



Gothenburg, 1 Oct 2021

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,

Michael Berglin
CEO, Serneke Group AB



CONTENTS

Overview

About Serneke	1
The year in brief	2
Next phase for Karlatornet	4
Chairman statement	6
CEO statement	7
A stronger Serneke	9
Strategy for increased profitability	10
Financial objectives	10
Surroundings	11
Three business areas	13
Serneke Sweden	15
Serneke Invest	19
Serneke International	23

Sustainability

Our view of sustainability	24
Our focus areas	25
Governance and Framework	26
A safe and secure work environment	27
A stimulating workplace	29
Environmentally aware choices	32
Ethical approach and considerate business	34

The share	35
Board of Director's Report	37
Risks and risk management	41
Corporate Governance Report	44
Multi-year summary	54
Financial definitions	56
Financial reports	59
Notes	73
Audit Report	103
Annual General Meeting	106



The audited Annual Report of Serneke Group AB (publ), 556669-4153, consists of pages 37–102. The Annual Report is published in Swedish and English, and the Swedish is the original version. Sustainability priorities are integrated into the complete report.

NEXT GENERATION SOCIETY BUILDER

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

Innovative thinking and comprehensive

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

Three business areas in collaboration

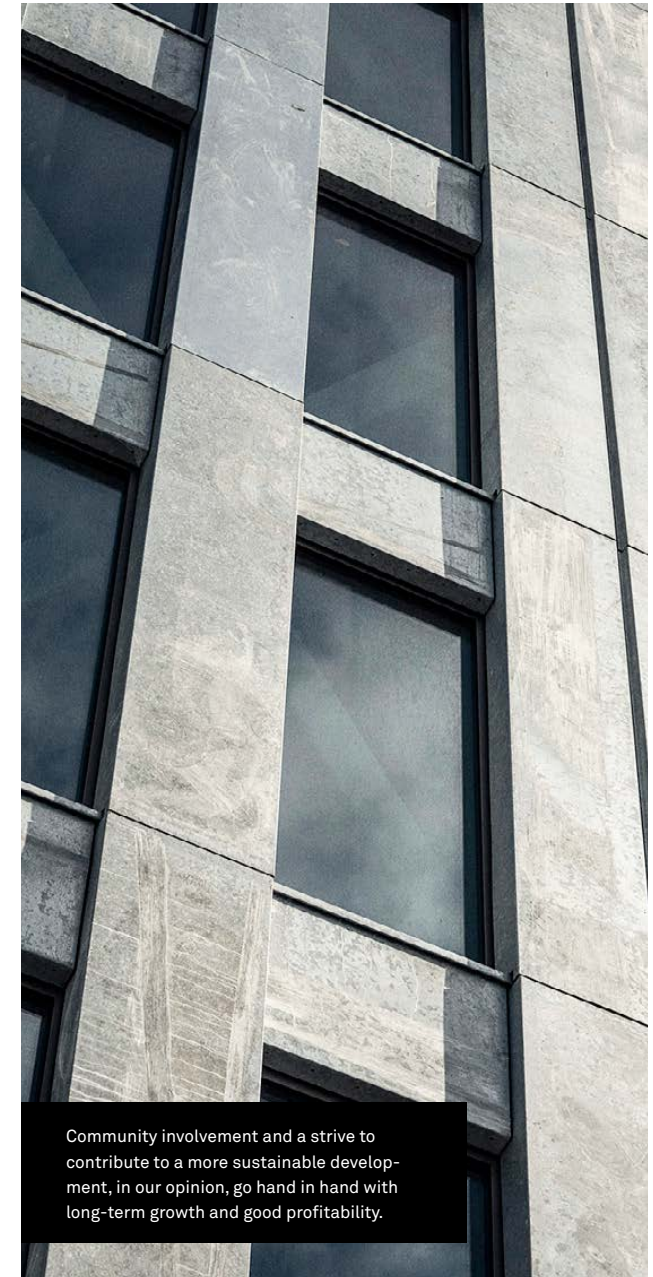
Collaboration characterizes the operations in Serneke's three business areas: Sweden, Invest and International. All work is also conducted in close cooperation with customers and partners. Good conditions are thereby created for high efficiency, good control and a good final result. The construction and project development operations in Serneke Sweden are divided into five geographic regions: West, East, South, North and Central.

1,100 employees

Serneke has employees of various ages, with various origins and different backgrounds. But there is one thing that brings us together – the desire to belong and add something new. At the end of 2020, there were around 1,100 employees.

A strong community involvement

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



Community involvement and a strive to contribute to a more sustainable development, in our opinion, go hand in hand with long-term growth and good profitability.

2020 IN BRIEF

The past year was extensively characterized by continued work to improve profitability and lay a stable foundation for the future. This work encompassed both decisions on a new business plan and organizational changes. Major focus was also on securing the financing of Karlatornet.

New business plan with a focus on profitability

In connection with Serneke's capital market day at the end of September 2020, an updated business plan was presented that extends to 2025. In the new business plan, a clear strategy is set with a focus on profitability, stability and a continued strong corporate culture.

New organization and reduced costs

During the year, a new corporate structure was introduced where the core operations in construction and project development were gathered in the Serneke Sweden business area. At the same time, a new region-based organization was also introduced. The overall objective is to increase collaboration within the Group and at the same time strengthen local entrepreneurship and professionalism.

As another part of this work, changes were made during the year that entail reduced costs in the future. The changes that affected around 100 positions provide a full effect from the beginning of 2021.

Strengthened financial position

At the end of the year, Serneke's Board of Directors decided to implement a new share issue with preferential rights for existing shareholders. The new share issue, which was carried out at the beginning of 2021, raised around SEK 170 million for the Company before issue expenses.

Sale of development rights to Tosito

At the end of the year, around 15,000 square meters of development rights in Karlastaden were sold to the property company Tosito. The agreed property value amounted to SEK 190 million.

Strategic transaction with Fastighets AB Balder

At the end of 2020, a strategic transaction was carried out with Fastighets AB Balder, which in addition to the financing of Karlatornet also contributed to strengthening Serneke's financial position.

- **Financing of Karlatornet secured**

In the strategic transaction, Fastighets AB Balder acquired 50 percent of the shares in the joint venture Karlatornet AB. Through the transaction, financing was secured for Karlatornet, which will become the Nordic region's tallest building. According to an updated timetable, occupancy is expected to be able to begin in the second half of 2023.

- **Sales of development rights**

The transaction also means that Balder is acquiring around 100,000 square meters of development rights from Serneke, distributed over a total of ten projects mainly located in Stockholm, Gothenburg and Malmö. The agreement includes project development and construction contracts for Serneke regarding around 1,400 rental apartments and public service properties. The transaction is deemed to have an underlying property value, including investment support, of around SEK 3.2 billion and is expected to give Serneke a collective positive liquidity infusion of around SEK 250 million.

- **Balder becomes an owner of Serneke**

Through the agreement, Balder is acquiring 2,300,000 newly issued shares in Serneke. The new share issue entails a cash infusion for Serneke totaling around SEK 122 million before issue expenses.

NEW KNOWLEDGE AND CULTURE CENTER IN FALKENBERG. In 2020, Falkenberg's new Knowledge and Culture Center was completed. The building houses a new library and an upper-secondary school, as well as a school of culture.



Loss resulting from restructuring

Consolidated income for the year amounted to SEK 6,871 million (6,725), an increase of 2 percent. Business Area Sweden increased its income by 4 percent to SEK 6,990 million (6,693). Invest's income amounted to SEK 325 million (405), where SEK 190 million (177) pertains to the sale of the transaction made.

