management, insider policy and communication policy.

All employees have a responsibility for the Company complying with external and internal rules. Employees are encouraged to report improprieties in the Company's operations. Such a report can be made to the immediate superior, the safety delegate or to the HR department.

Board of Directors



	KENT SANDER	MARI BROMAN	LUDWIG MATTSSON	OLA SERNEKE	ANNA-KARIN CELSING
Born	1953	1951	1983	1971	1962
Nationality	Swedish	Swedish	Swedish	Swedish	Swedish
Function	Member of the Board and Chairman of the Board since 2017. Chairman of the Remuneration Committee.	Board member since 2015. Chairman of the Audit Committee.	Member of the Board since 2012. Member of the Remuneration Committee and Audit Committee.	Member of the Board since 2004 and CEO since 2008.	Board member since 2018. Member of the Remuneration Committee.
Education	Graduate Business Administrator, Stockholm University.	MA in political science, Gothenburg University.	Graduate Business Administrator, Stockholm School of Economics.	Master of Engineering, Chalmers University of Technology.	Graduate Business Administrator, Stockholm School of Economics.
Experience	More than 30 years' experience of senior positions in international telecom and high-tech IT companies. Kent Sander has been the CEO of TruePosition, held the position of Executive VP Sales at Ericsson in the U.S. and the Chairman of the Board of Transmode.	Deputy CEO, Riksbanken, chairman and member of the Boards of several property companies and industry bodies.	CEO of Gavia Group, assignments in the Gavia Group and assignments in the Lommen Group.	President and CEO of Serneke Group AB. Founder of Serneke Group AB.	Head of Investor Relations Swedbank, CIO Ratos, former member of the Boards of the Swedish Financial Supervisory Authority, Tengbom, the Royal Opera. Consultant in strategy, financing and corporate governance.
Other assignments	Chairman of the Boards of Tobii AB, OnePhone Holding AB, Triboron International AB and Mr Green & Co AB. Member of the Boards of Expander Business Consulting AB, BT OnePhone Ltd and Incell International AB.	Chairman of the Board of IQ Samhällsbyggnad AB and Sharing Capabilities AB. Member of the Boards of Forserum Safety Glass AB and ChromoGenics AB.	Chairman of the Board of Adapta Fastigheter AB and Deputy member of the Board of other companies in the Adapta Group. Chairman of the Board of Lommen Invest AS and member of the Boards of other companies in the Lommen Group. Chairman of the Board of Spisa Holding AB and member of the Boards of Ativo Finans AB, Änglagården Holding AB, Änglagården Fastighetsutveckling AB and GBG Nya Arena Drift och Event AB.	Member of the Boards of Änglagården Fastighetsutveckling AB and Göteborgs Nya Arena drift och event AB. Member of the Boards and President of Ola Serneke Invest AB, Landskrona Fröfabriksutvecklings AB. Member of several cooperative societies and, in addition, several assignments as Chairman of the Board, member of the Board or President of companies within the Serneke Group.	Chairman of the Board of Sveriges Television AB, member of the Boards of Landshypotek Bank AB, Lannebo Fonder AB, OX2 Group and Volati AB.
AGM-approved remuneration	SEK 750,000	SEK 350,000	SEK 325,000	–	SEK 275,000
Holdings in Serneke Group AB, own and related parties, Dec 2018	0 shares	909 Class B shares in Serneke Group AB (publ).	540,000 Class A shares and 3,475,803 Class B shares in Serneke Group AB (publ).	3,710,000 Class A shares and 2,342,399 Class B shares in Serneke Group AB (publ).	0 shares
Independent of major shareholders	Yes	Yes	No	No	Yes
Independence to the Company and its management	Yes	Yes	Yes	No	Yes
Member of committee	Remuneration Committee	Audit committee	Audit committee Remuneration Committee	Not a member	Remuneration Committee
Meeting attendance	Board meetings 24/24 Remuneration Committee 2/2	Board meetings 23/24 Audit Committee 7/7	Board meetings 23/24 Audit Committee 6/7 Remuneration Committee 2/2	Board meetings 22/24	Board meetings 18/24* Audit Committee 4/4

* Anna-Karin Celsing attended all Board meetings since she joined at the Annual General Meeting 2018.

Management



	OLA SERNEKE	MICHAEL BERGLIN	ANDERS DÜRING	DANIEL ÅSTENIUS	FREDRIK JONSSON
Born	1971	1973	1965	1971	1976
Nationality	Swedish	Swedish	Swedish	Swedish	Swedish
Function	CEO	Deputy CEO	CFO	Business Area Manager Construction, President of Serneke Bygg AB	Head of Business Area Civil Engineering, President of Serneke Anläggning AB
Employed since	2002	2012	2017	2007	2014
Education	Master of Engineering, Chalmers University of Technology, 1998.	Structural engineering program, University of Borås, 1994, and upper-secondary engineering program, Sven Erikson upper-secondary school, Borås, 1992.	Executive MBA Finance & Accounting, University of Gothenburg, 1998 and MSc Business Administration, University of Gothenburg, 1990.	Structural engineer, Chalmers University of Technology, 1992.	MSc Project Management, University of Northumbria, Newcastle, 2001 and BSc Civil Engineering, Structural Engineering, Chalmers University of Technology, 2000.
Experience	President and CEO of Serneke Group AB. Founder of Serneke Group AB.	Head of a claims department, Folksam 2000–2012 and assignments in NCC and Skanska in 1994–2000.	CFO KappAhl AB (publ.) 2013–2017, CFO Volvo IT 2007–2013, Group Controller & CIO Ballingslöv 2003–2006. Worked as a consultant at Arthur D. Little and Andersen Consulting, 1990–2003.	Senior positions within Serneke. Previous assignments as structural engineer and project manager within the Startec Group 1992–1998, and owner, President and project manager within Ledge Ing AB 1998–2007.	Assignments within the Bilfinger Group, including as Project Manager and Regional Manager for the period 2007–2014, as well as Production Manager at Skanska – 2001–2007.
Other assignments	Member of the Boards of Änglagården Fastighetsutveckling AB and Göteborgs Nya Arena drift och event AB. Member of the Boards and President of Ola Serneke Invest AB, Landskrona Fröfabriksutvecklings AB. Member of several cooperative societies and, in addition, several assignments as Chairman of the Board, member of the Board or President of companies within the Serneke Group.	Several assignments in the Serneke Group as a Board member. Also assignments as a member of the Boards of associated companies and joint ventures, such as Änglagården Fastighetsutveckling AB and Göteborgs Nya Arena drift och event AB.		Assignments as a Board member in the Serneke Group. Member of the Board and President of Ledge Ing AB.	Assignments as a Board member in the Serneke Group.
Holdings, Dec 2018	3,710,000 Class A shares and 2,342,399 Class B shares in Serneke Group AB (publ).	264,500 Class B shares in Serneke Group AB (publ).	2,000 Class B shares in Serneke Group AB (publ).	330,000 Class A shares and 459,980 Class B shares in Serneke Group AB (indirectly through Ledge Ing AB).	45,000 Class B shares in Serneke Group AB (publ).



PATRIK LINDSTRÖM	KRISTER JOHANSSON	DANIEL MODÉUS	JONAS FJELLMAN	ROBIN GERUM
1972	1970	1970	1979	1987
Swedish	Swedish	Swedish	Swedish	Swedish
Business Area Manager Project Development, President Serneke Projektutveckling AB.	Business Area Manager Property, President of Serneke Fastighet AB	General Counsel	HR Director	Director of Business Development
2014	2016	2018	2017	2017
Master of Engineering in Civil Engineering, Royal Institute of Technology, 1997 and Graduate Engineer, Construction, Royal Institute of Technology, 1994.	Upper-secondary engineering program, Property Development Masterclass Diploma	Graduate in Law, University of Lund, 1998.	M.Sc. Political Science, University of Gothenburg 2005.	M.Sc. Finance and Investments, Rotterdam School of Management, 2012, and B.Sc. Business Administration, University of New Hampshire, 2011.
Assignments within the Peab Group 1999–2014, including management positions during the period 2008–2014. Trainee, Skanska AB 1997–1998.	President of Fastighetsaktiebolaget Tornstaden 2014–2016, Construction Manager Mölndalsbostäder AB 2009–2014, Technical Manager Mölndalsbostäder AB 2004–2009, Operations Manager Mölndalsbostäder AB 1998–2004, Consultant at Bengt Dahlgren AB 1994–1998.	Modéus Advokatbyrå 2012–2018, lawyer Stockholms Byggmästareföreningen 2007–2011, Advokatfirman Foyen 2005–2007, Celsus Advokatbyrå 2000–2005.	Senior positions in HR since 2008. 2011–2017 within IAC Group, most recently as the HR Director Europe.	Corporate Finance at Carnegie Investment Bank 2012–2017 and Private Equity at Liberty Lane Partners 2011.
	Chairman of the Board of Form Factory of Sweden AB, member of the Board of Fagered Invest AB, deputy member of the Board of Alera AB.			
20,000 Class B shares and 7,000 convertibles in Serneke Group AB).	191 Class B shares and 1,902 convertibles in Serneke Group AB).	5,000 Class B shares in Serneke Group AB (publ).	634 convertibles in Serneke Group AB (publ).	6,000 Class B shares and 25,364 convertibles in Serneke Group AB).

Multi-year summary

SEK M	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
Income statement					
Revenue	6,516	5,605	3,978	3,107	1,800
Operating result	595	419	411	128	82
Profit after net financial items	558	401	394	112	70
Profit/loss for the year	604	323	394	137	68
Balance sheet					
Non-current assets	1,094	1,682	1,160	408	204
Current assets	4,461	2,722	2,277	1,244	1,156
Total assets	5,555	4,404	3,437	1,652	1,360
Shareholders' equity	2,272	1,821	1,469	453	280
Non-current liabilities	1,289	980	764	398	196
Current liabilities	1,994	1,603	1,204	801	884
Total equity and liabilities	5,555	4,404	3,437	1,652	1,360
Orders*					
Order bookings	4,692	6,400	5,539	5,094	-
Order backlog	6,382	7,965	7,041	5,125	-
Staff					
Average number of employees	1,070	942	779	618	479
Key indicators					
Growth, %	16.3	40.9	28.0	72.6	57.5
Organic growth, %	16.2	39.1	28.0	51.8	41.3
Operating margin, %	9.1	7.5	10.3	4.1	4.6
Earnings per share, SEK, before dilution	26.37	13.94	22.40	8.49	4.73
Earnings per share, SEK, after dilution	26.16	13.81	21.22	8.11	4.37
Cash flow before financing	-212	-272	-156	32	4
Cash flow from operations per share, SEK before dilution	11.57	2.03	2.56	2.23	3.83
Cash flow from operations per share, SEK after dilution	11.48	2.01	2.42	2.13	3.53
Working capital	2,467	1,119	1,073	443	272
Capital employed	3,264	2,516	1,985	670	695
Return on capital employed, %	21.9	21.6	31.8	19.0	16.2
Return on equity after taxes, %	29.5	19.6	41.0	37.4	29.7
Equity per share, SEK, before dilution	101.28	78.33	64.67	27.35	17.68
Equity per share, SEK after dilution	100.47	77.73	62.83	25.79	17.68
Equity/assets ratio, %	40.9	41.3	42.7	27.4	20.6
Net debt	552	254	-37	223	313
Net debt/equity ratio, %	24.3	13.9	-2.5	49.2	111.8
Average number of shares before dilution	22,905,389	23,169,394	17,590,630	16,141,542	14,375,892
Average number of shares after dilution	23,085,392	23,396,120	18,567,901	16,891,542	15,576,345

*Order backlog and order intake reported accordingly from January 2015

Financial definitions

KEY INDICATORS	DEFINITION	PURPOSE																					
Revenue	Within the construction operations, income is reported in accordance with the percentage-of-completion method. This income is recognized in pace with construction projects within the Company being completed. For project development, revenues and gains on disposals of land and development rights are recognized at the point in time at which the material risks and benefits are transferred to the buyer, which normally coincides with the transfer of ownership, as well as other income, such as rental income. In the Parent Company, income corresponds to invoiced income of Group-wide services and rental income.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's earnings capacity.																					
Growth	Revenues for the period less revenues for the previous period divided by revenues for the previous period.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's capacity to increase its earnings.																					
Organic growth	Revenues for the period, adjusted for acquired growth, less revenues for the previous period, adjusted for acquired growth, divided by revenues for the previous period, adjusted for acquired growth.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's capacity to increase its income without acquiring operating companies.																					
<table> <tr> <th>Calculation of organic growth</th><th>Jan-Dec 2018</th><th>Jan-Dec 2017</th></tr> <tr> <td>Income current period</td><td>6,516</td><td>5,605</td></tr> <tr> <td>Income corresponding period previous period</td><td>5,605</td><td>3,978</td></tr> <tr> <td>Income change</td><td>911</td><td>1,627</td></tr> <tr> <td>Adjustment for structural effect</td><td>-1</td><td>-70</td></tr> <tr> <td>Total organic growth</td><td>910</td><td>1,557</td></tr> <tr> <td>Total organic growth (%)</td><td>16.2</td><td>39.1</td></tr> </table>			Calculation of organic growth	Jan-Dec 2018	Jan-Dec 2017	Income current period	6,516	5,605	Income corresponding period previous period	5,605	3,978	Income change	911	1,627	Adjustment for structural effect	-1	-70	Total organic growth	910	1,557	Total organic growth (%)	16.2	39.1
Calculation of organic growth	Jan-Dec 2018	Jan-Dec 2017																					
Income current period	6,516	5,605																					
Income corresponding period previous period	5,605	3,978																					
Income change	911	1,627																					
Adjustment for structural effect	-1	-70																					
Total organic growth	910	1,557																					
Total organic growth (%)	16.2	39.1																					
Order bookings	The value of new projects and changes in existing projects during the period.	In Serneke's view, the key indicator allows investors, who so wish, to assess the Group's sales by Business Area Construction and Business Area Civil Engineering for the current period.																					
Order backlog	The value of the Company's undelivered orders at the end of the period excluding cooperation agreements.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's income through Business Area Construction and Business Area Civil Engineering in future periods.																					

KEY INDICATORS	DEFINITION	PURPOSE															
Operating margin	Operating profit divided by revenues.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's profitability.															
Working capital	Current assets less current liabilities.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's tied-up capital in relation to its competitors.															
Capital employed	Consolidated total assets less deferred tax assets less non-interest-bearing liabilities including deferred tax liabilities. For the business areas, the net of Group-internal receivables and liabilities is also deducted.	In the Company's view, the key indicator allows investors, who so wish, to assess the total capital placed at the Company's disposal by shareholders and creditors.															
<table> <tr> <th>Calculation of capital employed</th><th>Dec 31, 2018</th><th>Dec 31, 2017</th></tr> <tr> <td>Total assets</td><td>5,555</td><td>4,404</td></tr> <tr> <td>Other deferred tax assets</td><td>-</td><td>-</td></tr> <tr> <td>Less non-interest-bearing liabilities including deferred tax liabilities</td><td>-2,291</td><td>-1,888</td></tr> <tr> <td>Capital employed</td><td>3,264</td><td>2,516</td></tr> </table>			Calculation of capital employed	Dec 31, 2018	Dec 31, 2017	Total assets	5,555	4,404	Other deferred tax assets	-	-	Less non-interest-bearing liabilities including deferred tax liabilities	-2,291	-1,888	Capital employed	3,264	2,516
Calculation of capital employed	Dec 31, 2018	Dec 31, 2017															
Total assets	5,555	4,404															
Other deferred tax assets	-	-															
Less non-interest-bearing liabilities including deferred tax liabilities	-2,291	-1,888															
Capital employed	3,264	2,516															
Return on capital employed	Profit after net financial items plus financial expenses divided by average capital employed for the period. Accumulated interim periods are based on rolling 12-month earnings.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's capacity to generate a return on the total capital placed at the Company's disposal by shareholders and creditors.															
<table> <tr> <th>Calculation of average capital employed</th><th>Dec 31, 2018</th><th>Dec 31, 2017</th></tr> <tr> <td>December 31, 2018 (3,264) + December 31, 2017 (2,516) / 2</td><td>2,890</td><td></td></tr> <tr> <td>December 31, 2017 (2,516) + December 31, 2016 (1,985) / 2</td><td></td><td>2,251</td></tr> </table>			Calculation of average capital employed	Dec 31, 2018	Dec 31, 2017	December 31, 2018 (3,264) + December 31, 2017 (2,516) / 2	2,890		December 31, 2017 (2,516) + December 31, 2016 (1,985) / 2		2,251						
Calculation of average capital employed	Dec 31, 2018	Dec 31, 2017															
December 31, 2018 (3,264) + December 31, 2017 (2,516) / 2	2,890																
December 31, 2017 (2,516) + December 31, 2016 (1,985) / 2		2,251															
<table> <tr> <th>Calculation of return on capital employed</th><th>Dec 31, 2018</th><th>Dec 31, 2017</th></tr> <tr> <td>Profit after net financial items</td><td>558</td><td>401</td></tr> <tr> <td>Plus financial expenses</td><td>75</td><td>85</td></tr> <tr> <td>Average capital employed</td><td>2,890</td><td>2,251</td></tr> <tr> <td>Return on capital employed, %</td><td>21.9%</td><td>21.6%</td></tr> </table>			Calculation of return on capital employed	Dec 31, 2018	Dec 31, 2017	Profit after net financial items	558	401	Plus financial expenses	75	85	Average capital employed	2,890	2,251	Return on capital employed, %	21.9%	21.6%
Calculation of return on capital employed	Dec 31, 2018	Dec 31, 2017															
Profit after net financial items	558	401															
Plus financial expenses	75	85															
Average capital employed	2,890	2,251															
Return on capital employed, %	21.9%	21.6%															

KEY INDICATORS	DEFINITION	PURPOSE												
Return on equity	Profit for the period as a percentage of average shareholders' equity. Accumulated interim periods are based on rolling 12-month earnings.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's capacity to generate a return on the capital shareholders have placed at the Company's disposal.												
	<table> <tr> <th>Calculation of average shareholders' equity</th><th>Dec 31, 2018</th><th>Dec 31, 2017</th></tr> <tr> <td>December 31, 2018 (2,272) + December 31, 2017 (1,821) / 2</td><td>2,047</td><td></td></tr> <tr> <td>December 31, 2017 (1,821) + December 31, 2016 (1,469) / 2</td><td></td><td>1,645</td></tr> </table>	Calculation of average shareholders' equity	Dec 31, 2018	Dec 31, 2017	December 31, 2018 (2,272) + December 31, 2017 (1,821) / 2	2,047		December 31, 2017 (1,821) + December 31, 2016 (1,469) / 2		1,645				
Calculation of average shareholders' equity	Dec 31, 2018	Dec 31, 2017												
December 31, 2018 (2,272) + December 31, 2017 (1,821) / 2	2,047													
December 31, 2017 (1,821) + December 31, 2016 (1,469) / 2		1,645												
	<table> <tr> <th>Calculation of return on shareholders' equity</th><th colspan="2">Dec 31, 2017</th></tr> <tr> <td>Earnings for the period</td><td>604</td><td>323</td></tr> <tr> <td>Average shareholders' equity</td><td>2,047</td><td>1,645</td></tr> <tr> <td>Return on equity%</td><td>29.5%</td><td>19.6%</td></tr> </table>	Calculation of return on shareholders' equity	Dec 31, 2017		Earnings for the period	604	323	Average shareholders' equity	2,047	1,645	Return on equity%	29.5%	19.6%	
Calculation of return on shareholders' equity	Dec 31, 2017													
Earnings for the period	604	323												
Average shareholders' equity	2,047	1,645												
Return on equity%	29.5%	19.6%												
Equity/assets ratio	Shareholders' equity less minority interests as a percentage of total assets.	The equity/assets ratio shows the proportion of total assets represented by shareholders' equity and has been included to allow investors to be able to assess the Company's capital structure.												
Net debt	Interest-bearing liabilities less liquid assets less interest-bearing receivables.	Net debt is a measure deemed relevant for creditors and credit rating agencies.												
Net debt/equity ratio	Interest-bearing net debt divided by shareholders' equity.	Net debt/equity ratio is a measure deemed relevant for creditors and credit rating agencies.												
Equity per share, before/after dilution	Total equity according to the balance sheet divided by the number of shares outstanding on the closing date. The difference between before and after dilution is accounted for by the convertibles issued by the Group.	The Company believes that key indicators give investors a better understanding of historical return per share at the closing date.												
Cash flow from operations per share, before/after dilution	Cash flow from operating activities divided by the average number of shares for the period. The difference between before and after dilution is accounted for by the convertibles issued by the Group.	It is the Company's view that the key indicator gives investors a better understanding of the operations' cash flow in relation to the number of shares, adjusted for changes in the number of shares during the period.												
Earnings per share, before/after dilution	Profit/loss for the period divided by the average number of shares outstanding during the period. The difference between before and after dilution is accounted for by the convertibles issued by the Group.	It is the Company's view that the key indicator gives investors a better understanding of profit per share.												

Consolidated income statement

SEK million	Note	2018	2017
Revenue	5, 6, 7	6,516	5,605
Production and administration expenses		-6,273	-5,299
Gross profit		243	306
Sales and administration expenses		-134	-151
Change in value of investment properties	18	281	238
Revaluation of previous holdings in joint ventures	21	229	-
Share in profit of associates and joint ventures	21	-24	26
Operating result	8, 9, 10, 11	595	419
Financial income	12	38	18
Financial expenses	13	-75	-36
Net financial items		-37	-18
Earnings after financial items		558	401
Taxes	15	46	-78
Profit/loss for the year		604	323
Attributable to:			
Parent Company's shareholders		607	323
Non-controlling interests		-3	0
Earnings per share			
Earnings per share before dilution, SEK		26.37	13.94
Earnings per share after dilution, SEK		26.16	13.81
Weighted average number of ordinary shares before dilution, number of shares		22,905,389	23,169,394
Weighted average number of ordinary shares after dilution, number of shares		23,085,392	23,396,120

Consolidated statement of comprehensive income

SEK million	Note	2018	2017
Profit/loss for the year		604	323
Other comprehensive income			
Items that may be reclassified to profit/loss:			
Translation differences for the year		0	0
Total comprehensive income		604	323
Attributable to:			
Parent Company's shareholders		607	323
Non-controlling interests		-3	0

Consolidated statement of financial position

SEK million	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Non-current assets			
Intangible fixed assets	17	23	23
Managed properties	18	213	895
Other tangible fixed assets	19	122	95
Participations in associated companies and joint ventures	21	122	446
Non-current interest-bearing receivables	22	51	10
Other non-current receivables	22	563	213
Total non-current assets		1,094	1,682
Current assets			
Project and development properties	23	2,507	283
Inventories	24	1	1
Accounts receivable	25	972	845
Accrued but not invoiced income	26	398	319
Prepaid expenses and deferred income	27	36	57
Other current receivables	28	158	786
Cash and bank balances		389	431
Total current assets		4,461	2,722
Total assets		5,555	4,404