The consolidated operating loss was SEK 414 million (84). Earnings were negatively impacted by on-going structural changes, which altogether entailed non-recurring costs of SEK 365 million distributed over revaluations of the project portfolio, increased reserves for disputes, the conclusion of PD projects and civil engineering projects, as well as transaction costs for Karlatornet.

Stable order bookings and strong order backlog

The external order bookings for the year amounted to SEK 10,639 million (8,601). Assignments received during the year were largely concentrated to public service properties and residential production. The external order backlog at the end of the year amounted to SEK 13,619 million (8,943). This means an increase of 52 percent compared with the preceding year.

Active work to reduce the risk of the spread of COVID-19

During the year, extensive work was done to minimize the risk of the spread of infection at offices and construction sites. The prevention work encompassed a broad range of measures, including continuous risk assessments of workplaces and work steps, strict routines regarding cleaning and hygiene and information on maintaining social distancing. All employees in the Group who during the year had the possibility to work remotely were encouraged to do so. Physical meetings have been avoided and replaced by digital meetings to the furthest possible extent.

INCOME, SEK MILLION

6,871

ORDER BOOKINGS,
SEK MILLION

10,639

OPERATING PROFIT,
SEK MILLION

-414

ORDER BACKLOG
DECEMBER 31, 2020,
SEK MILLION

13,619

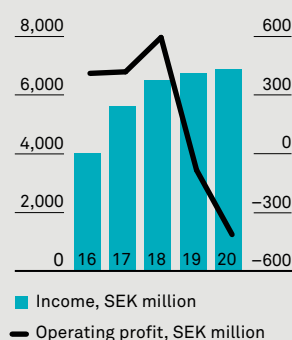
OPERATING MARGIN, %

-6.0

Key indicators

SEK M	2020	2019
Revenue	6,871	6,725
Operating profit/loss	-414	-84
Operating margin, %	-6.0	-1.2
Earnings per share, SEK after dilution	-15.82	-3.66
Equity per share, SEK after dilution	78.68	96.92
Equity/assets ratio, %	32.5	38.0
Net debt	20	1,224
Net debt/equity ratio, %	1.0	56.2
Order bookings	10,639	8,601
Order backlog	13,619	8,943

Sales and earnings



Consolidated income for the year amounted to SEK 6,871 million (6,725), which was an increase of 2 percent compared with the preceding year. The operating loss amounted to SEK 414 million (84).

Other significant events after the end of the financial year

Ola Serneke is leaving the role as CEO of Serneke Group

At the end of February 2021, Ola Serneke left the role as the President and CEO of the Serneke Group. He also left his post as a member of the company's Board of Directors. Ola Serneke will continue to be responsible for the Company's major projects in urban development in his role as the President of Serneke Invest. Michael Berglin (Deputy CEO of Serneke Group) was appointed the acting President and CEO.

NEXT PHASE FOR KARLATORNET AND KARLASTADEN

In mid-December, Fastighets AB Balder acquired 50 percent of the shares in the joint venture Karlatornet AB. The agreement means that the financing of the project is secured and the construction of Karlatornet is continuing.

When Karlatornet is complete, the building will be the Nordic region's tallest building with 73 floors and a height of 245 meters. Karlatornet will house more than 600 apartments, a Clarion hotel with around 300 rooms, more than 8,000 square meters of office and retail space and an outlook spot. Occupancy is expected to be able to begin in the second half of 2023.

In March 2021, around 80 percent of the apartments in Karlatornet were sold. According to the agreement with Balder, Serneke will secure the remaining unsold apartments. At the same time, Balder is receiving an option to acquire Karlatornet's hotel and office sections.

Karlatornet's total budget amounts to approximately SEK 5.5 billion. All work, including the complex foundation laying, has been achieved within budget up to year-end 2020.

Serneke is continuing as the main contractor. In December 2020, a design-construct contract was signed with Karlatornet AB for the

project's remaining project development and construction work at a fixed price of around SEK 3.2 billion.

Fully finished, the total project value is estimated to be a minimum of SEK 6.4 billion.

Development of Karlastaden continues

After the transaction, Serneke will remain as the sole owner of the other development rights in the new Karlastaden growing forth. Altogether, the city district consists of around 200,000 square meters of developable space for mixed development divided into seven blocks.

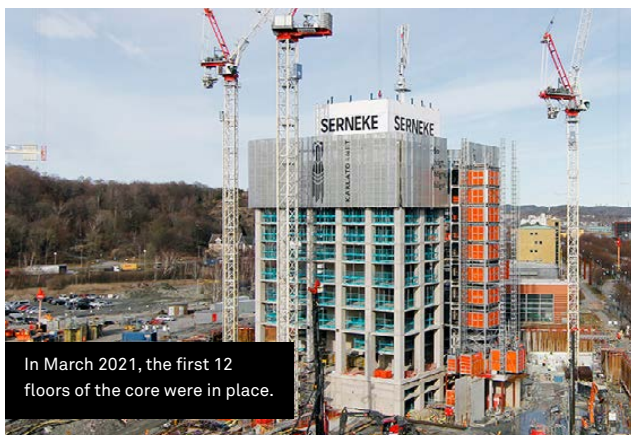
In 2021, Serneke will continue the work of completing the development of the rest of the city district, which among other things entails intensified dialogs with potential investors and partners.

“It is very pleasing to be part of the realization of such a unique urban development project. It is extra fun that Karlatornet is part of a long-term deal with Serneke, which comprises nearly 1,400 rental apartments and more than 12,000 square meters of commercial premises.”

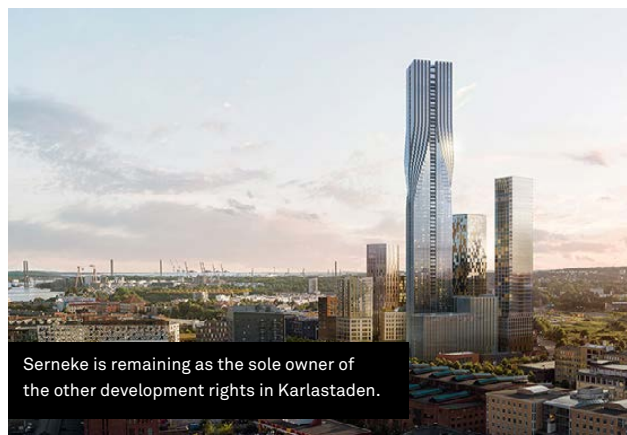
Erik Selin, CEO of Balder

“Getting in Balder as a co-owner in Karlatornet is an optimal solution for us, for the project and for the city. In Balder, we have a stable, long-term partner with strong local roots and the same strong belief as us in the project and the development of the city.”

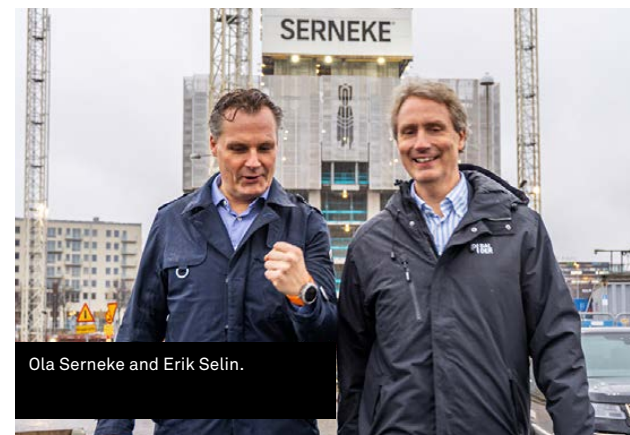
Ola Serneke, President of Serneke Invest and initiator of Karlastaden



In March 2021, the first 12 floors of the core were in place.