SEK million	Note	Dec 31, 2018	Dec 31, 2017
EQUITY AND LIABILITIES			
Shareholders' equity	29		
Share capital		2	2
Other capital contributions		807	806
Translation reserve		-1	-1
Retained earnings including profit/loss for the year		1,463	1,014
Equity attributable to Parent Company shareholders		2,271	1,821
Non-controlling interests		1	0
Total shareholders' equity		2,272	1,821
Non-current liabilities			
Non-current interest-bearing liabilities	30	826	641
Other non-current liabilities	30	83	152
Deferred tax liability	31	157	29
Other provisions	32	223	158
Total long-term liabilities		1,289	980
Current liabilities			
Current interest-bearing liabilities	30	166	54
Accounts payable		991	799
Current tax liabilities		13	8
Other current liabilities		180	185
Invoiced but not accrued income	26	532	297
Accrued expenses and prepaid income	33	112	260
Total current liabilities		1,994	1,603
Total equity and liabilities		5,555	4,404

Consolidated statement of changes in equity

SEK million	Share capital	Other capital contributions	Translation reserve	Retained earnings including profit/loss for the year	Total equity attributable to Parent Company shareholders	Non-controlling interests	Total shareholders' equity
Opening balance as at January 1, 2017	2	777	-1	691	1,469	0	1,469
Total comprehensive income							
Profit/loss for the year				323	323	0	323
Other comprehensive income							
Translation differences	-	-	0	-	-	-	0
Total other comprehensive income, after tax	-	-	0	0	0	0	0
Total comprehensive income	-	-	0	323	323	0	323
Transactions with shareholders:							
New share issue	0	2	-	-	2	-	2
Conversion, convertible debenture loans	0	27	-	-	27	-	27
Total transactions with shareholders	0	29	-	-	29	-	29
Closing balance as at December 31, 2017	2	806	-1	1,014	1,821	0	1,821
Opening balance as at January 1, 2018	2	806	-1	1,014	1,821	0	1,821
Total comprehensive income							
Profit/loss for the year				607	607	-3	604
Other comprehensive income							
Translation differences	-	-	0	-	-	-	0
Total other comprehensive income, after tax	-	-	0	0	0	0	0
Total comprehensive income	-	-	0	607	607	-3	604
Transactions with shareholders:							
Acquisition of non-controlling interests	-	-	-	-	-	4	4
Share-related compensation	0	1	-	-	1	-	1
Dividend	0	0	-	-93	-93	-	-93
Share repurchases	-	-	-	-65	-65	-	-65
Total transactions with shareholders	0	1	-	-158	-158	4	-158
Closing balance as at December 31, 2018	2	807	-1	1,463	2,271	1	2,272

Consolidated statement of cash flow

SEK million	Note	2018	2017
Cash flow from current operations			
Operating result		595	419
Adjustment for non-cash items	35	-570	-195
Interest received		38	3
Interest paid		-75	-33
Income taxes paid		5	-2
		-7	192
Decrease (+)/increase (-) in project and development properties		-62	-41
Decrease (+)/increase (-) in inventories		0	1
Decrease (+)/increase (-) in accounts receivable		-127	-248
Decrease (+)/increase (-) in receivables		488	-139
Decrease (+)/increase (-) in accrued but not invoiced		-136	-67
Decrease (-)/increase (+) in accounts payable		189	258
Decrease (-)/increase (+) in current liabilities		-315	-34
Decrease (+)/increase (-) in invoiced but not accrued income		235	125
Cash flow from current operations		265	47
Investment activities			
Acquisition of fixed assets		-90	-62
Acquisitions of investment properties		-26	-248
Sale of investment properties		222	-
Sale of fixed assets		23	0
Business acquisitions		-592	-8
Investments in associated companies		-23	-
Divestments/decrease of financial assets		9	-1
Cash flow from investment activities		-477	-319
Financing activities			
New share issue	29	-	2
Borrowings	35	691	218
Convertible debenture loans raised	35	-	8
Amortization of loans	35	-338	-79
Share repurchases		-65	-
Dividend paid		-93	-
Changes in financing activities	35	-25	-17
Cash flow from financing activities		170	132
Cash flow for the year		-42	-140
Cash and equivalents at the beginning of the year		431	571
Cash and equivalents at year-end		389	431

Parent Company income statement

SEK million	Note	2018	2017
Revenue	6	143	117
Sales and administration expenses	8	-113	-136
Operating result	9, 10, 11	30	-19
Impairment on participations in Group companies	20	-4	-
Financial income	12	2	1
Financial expenses	13	-48	-24
Net financial items		-50	-23
Year-end appropriations	14	22	33
Profit after financial items and appropriations		2	-9
Tax on profit/loss for the year	15	-19	-24
Profit/loss for the year		-17	-33

Parent Company statement of comprehensive income

SEK million	Note	2018	2017
Profit/loss for the year		-17	-33
Other comprehensive income		-	-
Total comprehensive income		-17	-33

Parent Company balance sheet

SEK million	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Non-current assets			
Tangible fixed assets			
Equipment, tools, fixtures and fittings	19	12	5
Total tangible fixed assets		12	5
Financial assets			
Participations in Group companies	20	162	127
Participations in associated companies and joint ventures	21	10	-
Deferred tax assets	31	10	29
Other long-term receivables	22	2	2
Total financial fixed assets		184	158
Total non-current assets		196	163
Current assets			
Project and development properties	23	3	3
Current receivables			
Receivables from Group companies		1,553	903
Other current receivables	28	1	6
Prepaid expenses and deferred income	27	18	9
Total current receivables		1,572	918
Cash and bank balances		310	392
Total current assets		1,885	1,313
TOTAL ASSETS		2,081	1,476

SEK million	Note	Dec 31, 2018	Dec 31, 2017
EQUITY AND LIABILITIES			
Shareholders' equity	29		
<i>Restricted equity</i>			
Share capital		2	2
Statutory reserve		1	1
		3	3
<i>Non-restricted equity</i>			
Share premium reserve		803	803
Profit/loss brought forward		-284	-94
Profit/loss for the year		-17	-33
		502	676
Total shareholders' equity		505	679
Non-current liabilities			
Convertible debentures	30	8	23
Non-current interest-bearing liabilities	30	694	298
Other provisions	32	-	20
Total long-term liabilities		702	341
Current liabilities			
Current interest-bearing liabilities	30	16	1
Accounts payable		21	14
Liabilities to Group companies		816	430
Current tax liabilities		1	1
Other current liabilities		5	3
Accrued expenses and prepaid income	33	15	7
Total current liabilities		874	456
TOTAL EQUITY AND LIABILITIES		2,081	1,476

Statement of changes in equity, Parent Company

SEK million	Restricted equity		Non-restricted equity		Total shareholders' equity
	Share capital	Statutory reserve	Share premium reserve	Profit or loss brought forward including profit for the year	
Opening balance as at January 1, 2017	2	1	774	-94	683
Profit/loss for the year				-33	-33
Total comprehensive income				-33	-33
Transactions with shareholders					
New share issue	0	-	2	-	2
Conversion, convertible debenture loans	0	-	27	-	27
Total transactions with shareholders	0	-	29	-	29
Closing balance as at December 31, 2017	2	1	803	-127	679
Opening balance as at January 1, 2018	2	1	803	-127	679
Profit/loss for the year				-17	-17
Total comprehensive income				-17	-17
Transactions with shareholders					
Dividend				-93	-93
Share repurchases				-65	-65
Share-related compensation				1	1
Total transactions with shareholders				-157	-157
Closing balance as at December 31, 2018	2	1	803	-301	505

Statement of cash flows, Parent Company

SEK million	Note	2018	2017
Cash flow from current operations			
Operating result		30	-19
Adjustment for non-cash items	35	-18	22
Interest received		2	1
Interest paid		-48	-24
Income taxes paid		0	-
		-34	-20
Decrease (+)/increase (-) in receivables		-670	-196
Decrease (-)/increase (+) in accounts payable		7	-1
Decrease (-)/increase (+) in current liabilities		396	124
		-267	-73
Cash flow from current operations		-301	-93
Investment activities			
Purchases of tangible fixed assets		-7	-1
Disposal of tangible fixed assets		0	0
Investments in associated companies		-10	-
Cash flow from investment activities		-17	-1
Financing activities			
New share issue	29	-	2
Borrowings	35	691	8
Amortization of loans	35	-297	-
Share repurchases		-65	-
Dividend paid	35	-93	-
Cash flow from financing activities		236	10
Cash flow for the year		-82	-84
Cash and equivalents at the beginning of the year		392	476
Cash and equivalents at year-end		310	392

Notes

NOTE 1 General information

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

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

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

NOTE 2 Significant accounting policies

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

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

In the consolidated financial statements, items have been measured at acquisition cost, apart from with regard to certain financial instruments 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 on or after January 1, 2018. 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.

IFRS 15 Revenue from Contracts with Customers

The new IFRS 15 standard was issued on May 28, 2014 and came into effect on January 1, 2018, replacing IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 15 Agreements for the Construction of Real Estate. IFRS 15 provides a model for revenue recognition for all income generated through agreements with customers, with the exception of leases, financial instruments and insurance contracts. The core principle for income recognition in accordance with IFRS 15 is that a company must recognize income 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. Income is then recognized once the customer gains control of the good or service.

Under IFRS 15, income is reported according to a five-stage model: The first stage identifies customer contracts. If two or more agreements have been entered with a customer and the pricing of one agreement is dependent on another agreement, these agreements are combined. An amendment to an agreement entails a change to an agreement approved by the parties to the agreement and exists when the parties to the agreement approve an amendment that either creates new rights and obligations for the parties to the agreement or amends existing ones. An amendment to an agreement shall be recognized as a separate agreement when the extent of the agreement increases due to the addition of distinct promised goods or services, and when the price of the agreement increases by a degree of compensation reflecting the company's stand-alone sales prices for the additional goods or services promised. If the parties have not approved an amendment to the agreement, the company will continue to apply the standard to the existing agreement until the amendment to the agreement has been approved.

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

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

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

Income is recognized in stage five, once the performance undertaking has been completed, either over time or at a specific time, and when the customer gains control of the asset. Income is recognized over time as the customer simultaneously receives and makes use of the benefits provided through the company's performance of its undertaking, when the company's performance creates or improves an asset controlled by the customer, or when the company's performance does not create an asset with an alternative use for the company and the company is also entitled to payment for its performance to date, including expenses incurred and a profit margin. Serneke consistently applies the input method to similar performance undertakings, with this method recognizing income based on the company's efforts or input to fulfill a performance undertaking in relation to the total expected input for the fulfillment of the performance undertaking. Exceptions from this expense-based input method may be expenses attributable to significant inefficiencies in the company's performance or when expenses incurred disproportionate to the process of fulfilling the undertaking. If a performance undertaking is not met over time as described above, the company fulfills the undertaking at a specific time. This occurs at the time when the customer gains control of the promised asset. Indicators of control may be that the company is entitled to payment for the asset, the customer gains legal ownership of the asset, the company has transferred the physical holding of the asset, the customer bears the significant risks and benefits associated with ownership of the asset or the customer has approved asset. Expenses incurred in securing an agreement, that is, expenses that the company would not have had if it had not secured the agreement, are reported as an asset only if the company expects to receive compensation for those expenses. Agreements entered into at a loss for the company are expensed immediately, with provisions being made for anticipated losses on remaining work and reported in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Serneke has chosen to implement the standard with a forward-looking retroactive transition method. An analysis of the effects has been carried out by Serneke, indicating that the new rules give rise to no significant translation effects or reclassifications in income recognition. This means that the application of IFRS 15 does not affect the opening

balance of shareholders' equity for 2018 but is equal to the closing balance of shareholders' equity, which at December 31, 2017 amounted to SEK 1,821 million.

A breakdown of income is provided in Note 6.

IFRS 9 Financial Instruments

The new IFRS 9 standard came into effect on January 1, 2018, replacing IAS 39 Financial Instruments: Recognition and measurement. The standard is more principle-based than rule-based and contains new requirements for the classification and valuation of financial instruments, a forward-looking impairment model and general rules for hedge accounting. The new rules for hedge accounting do not affect Serneke, since hedge accounting is not applied. The new rules for classification and valuation entail financial assets being classified in various categories, some of which are valued at amortized cost and others at fair value.