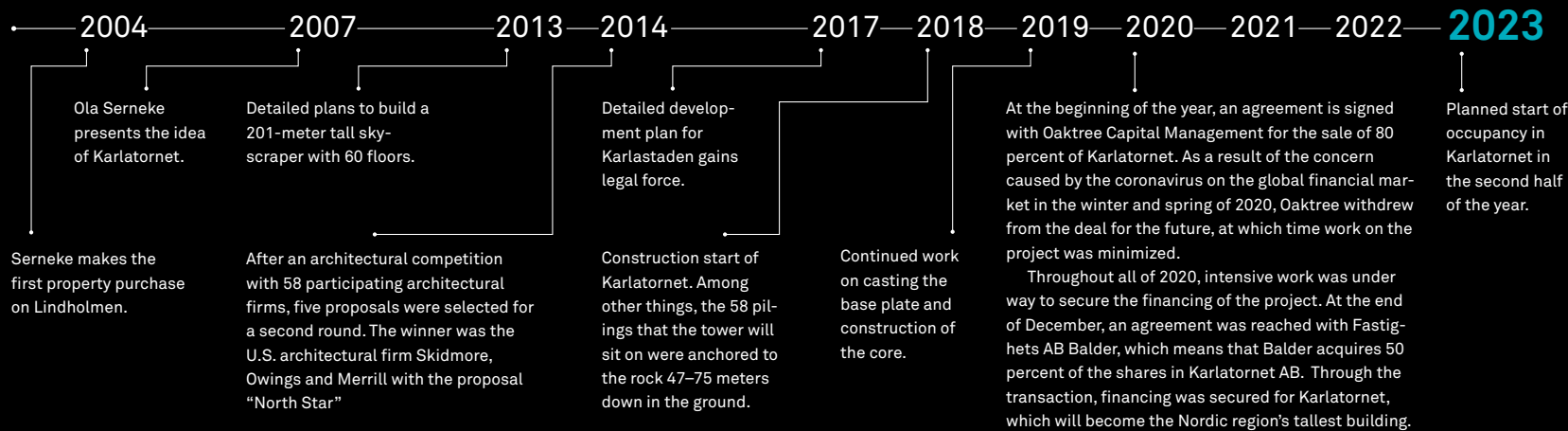
Serneke is remaining as the sole owner of the other development rights in Karlastaden.



Ola Serneke and Erik Selin.



GROWTH OF KARLASTADEN



CHAIRMAN STATEMENT

FOCUS ON PROFITABILITY AND STABILITY

2020 was a year that none of us could have foreseen or planned for. The pandemic swept in and put decision-makers, private individuals and businesses through trials we had never faced before. Altogether, major challenges in both the surrounding world and internally left a clear impression on the Board's work in the past year.

Since the beginning, Serneke has had a fantastic journey in many ways. Through innovative thinking and by challenging existing structures, the company has grown quickly and in a relatively short amount of time has established itself as one of the larger construction companies in Sweden. However, this growth has taken place at the expense of profitability – which is clearly reflected in the financial development for 2020.

In this situation, choosing a long-term direction is one of the Board's foremost tasks. Extensive focus during the year was to work out new targets and a new strategic direction in close cooperation with Company management. The results of this work are clearly visible in the updated business plan presented at the capital market day in September. The plan sets a clear focus on profitability and stability.

In addition to the more long-term work of laying the foundation for a stronger Serneke, we have also had to manage the situation that resulted in Ola Serneke leaving the role of President and CEO in February 2021 to instead continue as the manager of the Company's major projects in urban development in the role as the President of Serneke Invest. This change aims to ensure the continued strong development of the Company and to strengthen confidence in the Company among customers, owners and employees.

Board's future focus

The Board of Directors' focus in 2021 will largely be on the follow-up of the business plan and the action plan prepared with the aim of ensuring profitability and creating a stronger Serneke. Of course, we will also monitor and analyze the development of the pandemic and its consequences on the construction sector.

Good corporate governance – the foundation of a healthy business

External and internal challenges place extra high demands on a well-functioning Board work and a well-functioning corporate governance. My and the Board's ambition is to ensure a healthy corporate culture that contributes to developing the Group and its operations – both as a whole and as individual parts – through sound and well-adapted corporate governance. The prerequisites for this include a clear division of roles and responsibilities between management and control bodies, good order in the internal systems and transparency towards owners and the capital market. A lot of this is in place, but in the future we will further increase efforts in terms of procedures and systems that enable continuous follow-up of goals, internal control and risk management.

The work of the Board of Directors is mainly conducted through formal Board meetings, but also in various committees. The fact that all members are on at least one of the committees creates participation and continuity between the formal meetings as well.

Good dialog and strong internal engagement

The Board's foremost tasks are both to support Group management and to critically review their work. To succeed in this, an open and constructive 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 the Board's appreciation of the commitment shown and being shown in the entire organization. The enthusiasm that has marked the work in the past year, despite major challenges and changing working conditions, bodes well as we look to the future.



Jan Johansson, Chairman of the Board
Elected to the Board of Directors at the Annual General Meeting in May 2020

CEO STATEMENT

“A BEWILDERING AND INTENSIVE YEAR”

For Serneke, 2020 was a year of major internal challenges in the form of weak profitability and intensive work to secure the financing of the Company's single largest project – Karlatornet. Here, as the acting President and CEO since February 2021, Michael Berglin provides his view of the past year and the work of laying the foundation of a stronger Serneke.

How would you generally describe the development in 2020?

“It was a tumultuous and intensive year in many ways. Besides the pandemic and major challenges in the surroundings, we struggled with internal challenges in the form of weak profitability and uncertainty regarding the financing of our single largest project, Karlatornet.”

What has been done to turn this development around?

“We conducted a thorough review of the entire operation, which resulted in us establishing a new organization during the year, adopting a new business plan and implementing cost savings. Of course, extensive energy has also been devoted to securing the financing of Karlatornet. Altogether, the development in 2020 entailed a necessary acid test. It has been intense and occasionally challenging, but now as we summarize the year, we can confirm that we are significantly stronger and more stable than one year ago. We have a clear business plan and strategy that we believe in strongly, we have a better adapted organization and a more stable financial position. In addition to this, we also have a record-breaking order book with projects that we are looking forward to delivering. There is no lack of challenges ahead, but we are now standing on an entirely different foundation than a year ago.”

How has the pandemic affected Serneke?

“It has affected us in several different ways. Our inability in the first quarter to complete the transaction as intended with Karlatornet was a direct consequence of the pandemic. The canceled deal then came to characterize the entire year for us. In addition, we have also noticed a somewhat more wait-and-see attitude when it comes to decisions to start new projects. With this said, we have to nonetheless note that we were spared compared with other sectors that have had a much more direct impact. In addition to the business impact, like everyone

else, we have also had to review our ways of working, where the highest priority was to minimize the risk of the spread of infection at our construction sites and offices.”

In connection with the capital market day in September, a new business plan was presented for the years until 2025. How would you describe the strategy ahead?

“Since the beginning in 2002, Serneke has had a clear and explicit focus on growth. Our aim has always been to challenge the top players, and thereby change the game plan in the construction market. Now, we have achieved this position albeit at the expense of profitability. Here, we are now shifting focus. In the new business plan, a clear strategy is set with an extensive focus on profitability, stability and a continued strong corporate culture. The more important parts of this include improving profitability in the construction operations and to a higher extent than before prioritizing successful units and projects that suit our organization. With regard to the project development operations, we will focus to a greater extent on transaction opportunities in early phases.”