Serneke has conducted an analysis of the effects of IFRS 9, which shows that the new rules provide such immaterial effects that they have not been booked and the new rules thereby have not led to any material conversion effects. This means that the application of IFRS 9 does not affect the opening balance of shareholders' equity for 2018 but is equal to the closing balance of shareholders' equity for 2017: SEK 1,821 million. Serneke applies IFRS 9 through a prospective retrospective transition method using the practical relief rules specified in the standard, meaning that comparative figures are not recalculated, and that Serneke has chosen to apply the simplified method in calculating anticipated credit losses.

All financial instruments are reported as financial assets or financial liabilities in the statement of financial position when the company becomes party to the contractual terms of the instrument.

Interpretations

IFRS Interpretations Committee (IFRIC) has not published any new interpretations that have come into effect for the financial year 2018.

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

New standards and interpretations will gain legal force for financial years beginning after January 1, 2018 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 16 Leases was published on January 13, 2016, and replaces IAS 17 Leases. IFRS 16 introduces a 'right of use model' and for the lessee it means that essentially all leases are recognized in the balance sheet, eliminating the need to classify them as operating or finance leases. The exception is leases with a term of 12 months or less, and leases that amount to a low value. Amortization of the asset and interest expenses for the liability are recognized in the income statement. The standard includes more extensive disclosure requirements compared with the current standard.

Serneke will begin to apply IFRS 16 Leasing on January 1, 2019 and will accordingly not apply the standard retroactively. The recognized right of use (ROU) assets will be assigned the same value as the recognized leasing liabilities as of January 1, 2019. Serneke's assessment is that the transition to IFRS 16 will not have any material impact on the Group's position and performance or cash flow statement. In its capacity as lessee, Serneke conducted a detailed review and analysis of the Group's leases, whereby rental agreements were identified as the single most significant. In addition to rental agreements, a number of smaller leases were identified, such as vehicles, machinery and construction equipment. The effect on the leasing liability as of January 1, 2019 amounted to SEK 103 million where a corresponding ROU asset is recognized.

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 financial statements

The consolidated financial statements cover the Parent Company Serneke Group AB (publ) and the companies over which the Parent Company has a direct or indirect controlling interest (subsidiaries). The Group has a controlling interest over a company when it has influence over the investment object, exposure to or entitlement to a variable return from its involvement in the investment object, and an opportunity to exert its influence over the investment object to affect its return. Details of the composition of the Group are provided under Note 20.

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

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

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

Transactions with non-controlling interests

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

Loss of controlling interest

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

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

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

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

Segment reporting

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

cont. Note 2

Foreign currency

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

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

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

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

Goodwill

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

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

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

Business combinations

Subsidiaries are reported according to the purchase method.

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

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

All other changes to the fair value of a contingent additional consideration classified as an asset or liability are recognized in accordance with the applicable standard.

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

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

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

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

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

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

Asset acquisitions

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

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

The contingent purchase consideration for acquisition of assets is recognized 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.

Holdings in associated companies and joint ventures

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

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

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

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

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

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

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

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

Revenue

Construction income

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

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

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

If the contract is on open account based on the price per hour and costs of materials, the revenue is recognized insofar as Serneke has the right to invoice the customer. Customers are invoiced after work done and the compensation is to be paid upon invoicing. If the services that Serneke provided exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

On the commencement of construction of tenant-owner housing project, with a tenant-owner association as the client, in those cases where the property is already owned by Serneke, the property is transferred at its book value to the contracting project and is included in the other production costs of the project. The project agreements with the housing association meet the requirements set by IFRS 15 for reporting over time when the project is created by Serneke but is controlled by the tenant-owner housing association. Income is then based on the degree 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 sales revenue from property sales is recognized at occupancy and the revenue is valued at the contractual transaction price. The compensation is normally due for payment when the right of ownership has been transferred. If the terms of payment exceed 12 months, the transaction price may be adjusted for effects of significant financing components. When contracts include property sales, development rights and construction contracting to the buyer of the planned building, an assessment is made regarding whether the property and/or development rights transactions and the construction contract are separate performance undertakings. Depending on the design and terms of the agreement, the sale can be seen as one or several performance undertakings. Sales revenues are recognized at the point in time at which control is transferred to the buyer. Control is transferred over time if the seller has no alternative use for the property sold and the seller is entitled to payment from the customer for the work performed. In such cases, income is reported applying percentage of completion. If any of the above criteria are not met, the revenue is recognized at a time when it is completed and turned over to the customer and that there is no alternative use and Serneke has the right to payment.

Variable compensation in the form of additional purchase prices may occur in the sale of properties and development rights. Sales of properties and development rights can be dependent upon decisions regarding future detailed development plans. An assessment is then made as to the probability of the respective detailed development plan. The sales revenue and earnings are recognized when the probability is deemed to be very high and a receivable for the assessed additional purchase price is booked until payment is received. Property projects are also on occasion sold with guarantees for a certain degree of leasing and, at the time of sale, any lease guarantees are reported as a reserve in the project, which then has a positive effect on the percentage of completion as leases are signed.

cont. Note 2

Rental income

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

Other income

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

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 financial lease is a lease according to which the financial risks and benefits associated with ownership of an object are essentially transferred from the lessor to the lessee. Other leases are classified as operating leases.

Assets held in accordance with financial 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 apportioned between interest and reduction 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 investment of borrowed funds for the asset described above is deducted from the borrowing expenses that may be included in the asset's acquisition cost.

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

Taxes

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

Current tax

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

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the tax value of assets and liabilities used to calculate taxable income. Deferred tax is recognized according to the balance sheet method. Deferred tax liabilities are recognized in 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 assets are not recognized if the temporary difference is attributable to goodwill, or if it arises as a result of a transaction that comprises initial recognition of an asset or liability (that is not a business combination), and that, on the transaction date, affects neither recognized nor taxable income.

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

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

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

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

Current and deferred tax for the period

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

Tangible fixed assets

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

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

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

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

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

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

Managed properties

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 access to the properties occurred.

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

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

Operating properties

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

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

Impairment of tangible fixed assets

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

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

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

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

Financial instruments – IFRS 9

Financial assets

Financial assets are classified within the following valuation categories:

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

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

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

cont. Note 2

Financial liabilities

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

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

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

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

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

Impairment losses

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

Financial instruments – IAS 39

A financial asset or financial liability is posted to the balance sheet when the company becomes a party to the contractual terms 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 profit or loss are recognized on initial recognition at fair value plus/less 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.

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

Financial assets

- Fair value via the income statement
- Loans and receivables at amortized cost
- Other financial receivables measured at amortized cost
- Financial assets available for sale

The classification is based on the nature of the asset's cash flow and the business model the asset is covered by.

Financial liabilities

- Fair value via the income statement
- The valuation category, financial liabilities, is valued at the accrued 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.

Liquid assets

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. Since 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 bond (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.

Project and development properties

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

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

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

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

Inventories

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

Appropriations

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

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

Where part 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.

Shareholders' equity

Repurchased shares

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

Dividends

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

Related-party transactions

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

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

Accounting policies for the Parent Company

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

Classification and presentation

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

Subsidiary

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

cont. Note 2

Group contributions

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

Pensions

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

Changes in accounting policies

The amendments to RFR 2 Accounting for Legal Entities that have entered into force for the financial year 2018 have not affected the Parent Company's financial reports. The new standard IFRS 9 Financial Instruments address classification, measurement and recognition of financial assets and liabilities.

Serneke has conducted an analysis of the effects of IFRS 9, which shows that the new rules provide such immaterial effects that they have not been booked and the new rules thereby have not led to any material conversion effects. This means that the application of IFRS 9 does not affect the opening balance of shareholders' equity for 2018 in the Parent Company, but is equal to the closing balance of shareholders' equity for 2017: SEK 679 million.

Serneke applies IFRS 9 retroactively using the practical relief rules specified in the standard, meaning that comparative figures are not recalculated, and that Serneke has chosen to apply the simplified method in calculating anticipated credit losses.

NOTE 3 Key estimates and assessments

Significant sources of uncertainty in estimates

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

To prepare the financial statements in accordance with IFRS and generally accepted accounting practices, management is required to make various assumptions. Assessments and estimates that affect the assets and liabilities, income and expenses, contingent assets and contingent liabilities recognized in the year-end report, and other information. These assessments and estimates are based on historical experience and expectations regarding future events considered to be reasonable under prevailing circumstances. Naturally the actual outcome may differ considerably from these assessments and estimates if other assumptions are made, or if other conditions exist or arise.

- On the disposal of properties and development rights, different assessments and estimates may be made regarding the likelihood of various factors, such as changes to detailed development plans and outstanding commitments, which could have a highly significant impact on the Group's performance and financial position. Outstanding commitments may also be difficult to identify by their nature and extent. A sale may be conditional on a future detailed development plan being accepted. In the event that the detailed development plan is not accepted, the occurrence of which had been assessed by the Group as highly probable, there could be significant impact on performance and financial position.
- In valuing the managed properties, estimates and assumptions may be made that have a significant impact on the Group's 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. Assessments concerning investment properties owned through associates and joint ventures affect the 'Participations in associates and joint ventures' item in the balance sheet and in the income statement, the effect is recognized in 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.
- An environmental provision has been made for future expenses due to the guarantee commitments being provided in connection with the sale of Söve Airport attributable to environmental damages to the properties. The provision is based on a prepared environmental study where environmentally damaged areas were located and quantified. An assessed price for decontaminating the properties was identified through inquiries and collection of price lists.
- Goodwill is valued to the lowest of acquisition costs and recovery value. Several assumptions on estimates of future conditions are taken into account when calculating the discounted cash flow as the basis for the estimated recoverable amount. Impairment testing of goodwill in accordance with IAS 36 is presented under Note 17.
- IFRS lacks rules for how contingent considerations are to be recognized upon the acquisition of assets. For recognition of contingent considerations, Serneke has used a method that is based on similar rules for contingent considerations in accordance with IFRS 3 Business Combinations. This entails that the contingent considerations are initially measured at fair value and included as part of the acquisition value of the asset. The equivalent amount is reported as a liability. Adjustments in a liability's carrying amount in subsequent accounting instances are recognized as a corresponding adjustment of an asset's acquisition cost. For further information on conditional purchase terms, see Note 4.

NOTE 4 Financial risk management and financial instruments

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

Liquidity and financing risk

Liquidity risk refers to the risk that Serneke experiences difficulty in meeting its payment obligations as a result of inadequate liquidity. The Group's objective is to have a liquidity reserve of 5 percent of sales for the rolling twelve months, which is also a covenant requirement for the bond. The Group works continually to improve its liquidity situation. Work on streamlining collection of accounts receivable is underway and has a high 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 30.

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

The bank overdraft with Nordea of SEK 400 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, 2018, the equity/assets ratio was 40.9 percent (41.3).

GROUP	Available liquidity	
	Dec 31, 2018	Dec 31, 2017
Cash and bank balances	389	431
Unused bank overdraft	400	200
Total	789	631

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

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

GROUP 2017 SEK M	Currency	Average interest rate on the balance sheet date, %	Nominal amount original currency	Amount SEK, including interest	Maturing 2018	Maturing 2019–2020	Maturing 2021 or later
Bank loans	SEK	1.74%	315	331	38	274	19
Liabilities regarding financial leasing	SEK	1.25%	61	64	22	42	-
Convertible debentures	SEK	2.09%	23	24	0	24	-
Debenture	SEK	6.25%	300	356	19	337	-
Total interest-bearing financial liabilities			699	775	79	677	19
Accounts payable	SEK	-	799	799	799	-	-
Other liabilities	SEK	-	162	162	162	-	-
Total non-interest-bearing financial liabilities			961	961	961	-	-
Total financial liabilities			1,660	1,736	1,040	677	19

Further information is provided under Note 30.