The largest business area, Serneke Sweden, reported a loss for 2020. What is the target for 2021?

“Full focus is now on increasing profitability. In the long term, our business will show profitability at a level that is higher than that of the competitors. This will not happen overnight, but our absolute ambition is to have a financial development as early as 2021 that clearly indicates that we are moving in the right direction. In order to succeed in this, we are now devoting major resources to improving processes concerning governance, control and risk management, among other factors. We are also prioritizing to a greater extent than before projects where we have proven experience and expertise.”



Since February 2021, Michael Berglin has been the acting President and CEO.

Through the strategic transaction with Balder the financing of Karlatornet was secured. How do you view the cooperation with Balder in particular?

"They are a perfect partner for us and the project. We know each other well, have the same strong belief in the project – and also share the same passion for urban development."

How is it going with the other parts of Karlastaden?

"There has long been great external interest and now that the financing of Karlatornet is secured, it's greater than ever. We are now in discussions with several actors, who want to buy development rights and become a part of the development of the new city district. In public debate, it is often Karlatornet that ends up in focus, but it should not be forgotten that the rest of Karlastaden comprises around 200,000 square meters in development rights. There is huge potential here. With its international character, it will be a city district like we've never seen before."

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

"Despite some uncertainty regarding the pandemic's long-term effects, we are seeing that demand for both homes and public service properties is continuing to grow. Here, we have a good offering and a strong position that we will become even better at making use of."

Within Serneke Invest, there is a relatively large project portfolio today. What is the plan with this?

"We have no long-term owner ambitions. The strategy is based on refining and developing the projects we have, divesting them when the right opportunity arises and then, gradually and continuously, refilling with new projects. Looking back at previously sold projects, we have reason to claim that we have been good at seeing opportu-

nities others have missed. This is of course the goal for the future as well. The sale of development rights to Balder in the past year is a good example of how we want to work. We identify an opportunity, develop and refine the project, divest it - but remain as the contractor in the implementation."

How do you view Serneke's work with sustainability? And what does the increased focus on profitability mean for the ambitions in the area of sustainability?

"We have always believed that focused sustainability work goes hand in hand with long-term, sustainable growth. This attitude also remains intact for the future. Our foremost contribution to a more sustainable development is in our community involvement. Our business is basically about developing cities, towns and communities. Through the projects and by virtue of our size, we have both a responsibility and an opportunity to make a difference. Of course, we also work to reduce our own direct and indirect environmental impact, but it is the ability to contribute to a better society that is our foremost contribution to a more sustainable development. We want to be involved and contribute to a better, more inclusive, society, positive urban development – and also improve public health. We are convinced that this approach is good for the community and the local businesses."

How would you describe the starting point for 2021?

"With our new organization and business plan, we have a good base to work from. We now know that Karlatornet will be built, we have the largest order book ever and we have internally shifted focus to putting profitability at the top of the agenda. The conditions are good, but to take it the whole way, we have to maintain focus and really do the work. This will demand the whole organization's commitment, but I am convinced that we will succeed."

” *The more important parts of this include improving profitability in the construction operations. With regard to the project development operations, we will focus to a greater extent on transaction opportunities in early phases.*

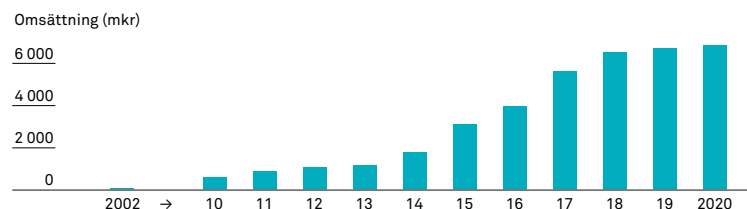
A STRONGER SERNEKE

Ever since the beginning in 2002, Serneke has had a clear and explicit focus on growth. Our aim has always been to challenge the top players, and thereby change the game plan in the construction market. As this position has been achieved, focus is now shifting towards stability and profitability. The overall objective is to lay the foundation for a stronger Serneke.

As an important part of this work, a new business plan was established in 2020, which includes an updated strategic framework, new long-term financial targets and a new organization, among other aspects. In the new business plan, a clear strategy is set with a focus

on profitability, stability and a continued strong corporate culture. Based on this position, the customer offering will be developed and the position will be strengthened in both new and existing markets.

Development 2002 – 2020



Construction perspective

- Founded in 2002 as SEFA.
- Construction-driven growth.
- Clear vision of becoming one of the largest construction companies in Sweden.

Growth focus

- Growth before profitability with the aim of winning market shares from the three major construction companies in Sweden.
- Organization with separate business areas is established.
- Brand platform is developed.
- Begins investments in structure, internal systems and processes.
- Stock exchange listing – access to the capital market.
- Build up of the project development portfolio.

The business plan for the future

A Stronger Serneke

- The initial phase of the business plan period is based on building a stable foundation for our continued work to achieve our goals and long-term vision – *We will create A Stronger Serneke.*
- To create A Stronger Serneke, the operations will focus on:

PROFITABILITY
STABILITY
A STRONG & SUCCESSFUL CULTURE

Further development

- With a stable foundation to stand on, the Company is entering the next phase of development.
- In this phase, we will further develop our customer offering and strengthen our position in attractive new and existing markets.
- We will also prioritize initiatives that contribute to a more sustainable operation and a higher degree of digitalization.

2021

2025 →

A CLEAR STRATEGY AHEAD



Profitability

- **Improving profitability in the construction operations**
By securing the right conditions in all of our projects – from selection and tender to implementation and completion. As well as greater control, better risk management and more effective resource utilization.
- **Balancing the Company's growth**
Focus on strengthening the presence in existing locations and prioritizing successful profit centers. Also starting international operations (project export).
- **Increasing collaboration and realizing synergies**
Realizing the advantage of the new organization, utilizing resources flexibly within the Group and increasing internal collaboration.



Stability

- **Increasing value-generating activities in the project development operations**
By focusing on transaction opportunities in an earlier phase and using capital where it creates the most value.
- **Ensuring quality and predictability**
Focusing on the strengths in the Group and constantly developing the offering with the aim of creating value for the customers. The way of working will be characterized by high quality and professionalism.



A strong & successful culture

- **Attracting and developing**
Creating a stimulating, sustainable and diversified workplace with committed and inclusive leadership.
- **Rallying the Company's energy in a unified culture**
Continuing to develop a culture that encourages commitment and entrepreneurship where the business and the desire to always improve is in focus.

FINANCIAL TARGETS

Serneke Group

- >6% operating margin
- >15% return on equity
- >30% equity/assets ratio
- Positive operational cash flow every quarter rolling 6 months

Serneke Sweden

- Growing faster than the competitors over a business cycle
- >4% operating margin
- Positive operating cash flow

Serneke Invest

- >10% return on invested capital per year over a business cycle
- Positive total cash flow

Serneke International

- >12% operating margin
- Positive operating cash flow

SURROUNDINGS

Serneke's business is affected by several major trends in the market and the surrounding world. Of course, this includes greater uncertainty as a result of the pandemic – but also a generally higher demand for turnkey contracts and collaboration agreements, ever stricter procurement requirements and tough competition for experienced employees.

Partially subdued market – but continued structural deficit of housing and public service properties

The pandemic has had a negative impact on certain parts of the construction market, primarily projects related to retailing and office spaces. In addition, a somewhat greater sluggishness is also noted in decisions on new projects. However, the rapidly growing Swedish population still has a positive effect on construction through the increased demand for housing, public properties, commercial properties and infrastructure investments. Altogether, the National Board of Housing, Building and Planning estimates that on average 64,000 new residences need to be built during the period 2018 to 2027 to meet demand.

Greater demand for turnkey contracts and collaboration agreements

In recent years, turnkey contracts and collaboration agreements have become more common. In turnkey contracts, the builder takes a comprehensive responsibility and does everything from project engineering to the selection and purchase of materials and construction. Collaboration and

partnering is a structured way of working that means that the developer and contractor work closely towards common goals and with extensive understanding for each other's needs, challenges and businesses.

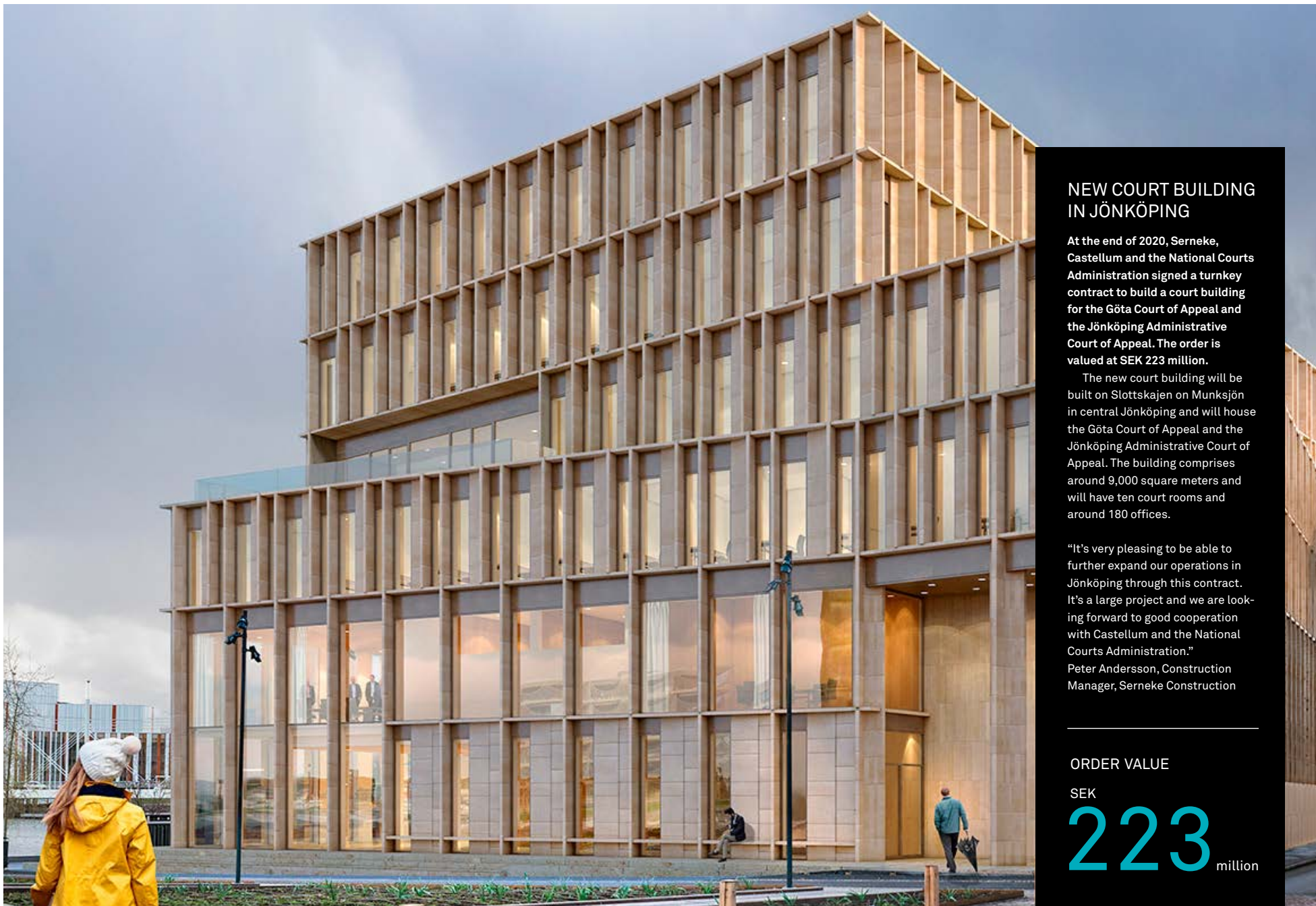
Stricter procurement requirements and greater transparency

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

Employer brand increasingly important

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





NEW COURT BUILDING IN JÖNKÖPING

At the end of 2020, Serneke, Castellum and the National Courts Administration signed a turnkey contract to build a court building for the Göta Court of Appeal and the Jönköping Administrative Court of Appeal. The order is valued at SEK 223 million.

The new court building will be built on Slottskajen on Munksjön in central Jönköping and will house the Göta Court of Appeal and the Jönköping Administrative Court of Appeal. The building comprises around 9,000 square meters and will have ten court rooms and around 180 offices.

"It's very pleasing to be able to further expand our operations in Jönköping through this contract. It's a large project and we are looking forward to good cooperation with Castellum and the National Courts Administration."

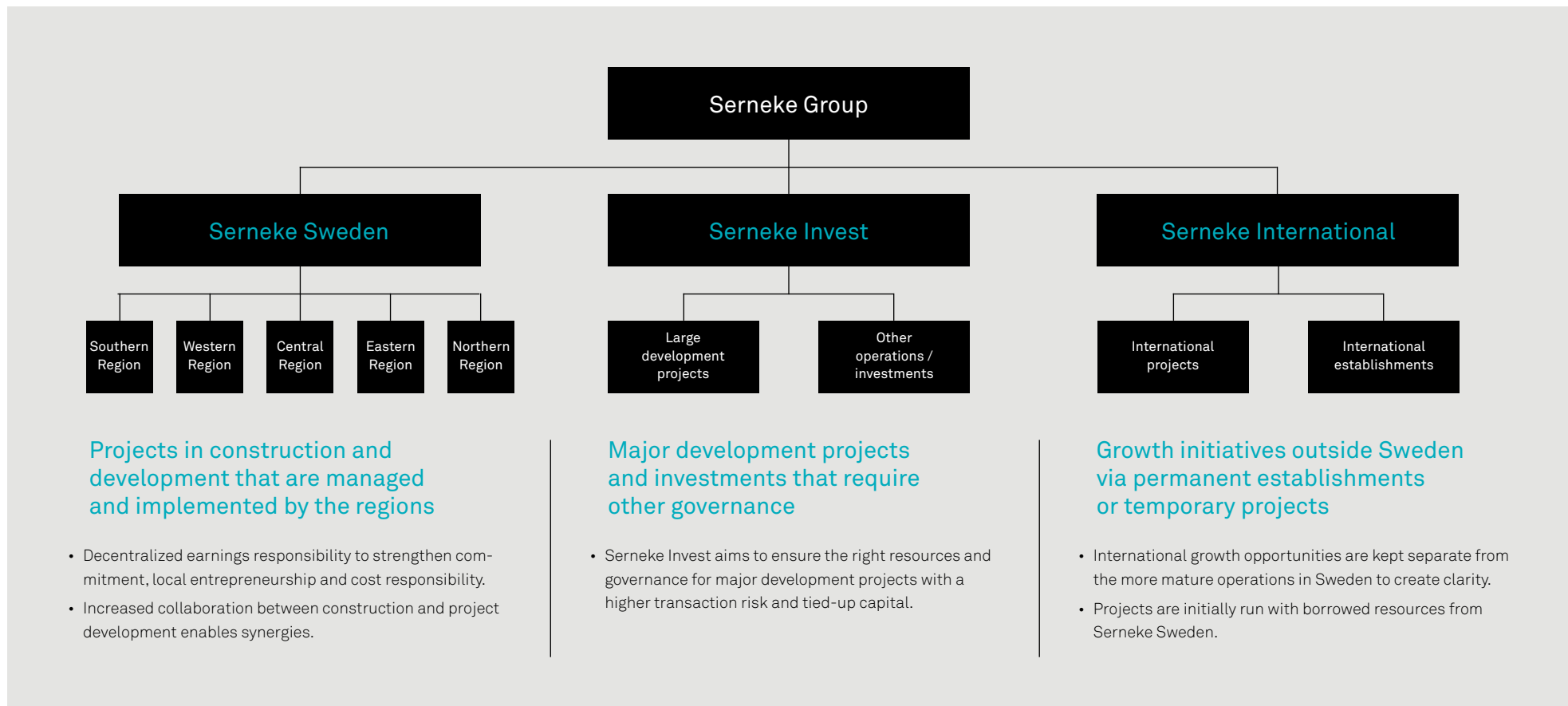
Peter Andersson, Construction Manager, Serneke Construction