Interest rate 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 30.

Currency risk

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

Credit and counterparty risk

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

cont. Note 4

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 6.2 percent

of total accounts receivable. Nor are accounts receivable concentrated to a specific geographical area. The Group therefore deems the concentration risks to be limited. See Note 25 for an aging analysis of outstanding accounts receivable and provisions for anticipated credit losses. The credit standing of receivables not yet due is deemed to be good.

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

Categorization of financial instruments

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

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

Categorization of financial instruments

GROUP 2018	Financial assets and liabilities valued at fair value through profit or loss	Financial assets valued at fair value through profit or loss	Amortized cost	Total carrying amount	Fair value
Financial assets					
Other long-term receivables	-	2	612	614	614
Accounts receivable	-	-	972	972	972
Other current receivables	-	-	556	556	556
Cash and bank balances	-	-	389	389	389
Total financial assets	-	2	2,529	2,531	2,531
Financial liabilities					
Convertible debentures	-	-	22	22	22
Liabilities to credit institutions	-	-	208	208	208
Debenture	-	-	692	692	700
Lease liability	-	-	71	71	71
Other short- and long-term liabilities	-	-	260	260	260
Accounts payable	-	-	991	991	991
Total financial liabilities	-	-	2,244	2,244	2,252

GROUP 2017	Financial assets and liabilities valued at fair value through profit or loss	Financial assets available for sale	Changes in loans and accounts receivable	Other financial liabilities	Total carrying amount	Fair value
Financial assets						
Other long-term receivables	-	2	221	-	223	223
Accounts receivable	-	-	845	-	845	845
Other current receivables	-	-	1,105	-	1,105	1,105
Cash and bank balances	-	-	431	-	431	431
Total financial assets	-	2	2,602	-	2,604	2,604
Financial liabilities						
Convertible debentures	-	-	-	23	23	23
Liabilities to credit institutions	-	-	-	315	315	315
Debenture	-	-	-	296	296	305
Lease liability	-	-	-	61	61	61
Other short- and long-term liabilities	-	-	-	162	162	162
Accounts payable	-	-	-	799	799	799
Total financial liabilities	-	-	-	1,656	1,656	1,665

Calculation of fair value

Financial assets and financial liabilities measured at fair value in the balance sheet are classified according to one of three levels based on the information used to establish the fair value. The tables below give details of the Group and Parent Company's classification of financial assets and liabilities measured at fair value. No significant transfers have been made between the levels during the periods. See Note 18 Investment properties for information about buildings and land valued at fair value that are attributable to Level 3.

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

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

Examples of observable data within Level 2 are:

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

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

GROUP	Level 1		Level 2		Level 3		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Financial assets								
Financial assets available for sale	-	-	-	-	2	2	2	2
Total financial assets	-	-	-	-	2	2	2	2
Financial liabilities								
Other short- and long-term liabilities	-	-	-	-	58	84	58	84
<i>Of which, additional purchase considerations</i>	-	-	-	-	58	84	58	84
Total financial liabilities	-	-	-	-	58	84	58	84

The most important items are described below:

In 2015, an asset acquisition took place that comprises an additional consideration in the event of future detailed development plan changes and contracts. The fair value of the additional purchase consideration amounts to SEK 34 million, which is an increase by SEK 3 million from the previous year.

In May 2016, Söve Airport was acquired from Swedavia. In addition to the purchase consideration, Serneke will 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 settled the additional purchase consideration with Swedavia in 2018.

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

Capital structure

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

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

One of Serneke's financial targets is for the equity/assets ratio (equity divided by total assets) to exceed 25 percent. The Board believes that this level is adapted to Serneke's business and the objective is part of the Group's strategic planning. If the equity/assets ratio permanently exceeds the target, capital will be transferred to the shareholders in an appropriate form. At the end of 2018, the Group's equity/assets ratio amounted to 40.9 percent (41.3). The Group is subject to externally imposed capital requirements, which are detailed under Note 30.

NOTE 5 Segment information**Group**

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

Operating segment

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

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

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

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

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

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

Income and operating profit by operating segment

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

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

Assets and liabilities by operating segment

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

Consolidated income and profit

GROUP 2018 Amounts in SEK million	Construction	Civil Engineering	Project- development	Property Management	Group-wide	Elimination	Group
External sales	5,368	744	291	103	10	-	6,516
Internal sales	162	122	13	4	143	-444	-
Total income	5,530	866	304	107	153	-444	6,516
Operating result	90	10	230	257	8	-	595
Financial income	1	0	37	0	1	-1	38
Financial expenses	-1	0	-14	-6	-55	1	-75
Net financial items	0	0	23	-6	-54	0	-37
Taxes	0	0	4	62	-20	0	46
Profit/loss for the year	90	10	257	313	-66	0	604

Amounts in SEK million	Construction	Civil Engineering	Project- development	Property Management	Group-wide	Elimination	Total segment
ASSETS							
Goodwill	23	-	-	-	-	-	23
Deferred tax assets	0	0	6	7	-13	-	0
Managed properties	-	-	-	213	-	-	213
Participations in associated companies and joint ventures	-	-	9	118	-5	-	122
Other fixed assets	119	16	129	455	16	-	721
Project and development properties	-	-	2,512	-	-5	-	2,507
Accrued but not invoiced	374	99	0	0	-1	-	472
Other current assets	1,463	223	743	253	1,280	-2,479	1,483
Total assets	1,979	338	3,399	1,046	1 272	-2,479	5,555

OTHER SEGMENT INFORMATION Amounts in SEK million	Construction	Civil Engineering	Project- development	Property Man- agement	Group-wide	Elimination	Total segment
Depreciation	-11	-4	-1	-4	-4	-	-24
Impairment losses	-	-	0	0	0	-	0
Share of earnings associates and joint ventures	-	-	214	9	-18	-	205
Change in value of investment properties	-	-	-	281	-	-	281

GROUP 2017 Amounts 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	-
Total income	4,919	623	212	51	127	-327	5,605
Operating result	183	1	65	213	-43	-	419
Financial income	0	0	16	1	1	-	18
Financial expenses	-1	-1	-8	-3	-23	-	-36
Net financial items	-1	-1	8	-2	-22	-	-18
Taxes	0	0	-1	-49	-28	-	-78
Profit/loss for the year	182	0	72	162	-93	-	323

Amounts in SEK million	Construction	Civil Engineering	Project- development	Property Management	Group-wide	Elimination	Total segment
ASSETS							
Goodwill	23	-	-	-	-	-	23
Deferred tax assets	1	0	1	0	25	-27	0
Managed properties	-	-	-	895	-	-	895
Participations in associated companies 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
Total assets	1,141	181	1,629	1,055	444	-46	4,404

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 earnings associates and joint ventures	-	-	38	-7	-4	-	27
Change in value of investment properties	-	-	-	228	10	-	238

Information regarding geographical areas

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

NOTE 6 Breakdown of income

Jan-Dec 2018, SEK million	Group					Total	Parent Company
	Construction	Civil Engineering	Project Development	Property Management	Eliminations and Group-wide		
Construction income	5,519	866	274	-	-291	6,368	-
Sale of properties and development rights	-	-	-	-	-	-	-
Rental income	0	-	-	56	-	56	10
Other income	11	0	30	51	-	92	133
Total income	5,530	866	304	107	-291	6,516	143
Date of income recognition:							
At a specific time	11	0	30	51	-	92	143
Over time	5,519	866	274	56	-291	6,424	-
Total income	5,530	866	304	107	-291	6,516	143

Jan-Dec 2017, SEK million	Group					Total	Parent Company
	Construction	Civil Engineering	Project Development	Property Management	Eliminations and Group-wide		
Construction income	4,914	622	192	-	-180	5,548	-
Sale of properties and development rights	-	-	20	-	-20	-	-
Rental income	0	-	-	38	-	38	6
Other income	5	1	-	13	-	19	111
Total income	4,919	623	212	51	-200	5,605	117
Date of income recognition:							
At a specific time	5	1	20	13	-20	19	117
Over time	4,914	622	192	38	-180	5,586	-
Total income	4,919	623	212	51	-200	5,605	117

NOTE 7 Contract assets and liabilities

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

	Dec 31, 2018	CONTRACT ASSETS	Dec 31, 2018
Contract assets attributable to construction contracts	398	Opening balance	319
Contract assets attributable to property sales	405	Earned income during the year, not yet invoiced	682
Total contract assets	803	Earned income during the year, invoiced during the year	2,204
		Invoicing	-2,401
Contract liabilities – construction contracts	532	Carrying amount at year-end	803
Contract liabilities – property sales	-	Assets that arise from expenses to obtain or fulfill a contract with a customer are included in Contract assets and amount to SEK 0 million. Depreciation amounts to SEK 0 million and impairment losses, which are charged to the project, amount to SEK 0 million	
Total contract liabilities	532		
		CONTRACT LIABILITIES	Dec 31, 2018
		Opening balance	297
		Invoicing	3,671
		Earned income during the year, invoiced during the year	-3,148
		Earned income during the year, invoiced previous years	-288
		Carrying amount at year-end	532

NOTE 8 Operating expenses by type of expense

	Group		Parent Company	
	2018	2017	2018	2017
Material	-832	-804	-	-
Subcontractors	-3,979	-3,281	-	-
Staff	-843	-683	-62	-41
Carrying amount sold property held for resale	-	-	-	-
Other production expenses	-614	-525	-	-
Depreciation	-24	-20	-2	-2
Impairment losses	-	0	-	0
Other	-115	-137	-50	-93
Total	6,407	-5,450	-114	-136

NOTE 9 The auditor's fee and cost compensation

	Group		Parent Company	
	2018	2017	2018	2017
Deloitte				
auditing assignments	2	2	3	2
auditing-related services	1	0	0	0
tax consultancy	0	0	0	0
Consultation	0	0	0	0
Total Deloitte	3	2	3	2

Deloitte was appointed as the primary auditing firm in 2013.

	Group	
	2018	2017
EY		
auditing assignments	0	-
auditing-related services	0	-
tax consultancy	0	-
Consultation	0	-
Total EY	0	-

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

NOTE 10 Leasing**Operating leases – lessee**

Operating lease expense for the year:

	Group		Parent Company	
	2018	2017	2018	2017
Minimum lease payments	135	91	16	14
Variable payments	2	2	2	2
Total	137	93	18	16

On 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, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Within one year	19	19	15	13
1–5 years	58	58	52	49
Later than 5 years	11	25	10	19
Total	88	102	77	81

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 1–6 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 3 and 6 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 11 Number of employees, salaries, other remuneration and social security contributions

AVERAGE NUMBER OF EMPLOYEES	2018		2017	
	Number of employees	Of which number of men	Number of employees	Of which number of men
Parent Company				
Sweden	62	24	48	15
Total in the Parent Company	62	24	48	15
Subsidiary				
Sweden	1,008	887	893	810
Total for subsidiaries	1,008	887	893	810
Total in Group	1,070	911	942	825

TOTAL SALARIES, REMUNERATION ETC.	2018		2017	
	Salaries and other remunerations	Social security contributions (of which pension costs)	Salaries and other remunerations	Social security contributions (of which pension costs)
Parent Company	38	16	26	11
		(4)		(3)
Subsidiary	518	213	411	174
		(51)		(41)
Total group	556	229	437	185
		(55)		(44)

DISTRIBUTION AMONG SENIOR EXECUTIVES AT BALANCE SHEET DATE	Parent		Subsidiary	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Women:				
Board including CEO	2	2	0	0
Other senior executives	0	0	0	0
Men:				
Board including CEO	3	4	9	9
Other senior executives	9	9	0	0
Total	14	15	9	9

cont. Note 11

REMUNERATION TO SENIOR EXECUTIVES

Details in SEK thousand

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

	Basic salary/ Fee	Other benefits	Pension costs	Total
2017				
Chairman of the Board Kent Sander	750	-	-	750
Board Member 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
Total	15,951	895	3,015	19,861
Of which remuneration from Parent Company	7,660	362	1,241	9,263

* 4)'Other senior executives' refers to the individuals in addition to the CEO who are members of Serneke's Group Management. At the end of 2018, Group Management comprised 10 people (10), including the CEO.