ORDER VALUE

SEK
223 million

THREE BUSINESS AREAS

Since the reorganization at the beginning of 2020, the core operations in construction and project development are gathered in the business area, Serneke Sweden. With the aim of streamlining the operations in the Group, two new business areas were established during the year: Serneke Invest and Serneke International.





“ In many ways, 2020 was a challenging year for Serneke Sweden. Extensive focus in 2021 will be on improving profitability. We are now devoting extensive energy to strengthening processes for governance, risk management and follow-up. We will also get better at prioritizing projects with the right conditions for profitability and stability.

Anders Arfvén
President, Serneke Sweden



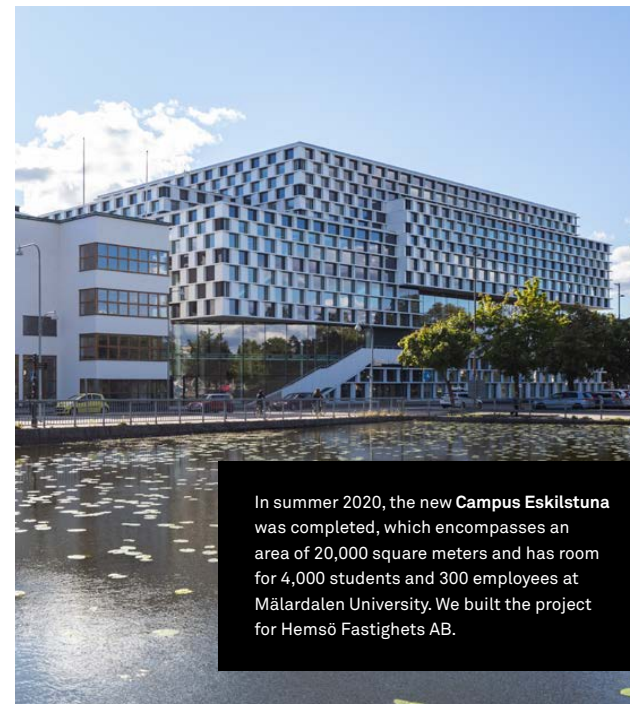
“ For Serneke Invest, 2020 was characterized to a large extent by the work on Karlatornet and the strategic transaction with Balder. If we look ahead, we will continue the work with on-going projects, as well as the process of realizing the value in the portfolio. In purely organizational terms, we will also clarify the boundaries between Serneke Sweden's project development operations and Serneke Invest.

Ola Serneke
President, Serneke Invest



“ Serneke International is getting started and will not tie up any significant capital for the foreseeable future. The business area should be seen as a platform to enable and realize a long-term stake on selected international markets. Focus in 2021 will be on preparations for the start of the first projects we now have in our pipeline.

Michael Berglin
Acting President and CEO
responsible for Serneke International



In summer 2020, the new **Campus Eskilstuna** was completed, which encompasses an area of 20,000 square meters and has room for 4,000 students and 300 employees at Mälardalen University. We built the project for Hemsö Fastighets AB.

Income and operating profit 2020

	Revenue	Operating profit/loss
Sweden	6,990	-331
Invest	325	-91
International	0	-13
Group-wide	88	0
Eliminations	-532	21
TOTAL	6,871	-414

SERNEKE SWEDEN

In Serneke Sweden, contracting is conducted in construction, civil engineering and infrastructure-related operations and project development operations through the development of project and development properties. The business area performs contracts for both external customers and for Business Area Invest. The operations are organized based on five regions: West, East, South, Central and North.

Development 2020

Income amounted to SEK 6,990 million (6,693), an increase of 4 percent. Operating loss amounted to SEK 331 million (profit: 88) and the operating margin was a negative 4.7 percent (positive: 1.3). The margin was negatively impacted by the on-going reorganization, but also by a profitability analysis of on-going projects, which entailed write-downs in a number of projects.

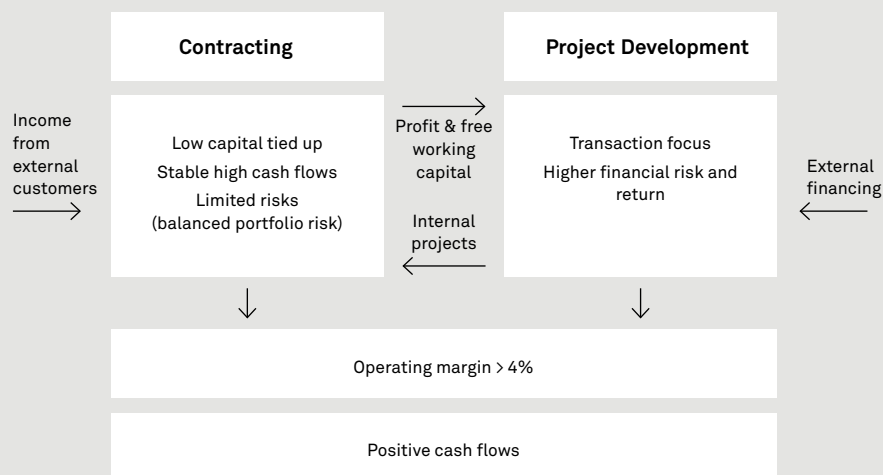
The external order bookings for the year amounted to SEK 10,639 million (8,601). The external order backlog at the end of the year amounted to SEK 13,619 million (8,943). This means an increase of 52 percent compared with the preceding year. Most of the order book, around 75 percent, is comprised of residential properties.

A large part of the strong increase in both the order bookings and the order backlog is attributable to construction contracts with the joint venture Karlatornet AB.

Financial development

	2020	2019
Revenue	6,990	6,693
Operating profit/loss	-331	88
Operating margin, %	-4.7	1.3
Order bookings	10,639	8,601
Order backlog	13,619	8,943

Business model



Serneke Sweden's business model is based on internal collaboration, 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. In addition to our own returns, these investments, in turn, also create assignments for the contracting operations.



Focus areas 2021

- Improving processes and awareness regarding governance, control and risk management in projects.
- Creating the right conditions for the implementation of our projects.
- Prioritizing attractive geographies, developing the market work and clarifying our strengths in the customer offering.
- Prioritizing projects where we have proven expertise and implementation strength.
- Encouraging continuous improvement work as a part of the culture.