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

Variable remuneration

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

Other benefits

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

Pensions

The Group only has defined-contribution pension plans.

Severance pay agreements and termination

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

NOTE 12 Financial income

	Group		Parent Company	
	2018	2017	2018	2017
Interest income	38	18	2	1
Exchange gains	0	0	0	0
Other	0	0	0	0
Total financial income	38	18	2	1

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

NOTE 13 Financial expenses

	Group		PARENT COMPANY	
	2018	2017	2018	2017
Interest expenses	-75	-35	-48	-23
Interest expense attributable to convertible debentures	0	-1	0	-1
Exchange rate losses	0	0	0	0
Total financial expenses	-75	-36	-48	-24

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

NOTE 14 Appropriations

	Parent Company	
	2018	2017
Group contributions received	239	274
Group contributions paid	-217	-241
Total appropriations	22	33

NOTE 15 Tax on profit for the year

	Group		Parent Company	
	2018	2017	2018	2017
CURRENT TAX				
Current tax on profit for the year	0	0	-	-
Adjustments recognized in current year regarding prior years' current tax	0	2	-	-
Total	0	2	-	-

	Group		Parent Company	
	2018	2017	2018	2017
DEFERRED TAX				
Deferred tax on losses	-20	-28	-15	-29
Deferred tax attributable to temporary differences	66	-52	-4	5
Total	46	-80	-19	-24
Total tax	46	-78	-19	-24

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:

	Group		Parent Company	
	2018	2017	2018	2017
RECONCILIATION TAX EXPENSE FOR THE YEAR				
Profit/loss before tax	558	401	2	-9
Recognized tax for the year	46	-78	-19	-24
Theoretical tax expense	-123	-88	0	2
Difference	169	10	-19	-26

The difference is explained by

Non-deductible tax effect of impaired assets	0	0	0	0
Tax effect of non-deductible expenses	-15	-4	-1	-1
Tax effect of non-taxable income	82	6	0	0
Tax effect of non-taxable Group contributions from subsidiaries	-	-	13	12
Tax effect of non-deductible Group contributions to subsid- iaries	-	-	-31	-37
Tax effect of non-taxable income from divested properties	57	-	-	-

RECONCILIATION TAX EXPENSE FOR THE YEAR	Group		Parent Company	
	2018	2017	2018	2017
Tax effect of share in profit of associates	-5	6	-	-
Tax effect of revaluation of associates on acquisition	50	-	-	-
Taxes attributable to previous years	0	2	-	-
Total	169	10	-19	-26

NOTE 16 Business combinations

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

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

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

Purchase consideration	
Liquid assets	600
Total purchase consideration	600

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

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

PURCHASE CONSIDERATION - CASH OUTFLOW	2018	2017
Cash purchase consideration	600	-
Less: Acquired balances		
Liquid assets	13	-
Net outflow of cash and cash equivalents - investing activities	587	-

Acquisition-related costs

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

NOTE 17 Goodwill

	Group	
	Dec 31, 2018	Dec 31, 2017
Acquisition cost, opening balance	23	23
Purchasing	-	-
Impairments for the year	-	-
Closing acc. cost of acquisition	23	23

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

Significant assumptions that have been used when calculating the value in use

Net sales and operating margin

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

Working capital requirements and investment needs

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

Long-term growth rate

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

Discount rate

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

NOTE 18 Investment properties

	Group	
	Dec 31, 2018	Dec 31, 2017
Opening carrying amount	895	329
Acquisitions for the year	36	248
Capital expenditures	76	80
Reclassification	3	-
Unrealized changes in value	-21	238
Sales	-776	-
Closing carrying amount	213	895
	Group	
	Dec 31, 2018	Dec 31, 2017
Rental income from investment properties	47	20
Property expenses from investment properties	-63	-19
Earnings from Property	-16	1

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. The acquisitions for the year were acquired in June 2018.

cont. Note 18

Unrealized value changes on the properties amounted to a negative SEK 21 million (positive: 238), which is based on external valuations of all investment properties. Realized changes in value during the year amounted to SEK 302 million (of which SEK 42 million was recognized as unrealized earlier in the year) and are attributable to the sale of S ve Airport.

Sales for the year are comprised of the divestment of S ve Airport to Castellum in December 2018.

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 associates, where changes in value resulting from fair value estimations are recognized in the associate's share. The Group's share of the investment properties in associated companies amounted to SEK 316 million (320). See Note 21 Participations in associates and joint ventures.

Valuation model

The properties' fair value is based on internal appraisals, which are ensured annually through external appraisals. 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.

At December 31, 2018, Serneke carried out an external appraisal of all properties. This is to ascertain the reliability of the internal valuation.

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

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 used is between 5.75 and 8.0 percent (5.8 to 8.7).

External valuation

To ascertain the Company's assessment of the value, all significant investment properties are also valued by an external, independent appraiser, 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: -139/+197 (-192/+266)

+/-3 percent income: +38/-38 (+53/-53)

+/-3 percent operation and maintenance expenses: -9/+9 (-10/+10)

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

NOTE 19 Other tangible fixed assets

	Group		PARENT COMPANY	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Buildings and land	30	15	-	-
Plant and machinery	6	3	-	-
Equipment, tools, fixtures and fittings	86	77	12	5
Closing carrying amount	122	95	12	5

	Group	
	Dec 31, 2018	Dec 31, 2017
BUILDINGS AND LAND		
Acquisition cost, opening balance	38	35
Purchasing	17	3
Closing accumulated cost	55	38
Opening depreciation	-23	-22
Depreciation for the year	-2	-1
Closing accumulated depreciation	-25	-23
Closing carrying amount	30	15

	Group	
	Dec 31, 2018	Dec 31, 2017
PLANT AND MACHINERY		
Acquisition cost, opening balance	11	16
Purchasing	12	2
Sales/scrapping	-2	-7
Reclassification	3	-
Closing acc. cost of acquisition	24	11
Opening depreciation	-8	-15
Sales/scrapping	0	7
Depreciation for the year	-1	0
Reclassification	-3	-
Closing acc. depreciation/amortization	-12	-8
Impairment for the year	-6	-
Closing acc. impairment	-6	-
Closing carrying amount	6	3

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
EQUIPMENT, TOOLS, FIXTURES AND FITTINGS				
Acquisition cost, opening balance	118	101	8	8
Purchasing	50	42	8	2
Reclassification	-3	-	-	-
Disposal/retirement	-39	-25	0	-2
Closing accumulated cost	126	118	16	8
Opening depreciation	-41	-40	-3	-2
Reclassification	3	-	-	-
Disposal/retirement	19	18	0	1
Depreciation for the year	-21	-19	-1	-2
Closing accumulated depreciation	-40	-41	-4	-3
Closing carrying amount	86	77	12	5
Of which financially leased assets	70	60	4	3

NOTE 20 Participations in Group companies

		PARENT COMPANY	
		Dec 31, 2018	Dec 31, 2017
Acquisition cost, opening balance		127	75
Acquisition of participations in Group companies		0	-
Shareholder contributions paid		39	52
Impairment on participations in Group companies		-4	-
Closing cost of acquisition		162	127

COMPANY, CORPORATE IDENTITY NUMBER	Domicile	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
		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%	108	74
Serneke International AB, 559161-0273	Gothenburg	100%	-	0	-
IFK GBG Transferintressenter AB, 559149-1625	Gothenburg	54%	-	1	-
				162	127

*Also the share of votes

The Parent Company Serneke Group AB owns 100 percent of the shares in six of its subsidiaries and 54 percent of the shares in one of the subsidiaries. The subsidiaries are engaged in the core business, while the Parent Company provides Group-wide services. No operations are con-

ducted in Serneke Industri AB. Directly-owned subsidiaries are reported in the table above. Other companies in the Group specified in the respective subsidiary's annual report.

NOTE 21 Participations in associates and joint ventures

	Group	
	Dec 31, 2018	Dec 31, 2017
Opening amount	446	424
Acquisition of participations in associates	21	0
Shareholder contributions	49	34
Dividend	0	0
Joint venture converted to Group company during the year	-400	-38
Share in profit, after tax	6	26
Closing value	122	446

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

On December 28, the remaining 50 percent of the participations in Karlastaden Holding AB was acquired, and Serneke thereby has the controlling influence. The purchase consideration amounted to SEK 600 million and was paid in connection with possession. The acquisition constitutes a so-called business combination according to IFRS 3 as

acquired assets and assumed liabilities constitute a business, which means that Serneke has valued its participations at fair value. This entailed a revaluation effect of SEK 229 million, including realization of historical internal profit eliminations that positively impacts profit to a corresponding amount.

COMPANY, ORGANIZATION	Domicile	Dec 31, 2018 Ownership share *	Dec 31, 2017 Ownership share *	Associated companies/ Joint ventures	Valuation method
Karlastaden Holding AB, 559057-5816	Gothenburg	-	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%	20.0%	Associated companies	The equity method
Esstate Serneke Älvsjö Holding AB, 559157-0519	Gothenburg	50.0%	-	Joint venture	The equity method
Serneke Midroc Holding AB, 559157-8876	Gothenburg	50.0%	-	Joint venture	The equity method
Fastighets AB Oceanateljén, 559034-3769	Malmö	50.0%	-	Joint venture	The equity method
Fastighets AB Österskans, 559165-6953	Gothenburg	50.0%	-	Joint venture	The equity method
SerSund AB, 559117-6754	Gothenburg	50.0%	-	Joint venture	The equity method
Fjätersvålen AB, 556223-3527	Gothenburg	40.0%	-	Associated companies	The equity method
Consortium Builders Pty Ltd	Perth	33.0%	-	Associated companies	The equity method

*Also the share of votes

cont. Note 21

Description of operations

- Änglagården Holding AB – The company will own, manage and develop Prioritet Serneke Arena.
- 7H Bil AB – The company's operations are sales of cars etc.
- Fastighetskompaniet i Väst AB – The company will own, manage and develop properties.
- Herrestads Etablering AB – The company conducts property development.
- Esstate Serneke Älvsjö Holding AB – The company will own and manage shares in companies that conduct project development.

- Serneke Midroc Holding AB – The company will own and manage shares in companies that conduct project development.
- Fastighets AB Oceanateljén – The company will own and manage shares in companies that conduct project development.
- Fastighets AB Österskans – The company will own and manage shares in companies that conduct project development.
- SerSund AB – The company conducts project development.
- Fjärtvålen AB – The company conducts ski facility operations.
- Consortium Builders Pty Ltd – The company conducts construction operations in Australia.

SUMMARY OF FINANCIAL INFORMATION

SUMMARY BALANCE SHEET	Karlstaden Holding AB		Änglagården Holding AB		Other	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Total assets	-	783	954	1,006	316	89
Total liabilities and provisions	-	677	645	696	270	64
Total net assets	-	106	309	310	46	25
Preferential dividend right to other co-owners *	-	-	-32	-55	-	-
The Group's share of net assets	-	356	92	83	30	7

SUMMARY PROFIT/LOSS STATEMENT	Karlstaden Holding AB		Änglagården Holding AB		Other	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Revenue	-	2	64	81	31	13
Profit/loss for the year	-	-2	23	-20	-4	4
The Group's share of profit **	-	-1	9	-8	-3	1

*An agreement between the co-owners of Änglagården Holding AB: Lommen Holding, Prioritet Finans and Serneke have signed in 2015, which means a preferential dividend of SEK 90 million for the benefit of the other co-owners before Serneke can partake of free distributable funds. In 2016 (SEK 13 million), 2017 (SEK 22 million) and 2018 (SEK 23 million), a dividend was made to the other shareholders whereby preferential rights amounted to SEK 32 million at year-end 2018. Serneke also has a commitment in the form of an operation warranty in relation to the other co-owners in Änglagården Holding AB. The operation guarantee entails that Serneke must compensate the other co-owners for all operating earnings that fall short of SEK 51.6 million on an annual basis up until December 31, 2020. The operation guarantee has negatively affected profit for the year by SEK 5 million (11) and the closing provision for continuing commitment amounts to SEK 12 million.

** Unrealized changes in value of the associated company's investment property were negative in an amount of SEK 10 million (89), of which the Group's share after tax amounted to SEK 3 million (28). 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, 2018, the associate's liability to credit institutions amounted to SEK 442 million (460).

NOTE 22 Other non-current receivables

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Opening amount	223	261	2	1
Incoming from property sales	406	-	-	-
Incoming other	122	27	-	-
Reclassification	-	-65	-	1
Settlement	-137	-	-	-
Closing value*	614	223	2	2
<i>* of which interest-bearing</i>	51	10	-	-
<i>* including receivables from associated companies and joint ventures</i>	80	62	-	-

NOTE 23 Project and development properties

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Opening cost*	283	242	3	3
Purchasing	38	74	-	-
Reclassification	-3	-10	-	-
Incoming via business combinations	2,162	-	-	-
Capital expenditures	50	34	-	-
Impairment losses	-	-	-	-
Sales	-23	-6	-	-
Other	-	-51	-	-
Closing accumulated cost*	2507	283	3	3

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

Capitalized interest

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

NOTE 24 Inventories

	Group	
	Dec 31, 2018	Dec 31, 2017
Materials and supplies, advances paid	1	1
Total	1	1

NOTE 25 Accounts receivable

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Gross trade receivables	973	850	0	0
Credit loss provision	-1	-5	-	-
Total accounts receivable, net of provision for anticipated credit losses	972	845	0	0

The credit loss provision recognized in the projects amounts to SEK 29 million as of December 31, 2018.

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Credit loss provision at beginning of year	-5	-6	-	-
Reservation for the year for anticipated credit losses	-2	-1	-	-
Settled anticipated credit losses	6	2	-	-
Total credit loss provision	-1	-5	-	-

GROUP	2018			2017		
	Gross	Credit loss provision	Customer Receivables	Gross	Reserve, doubtful accounts receivable	Customer Receivables
AGE ANALYSIS, ACCOUNTS RECEIVABLE						
Not yet due	797	0	797	644	0	644
Due within 30 days	73	0	73	95	0	95
Due 31-60 days	6	0	6	11	0	11
Due 61-90 days	0	0	0	3	0	3
Due > 90 days	97	-1	96	97	-5	92
Total	973	-1	972	850	-5	845

NOTE 26 Construction contracts

	Group	
	Dec 31, 2018	Dec 31, 2017
Contract expenses and recognized profit	6,532	4,662
Less invoiced amounts	-6,134	-4,343
Accrued but not invoiced income	398	319
Invoiced amounts	8,396	5,462
Less contract expenses and recognized profit	-7,864	-5,165
Invoiced but not accrued income	532	297

NOTE 27 Prepaid expenses and accrued income

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Pre-paid rent	10	8	4	3
Prepaid leasing	2	2	0	0
Prepaid insurance	4	1	0	0
Accrued income	2	16	-	0
Other prepaid expenses	18	30	12	6
Total	36	57	16	9

NOTE 28 Other current debt

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Receivables from sales of project properties	78	516	-	-
Receivable from joint ventures	12	192	-	-
Other current receivables	68	78	1	6
Total	158	786	1	6

NOTE 29 Shareholders' equity**Share capital**

At the beginning of 2017, share capital amounted to SEK 2,271,486 and the number of shares was 22,714,852 at a quotient value of SEK 0.10, comprising 5,360,000 Class A shares and 17,354,852 Class B shares.

The Annual General Meeting of June 29, 2016, resolved to issue convertibles with a nominal value of approximately SEK 15.9 million. The convertible debentures 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 Class B shares may be added and share capital may increase by a maximum of SEK 13,235. The holders have the right at certain times during the term to request conversion into new Class B shares. At December 31, 2018, a total of 850 convertibles had been converted to Class 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 2.60 percent. As of December 31, 2018, no convertibles were converted to B shares and 48,503 convertibles remained.

In 2017, convertibles were converted to a nominal amount of around SEK 27 million and the issue costs were SEK 2 million lower than expected, which was recognized against shareholders' equity. In 2018, no convertibles were converted.

At the beginning of 2018, share capital amounted to SEK 2,324,846 and the number of shares was 23,248,452, comprising 5,360,000 Class A shares and 17,888,452 Class B shares. At the end of 2018, the share capital totaled SEK 2,324,846. Total number of shares as of December 31, 2018 amounted to 23,248,452, of which 5,210,000 were Class A shares and 18,038,452 Class B shares.

Other capital contributions – Group

Other capital contributions comprise the share premium reserve.

NOTE 30 Borrowing

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
LONG-TERM				
Bank loans	81	282	-	-
Convertible debentures	7	23	7	23
Liabilities regarding financial leasing	47	40	4	2
Bond loan	691	296	691	296
Other	83	152	-	-
Total	909	793	702	321
	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
SHORT-TERM				
Bank loans	127	33	-	-
Liabilities regarding financial leasing	24	21	1	1
Convertible debentures	15	-	15	-
Total	166	54	16	1
Total borrowing*	1,075	847	718	322

* All borrowings in the Group are in SEK.

Collateral for borrowings

Total borrowing includes bank loans and other borrowings collateralized with SEK 226 million (186). Collateral for borrowings comprises the Group's properties, floating charges and pledged shares in subsidiaries. For further information regarding collateral, see Note 34.

Sensitivity analysis interest risk

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

	Group	
	Dec 31, 2018	Dec 31, 2017
Effect on future financial expenses +/-1%	-10/+10	-7/+7
Effect on future financial expenses +/-3%	-30/+30	-21/+21

Available credit

	Group	
	Dec 31, 2018	Dec 31, 2017
Bank overdraft facility	200	200
Utilized amount	-	-
Available credit	200	200

As of December 31, 2018, 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. At December 31, 2018, Serneke presented an equity/assets ratio of 40.9 percent (41.3).

Serneke Group AB (publ) has a credit facility of another SEK 300 million from the bank in addition to the above bank overdraft facilities of SEK 200 million that are not utilized as of December 31, 2018. The credit facility can be used to increase the bank overdraft facilities, guarantees or bank loans.

Bank loans

The bank loans mature until 2025 and, as of December 31, 2018 have an average interest rate of 1.70 percent (1.70).

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

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
< 12 months	138	32	-	-
12–36 months	74	264	-	-
> 36 months	10	19	-	-
Total	222	315	-	-

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 4 percent. Interest payments occur annually in August. The loan matures on 26 August 2019. Conversion may take place at fixed times over a period of 10 business days after the Interim Report is published in 2017, 2018 and 2019 as well as 1–12 August 2019. The conversion rate is SEK 120. Market rate of interest for similar loans without collateral is deemed to have an interest rate of 4 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 into equity.

In August 2017, a convertible debenture loan was issued aimed at employees. The amount issued totals SEK 7,648,923 and the loan carries an interest rate of 2.6 percent. Interest payments are made on December 31 every year and on the loan's due date. The loan runs until September 8, 2020 insofar as conversion has not occurred beforehand. The conversion rate is SEK 157.70. The market interest rate for an equivalent bond without right of conversion has a rate in line with the rate on the convertible loan, which is why no portion of the issued convertible is recognized in equity. In April 2017, convertible loans of SEK 26,473,125 were converted.

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

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

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

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Nominal amount	22	23	22	23
Liability component at issue date	-22	-23	-22	-23
Equity component	0	0	0	0
Liability component at issue date	-22	-23	-22	-23
Effective rate	0	0	0	0
Discount rate as of December 31	-22	-23	-22	-23

Liabilities regarding financial leasing

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

The lease payments are variable and reflect interest rate plus surcharge. The payment frequency is monthly in advance. The leasing fee is based on the reference rate (STIBOR 90 days with 90 days of interest period) and the margin on the straight line depreciation method. The lease period is normally 36 months. Serneke has the right to redeem the leasing contract after 12 months. In the event of advance redemption, Serneke shall pay on the settlement date the recorded residual value as well as the overdue lease payments and accrued interest. The carrying amounts of the leased assets are detailed under Note 19.

Liabilities finance leases:

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Maturity date:				
Within one year	24	21	1	1
1–5 years	47	40	4	2
Total	71	61	5	3

Bond loan

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

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

NOTE 31 Deferred tax

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

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Deferred tax assets				
Buildings and land	4	1	-	-
Managed properties	-	10	-	-
Loss carryforwards	13	26	10	25
Other deferred tax assets	9	10	-	4
Total deferred tax assets	26	47	10	29
Deferred tax liabilities				
Buildings and land		-3	-	-
Managed properties	-8	-72	-	-
Project and development properties	-175	-	-	-
Other deferred tax liabilities	0	-1	-	-
Total deferred tax liabilities	-183	-76	-	-
Total deferred tax assets and liabilities, net	-157	-29	10	29

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

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

The increase for the year in the deferred tax liability is primarily attributable to the business acquisition of Karlstad Holding AB, which entailed a deferred tax liability of SEK 175 million at December 31, 2018.

NOTE 32 Other provisions

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Additional consideration	53	84	-	-
Provisions relating to access to property	5	5	-	-
Provision for commitments attributable to property sales	58	6	-	-
Provision for guarantee undertakings	47	63	0	20
Provision for other undertakings	60	-	-	-
Total	223	158	0	20

	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Provisions consist of;				
Long-term portion	223	158	0	20
Short-term portion	-	-	-	-
Total	223	158	0	20

	Additional purchase consideration	Provisions relating to property	Provision for commitments attributable to property sales	Provision for guarantee undertakings	Provision for other undertakings	Total
At January 1, 2018	84	5	6	63	-	158
Additional provisions	4	-	52	9	60	125
Provisions for acquisitions	10	-	-	-	-	10
Reversed unused amounts	-	-	-	-	-	0
Utilized during the year	-45	-	-	-25	-	-70
As of December 31, 2018	53	5	58	47	60	223

Additional consideration

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

Provisions relating to access to property

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

Sales commitment

Concerns commitments conditional upon sales of properties or development rights.

Guarantee undertakings

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

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

Other commitments

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

NOTE 33 Accrued expenses and prepaid income

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Accrued interest expenses	3	0	3	0
Accrued personnel expenses	86	70	6	3
Prepaid rental income	2	8	0	0
Deferred income	0	157	2	-
Other accrued expenses	21	25	4	4
Total	112	260	15	7

NOTE 34 Pledged assets and contingent liabilities**Pledged assets**

CONCERNING LONG-TERM BORROWINGS	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Property mortgages	85	305	-	-
Frozen funds	30	-	-	-
Liens on assets	500	48	500	-
Total	615	353	500	-

CONCERNING SHORT-TERM BORROWINGS	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Property mortgages	124	32	-	-
Pledged shares in subsidiaries	1,202	-	-	-
Frozen funds	0	120	-	120
Liens on assets	-	200	-	200
Total	1,326	352	-	320

CONCERNING PROPERTY SALES	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Property mortgages	-	19	-	-
Total	-	19	-	-

Contingent liabilities

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Guarantee obligations of benefit for Group companies	-	-	572	541
Guarantees and contracting guarantees for Group companies	-	-	184	106
Guarantees in connection with property sales	226	186	225	184
Guarantee obligations for credit in tenant-owner's association	61	91	61	91
Guarantee obligations for advance payment and contribution guarantees in tenant-owner's association	143	125	143	125
Guarantee obligations for the benefit of associated companies *	20	145	20	145
Total	450	547	1,205	1,192

* Serneke Group AB (publ) has, in addition to the amount given above, entered into a guarantee undertaking, which entails that the co-owners in Änglagården Holding AB are jointly responsible for the correct fulfillment of interest and repayment of the associate's liabilities to credit institutions in the event that the associate is unable to pay. At December 31, 2018, the associate's liability to credit institutions amounts to SEK 460 million (460).