Financial priorities

- Growth in existing markets and with the existing offering in Sweden (organic growth)
- Governance of the operations so that we achieve our profitability targets.
- More efficient use of resources and increased cost awareness.
- Improving working capital in the construction operations (mainly through more efficient handling of accounts receivable).

Construction operations

The construction operations' focus is on major construction contracts in the metropolitan regions. The operations mainly comprise housing construction and commercial and public properties. The offering also includes 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.

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

Development 2020

The demand for housing and public service properties, both from private and public clients, continued to be relatively stable during the year. Among the absolutely largest new projects is an agreement with Magnolia Bostad for the construction of more than 300 new apartments at Norra Kajen in Sundsvall. In addition, several agreements were signed for public service properties, including a new court building in Jönköping and the extension of the Campus at the University Hospital in Örebro.

Examples of new assignments in 2020

Type of project	Client	Order value, SEK million
Karlatornet	JV Karlatornet AB	2,900
194 apartments in Kiruna	LKAB	370
180 apartments in Karlastaden	Tosito	300
319 homes in Sundsvall	Magnolia Bostad	405
117 homes in Stockholm	Wallfast	200
99 apartments in Kungälv	Riksbyggen	183
Court building in Jönköping	Castellum/National Courts Administration	223
Logistics facility in Tranås	Höganloft Fastigheter	105
Extension of Campus at University Hospital in Örebro	Örebro University and Region Örebro county	200
Renovation of Botanhuset in Stockholm	National Property Board Sweden	70

Examples of projects completed in 2020

Type of project	Client
Campus Eskilstuna	Hemsö Fastighets AB
Kvarteret Morgonen, Hotel, Lund	Magnolia
Kvarteret Fasanen, rental apartments, Arlöv	Magnolia/Heimstaden
KKC Argus, Knowledge and Culture Center Falkenberg	Falkenberg Municipality
Hjortsberg school	Ljungby Municipality
Torpaterassen, tenant-owner apartments, Gothenburg	HSB
Building 103, offices, Trollhättan	Kraftstaden Fastigheter AB
Merkuriusgatan, tenant-owner apartments Gothenburg	Egnahemsbolaget AB
Lidl head office and store	Barkarby
Näsby Slottspark, homes	Niam AB

During the year, 275 apartments were completed in Arlöv for Magnolia Produktion AB. The turnkey contract comprised construction of five multi-dwelling buildings, each with six to seven floors. (at left)

One of the construction contracts we signed during the year was the renovation of the 100-year-old **Botanhuset** at the Museum of Natural History in Stockholm. The client was the National Property Board Sweden (SFV). (at right)



Fasanen Burlöv



Botanhuset, Museum of Natural History in Stockholm

Project Development

Serneke Sweden also conducts its own PD projects, primarily extensive development of residential and commercial properties. The projects, which create assignments for the Company's own construction operations, are mainly operated under the Company's own management. The projects are characterized by a low or limited transaction risk. Larger and more capital-intensive projects are conducted in Serneke Invest.

Development 2020

During the year, projects were conducted in every phase, from planning and construction to housing sales. Among the year's events were the award of rental agreements for Hålsans Hus in Skövde after the Västragötaland Region public procurement and the production start of BRF Utsikten in Gårdsten/Gothenburg. Among other major events was the sale of Solkvarteret in Hyllie to Lansa Fastigheter. The residential units in Solkvarteret are a self-developed project where the ambition has been to be on the forefront of smart solutions for truly sustainable housing. The agreement also includes a turnkey contract to build the 106 apartments that will be leased as rental units and are expected to be complete at the end of 2022.

At year-end, five productions were being conducted, of which two were through joint ventures.

Examples of on-going projects

Project		Status
Cirkustomten project in Gothenburg	Land allocation	Planning work
Rosendal, Uppsala	Land allocation	Program planning
Anneberg, Kungsbacka	Land allocation	Planning work
Velocity, Helsingborg	Land allocation	Sale of tenant owners property
BRF Oceanateljén and BRF Tura, Helsingborg	(JV with Sundprojekt)	Production



Magasinhusen

Magasinhusen in northern Borstahusen, Landskrona, is one of Serneke's first proprietary projects in region South. During the year, 99 new apartments were completed, built of brick that reflects Landskrona's historic warehouses and Borstahusen's marine architecture.



Trevågor

In 2020, the Trevågor project was completed, consisting of 49 apartments located in Oceanhamnen in central Helsingborg. Oceanhamnen is part of the H+ urban development project and is one of several areas Helsingborg that will undergo extensive development.



SALE OF THE AWARD-WINNING RESIDENTIAL PROJECT SOLKVARTERET

At the end of 2020, Serneke sold the award-winning residential project Solkvarteret in Hyllie in Malmö to Lansa Fastigheter. The agreement also includes a turnkey contract to build the 106 apartments that will be leased as rental units, which are expected to be complete at the end of 2022.

“It feels really good that we can now carry out a transaction with Lansa Fastigheter and get started with a pressing project with sustainable homes that create value for the City of Malmö and its residents. We are glad that we sold to a partner we know well and that is stable, long-term and responsible,” says Jonas Håkansson, Business Manager at Serneke.

SERNEKE INVEST

Business Area Invest conducts development projects with a higher degree of complexity, higher transaction risk and a greater need for tied-up capital than in the projects conducted at a regional level. In addition to generating return in the sale of projects, the operations are intended to create internal assignments for Serneke Sweden's construction operations.

At the end of the year, Serneke Invest's project portfolio consisted of some 40 projects corresponding to around 600,000 square meters, mainly public service properties and rental apartments.

Development 2020

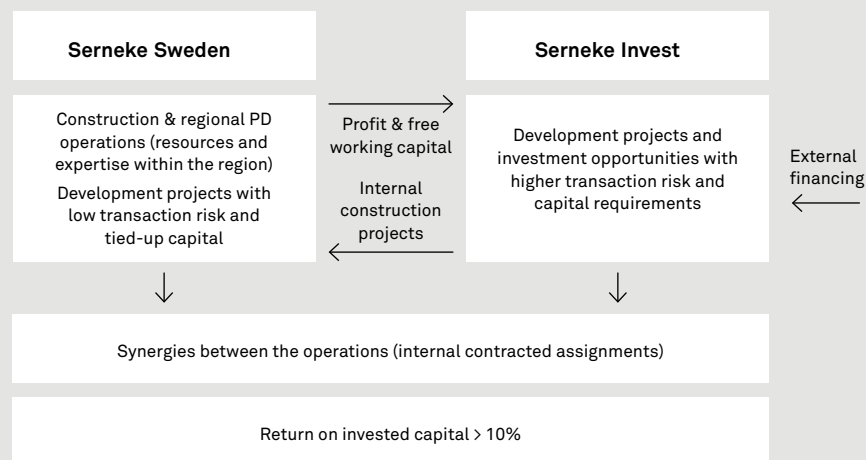
Income amounted to SEK 325 million (405), a decrease of 20 percent. The income consists of sales of development rights in Karlstad of SEK 190 million. In addition to this, the income is mainly comprised of contract income within manufacturing and assembly of steel structures and hotel income from Prioritet Serneke Arena. The decrease compared with the previous year is largely attributable to decreased activity due to the coronavirus pandemic.

Operating loss amounted to SEK 91 million (134). The loss is mainly a consequence of transaction costs attributable to Karlatornet and the fact that the hotel operation's income decreased as a result of the coronavirus pandemic, where the cost base has not been reduced to the equivalent extent.