NOTE 35 Cash flow statement

ADJUSTMENTS ITEMS NOT AFFECTING CASH FLOW	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Share in profit of associates and joint ventures	24	-26	-	-
Revaluation on acquisition of controlling interest	-229	-	-	-
Unrealized changes in value	21	-238	-	-
Capital gains, properties	-302	-	-	-
Capital gains	-1	-	-	-
Appropriations	27	37	-	-
Amortization and depreciation	24	20	2	2
Other non-cash items	-134	12	-20	20
Total	-570	-195	-18	22

Reconciliation of net debt

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Net debt				
Liquid assets	389	431	310	392
Non-current interest-bearing receivables	51	10	0	0
Loan liabilities – fall due within one year	-166	-54	-16	-1
Loan liabilities – fall due after one year	-826	-641	-702	-321
Net debt	-552	-254	-408	70
Liquid assets	389	431	310	392
Non-current interest-bearing receivables	51	10	0	0
Gross debt – fixed interest	-22	-23	-22	-23
Gross debt – variable interest	-970	-672	-696	-299
Net debt	-552	-254	-408	70

GROUP	Other assets		Liabilities attributable to financing activities				Total
	Liquid assets	Non-current interest-bearing receivables	Finance leases maturing within one year	Finance leases maturing after one year	Loan liabilities maturing within one year	Loan liabilities maturing after one year	
Net debt at January 1, 2018	431	10	-24	-40	-30	-601	-254
Cash flow	-42	-	-	-	-26	-353	-421
Exchange-rate differences	0	-	-	-	-	-	0
Other non-cash items	-	41	0	-7	-86	175	123
Net debt at December 31, 2018	389	51	-24	-47	-142	-779	-552

PARENT COMPANY	Other assets		Liabilities attributable to financing activities				Total
	Liquid assets	Non-current interest-bearing receivables	Finance leases maturing within one year	Finance leases maturing after one year	Loan liabilities maturing within one year	Loan liabilities maturing after one year	
Net debt at January 1, 2018	392	-	-1	-2	0	-319	70
Cash flow	-82	-	-	-	0	-391	-473
Exchange-rate differences	0	-	-	-	-	-	0
Other non-cash items	-	-	0	-1	-15	11	-5
Net debt at December 31, 2018	310	-	-1	-3	-15	-699	-408

NOTE 36 Related parties**Close associations**

The Group is under significant influence from Ola Serneke whom, via the company holds 57 percent (55) of the voting rights of the Parent Company Serneke Group AB (publ). The Parent Company of the largest Group in which Serneke Group AB (publ) is included is Ola Serneke Invest AB.

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

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

Ola Serneke Invest

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

Lommen Holding

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

Adapta

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

Michael Berglin

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

Associated companies

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

Subsidiary

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

Summary, related party transactions

GROUP	2018	2017
Transactions with Ola Serneke Invest		
Sales to Ola Serneke Invest	1	2
Purchases from Ola Serneke Invest	44	0
Receivable Serneke Invest	-	-
Liability to Ola Serneke Invest	10	-
Transactions with Lommen Holding		
Sales to Lommen Holding	-	-
Purchases from Lommen Holding	-	-
Receivable Lommen Holding	-	-
Debt to Lommen Holding	-	-
Transactions with Adapta		
Sales to Adapta	540	372
Purchases from Adapta	12	12
Receivable Adapta	57	50
Debt to Adapta	4	4
Transactions with Michael Berglin		
Sales to Michael Berglin	3	-
Purchases from Michael Berglin	-	-
Receivable from Michael Berglin	4	-
Liability to Michael Berglin	-	-

GROUP	2018	2017
Transactions with associates and joint ventures		
Sales*	356	198
Purchasing	16	3
Receivable	92	262
Liability	6	29

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

Remuneration to senior executives

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

NOTE 37 Events after balance sheet date

There are no material events to note after the balance sheet date.

NOTE 38 Appropriation of the Parent Company's profit

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

Profit/loss brought forward	-283,591,759
Share premium reserve	802,570,581
Profit/loss for the year	-17,475,067
Total	501,503,755

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

Dividend	0
Carried forward:	501,503,755

Approval of the financial statements

The Annual Report was approved by the Board and approved for publication April 4, 2019.

The Board of Directors and the CEO certify that the financial statements have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities and give a true and fair view of the Company's financial position and performance and that the Board of Directors' Report gives a true and fair view of the Company's operations, financial position and performance and describes significant risks and uncertainties facing the Company.

The Board of Directors and the CEO certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and give a true and fair view of the Group's financial position and performance and the Board of Directors' Report gives a true and fair view of the Group's operations, financial position and performance and describes significant risks and uncertainties facing the Companies included in the Group.

Gothenburg, April 4, 2019

Kent Sander
Chairman

Mari Broman
Board Member

Ludwig Mattsson
Board Member

Ola Serneke
Board Member
CEO

Anna-Karin Celsing
Board Member

Our auditor's report regarding this annual report and consolidated financial statements was issued 4 April 2019.

Deloitte AB

Harald Jagner
Authorized Public Accountant

Auditor's report

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

To the general meeting of the shareholders of SERENEKE 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 SERENEKE Group AB (publ) for the fiscal year 2018-01-01–2018-12-31, except for the corporate governance statement on pages 56–67. The annual accounts and consolidated accounts of the company are included on pages 50–110 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 parent company as of 31 December 2018 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 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 56–67. The Board of Director's Report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the 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 from construction contracts

Description of risk

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

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

The Group discloses information about risks and risk management regarding construction contracts in the Board of Directors' Report on page 55. 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 26 – Construction contracts in the annual report.

Our audit procedures

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

- Evaluation of the Group's principles for revenue recognition and compliance with IFRS,
- review and evaluation of internal controls regarding the appliance of revenue recognition over time, 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.

Acquisition of participations in Karlastaden Holding AB

Description of risk

In 2018, Serneke acquired the remaining 50 percent of the participations in Karlastaden Holding AB ("Karlastaden"). In connection with the transaction, Serneke obtained control over Karlastaden, which was previously reported as a joint venture.

The acquisition shall be classified as either an asset acquisition or business combination. How the acquisition is classified affects, among other things, the formulation of the purchase price allocation and recognition of deferred taxes. In light of the fact that Serneke has deemed that the acquisition constitutes a business combination according to IFRS 3, acquired assets and liabilities shall

be valued at fair value at the acquisition date. This requires management to make a number of assessments regarding e.g. future cash flows and determination of yield requirements for example the properties included in the acquisition. 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 the business combination in note 2 – Significant accounting principles, in note 3 – Significant judgments and estimates and in note 16 – business combinations in the annual report.

Our audit procedures

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

- review of the underlying agreement, time of reporting,
- deferred consideration and potential special conditions,
- review of the Group's assumptions regarding the classification of the acquisition as business combinations,
- review of the Group's calculations and assessments regarding revaluation of earlier participations in Karlstad, Sweden,
- review of the purchase price allocation through acquisition analysis through interviews with management, collection of documentation such as implemented external valuations to assess the Group's assumptions made in the purchase price allocation,
- review of that relevant notes in compliance with IFRS have been disclosed in the financial reports.

Accounting and tax specialists participated in the implementation of audit procedures.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–49 and 115. The Board of Directors and the CEO 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 CEO

The Board of Directors and the CEO 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 CEO are also responsible for such internal control as they deter-

mine 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 CEO 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 CEO 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 skepticism 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 CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO'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 CEO of SERNEKE Group AB (publ) for the fiscal year 2018-01-01-2018-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the Board of Director's Report and that the members of the Board of Directors and the CEO 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 CEO

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

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 56–57 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 Annual Accounts Act/ the Annual Accounts Act for Credit Institutions and Securities Companies/ the Annual Accounts Act for Insurance Companies.

Deloitte AB was appointed auditor of SERNEKE Group AB by the general meeting of the shareholders on May 3, 2018 and has been the company's auditor since May 14 2013.

Gothenburg, 4 April 2019

Deloitte AB

Signature on the original document

Harald Jagner
Authorized Public Accountant

Annual General Meeting 2019

The Annual General Meeting of Serneke Group AB (publ) will be held on May 8, 2019 at 4:00 p.m. Location: Kvarnbergsgatan 2, Gothenburg.

Shareholders wishing to take part in annual general meeting must be registered in the shareholders' register maintained by Euroclear Sweden AB as of Tuesday, April 30, 2019, and have notified the Company of their attendance, no later than Thursday, May 2, 2019, 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. 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 30, 2019.

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 May 2, 2019. 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.

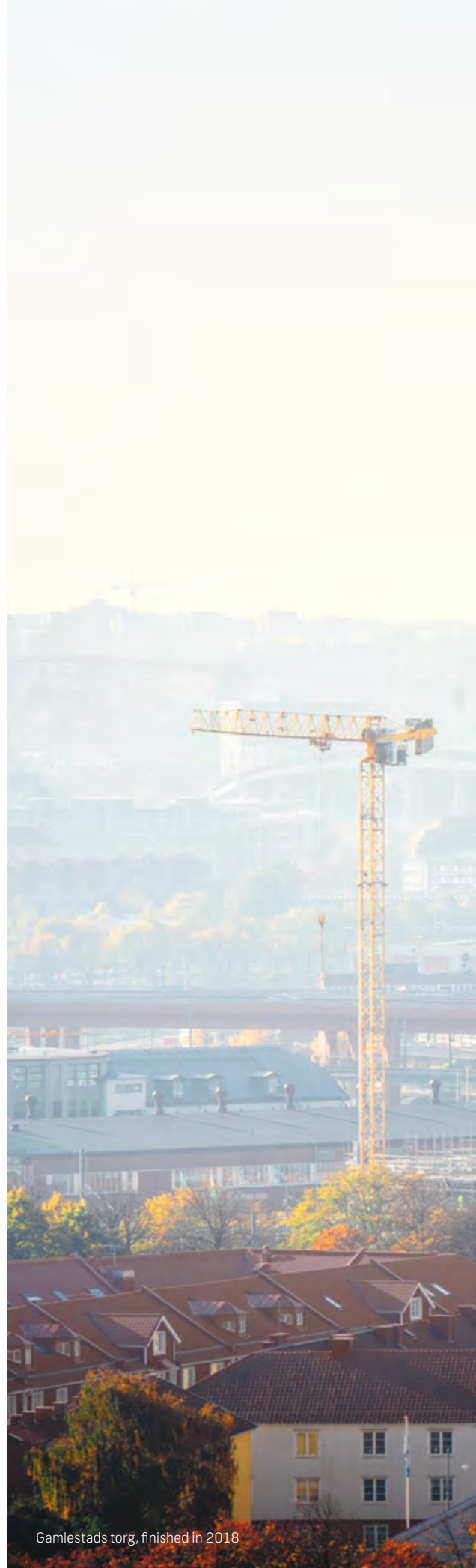
The complete convening notice will be made available on www.serneke.group.



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

Serneke
Kvarnbergsgatan 2
411 05 Gothenburg
+46 (0)31-712 97 00
www.serneke.group info@serneke.se

SERNEKE®



Gamlestads torg, finished in 2018