Financial development

	2020	2019
Revenue	325	405
Share in profit of associates/joint ventures	14	10
Operating profit/loss	-91	-134
Operating margin, %	-28.0	-33.1

Close cooperation with Serneke Sweden



Serneke Invest's business model is based on acquiring properties with potential, developing them and then selling them when the right situation arises. The projects are generally characterized by somewhat higher complexity and transaction risk than the development projects being conducted in Serneke Sweden. Potential acquisition targets may be either properties developed within the Group or strategic land and property acquisitions expected to have good potential for future development and value increases over time. In addition to our own returns, these investments, in turn, also create assignments for the contracting operations.



Focus 2021

- Developing structures (including organization and methods)
- Realizing the demarcation between Serneke Sweden's PD operations and Serneke Invest
- Realizing the values in the PD portfolio

Financial priorities

- Clearer guidance towards return targets
- More effective use of capital
- Investment space is to come from divestments and capitalization of existing assets

Important events in 2020

Financing of Karlatornet secured

During the year, major focus was on securing the financing of Karlatornet. At the end of the year, a strategic transaction was conducted through which Fastighets AB Balder acquired 50 percent of the shares in the joint venture Karlatornet AB. Karlatornet will be fully financed through shareholder loans from the parties together with construction credits of around SEK 3 billion from Nordea. Fully completed, the sales revenues for Karlatornet are estimated to be a minimum of SEK 6.4 billion and the total project budget is estimated at around SEK 5.5 billion. According to the updated timetable, occupancy is expected to be able to begin in the second half of 2023.

Sale of development rights to Tosito

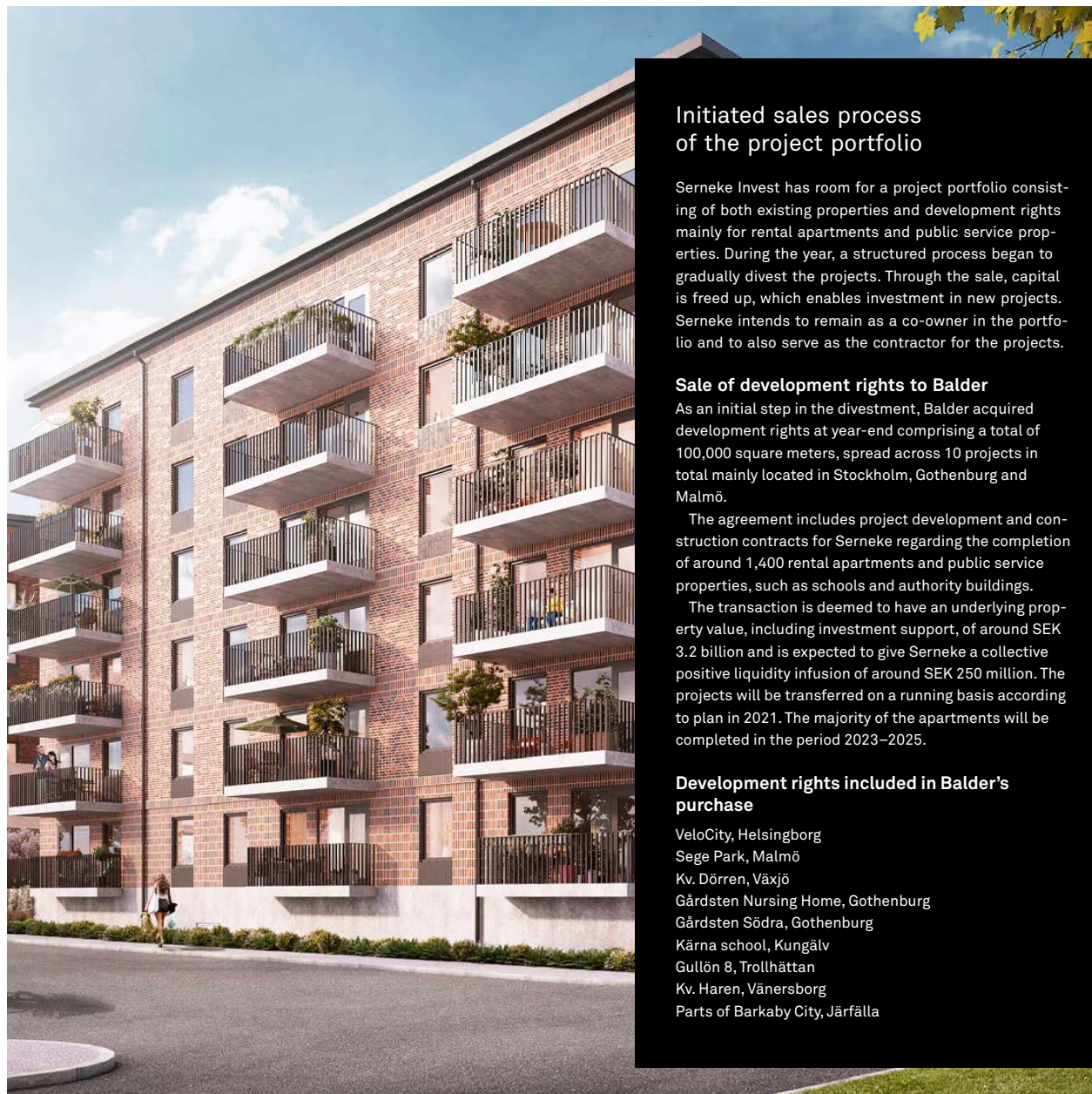
At the end of 2020, Serneke sold around 15,000 square meters of development rights in Karlastaden to the property company Tosito for the development of mainly residential properties. The purchase consideration amounted to SEK 190 million, corresponding to a development right value of around SEK 13,000 per square meter. At the same time, a construction contract was entered valued at about SEK 300 million.

Development rights, number of square meters of GFA 12/31/2020

Development rights on own balance sheet	227,621
Development rights via joint ventures	50,000
Agreed development rights not yet taken into possession	359,129
Total	636,750

Housing production developed in-house 2020

Total number of residential units in production at year-end	594
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Initiated sales process of the project portfolio

Serneke Invest has room for a project portfolio consisting of both existing properties and development rights mainly for rental apartments and public service properties. During the year, a structured process began to gradually divest the projects. Through the sale, capital is freed up, which enables investment in new projects. Serneke intends to remain as a co-owner in the portfolio and to also serve as the contractor for the projects.

Sale of development rights to Balder

As an initial step in the divestment, Balder acquired development rights at year-end comprising a total of 100,000 square meters, spread across 10 projects in total mainly located in Stockholm, Gothenburg and Malmö.

The agreement includes project development and construction contracts for Serneke regarding the completion of around 1,400 rental apartments and public service properties, such as schools and authority buildings.

The transaction is deemed to have an underlying property value, including investment support, of around SEK 3.2 billion and is expected to give Serneke a collective positive liquidity infusion of around SEK 250 million. The projects will be transferred on a running basis according to plan in 2021. The majority of the apartments will be completed in the period 2023–2025.

Development rights included in Balder's purchase

VeloCity, Helsingborg
Sege Park, Malmö
Kv. Dörren, Växjö
Gårdsten Nursing Home, Gothenburg
Gårdsten Södra, Gothenburg
Kärna school, Kungälv
Gullön 8, Trollhättan
Kv. Haren, Vänersborg
Parts of Barkaby City, Järfälla

Example of development projects



Västra Sjöstad, Trelleborg

Serneke and Midroc together signed a declaration of intent with Trelleborg Municipality concerning development of a new city district in central Trelleborg, with room for around 1,000 new homes, service premises and a new beach and promenade. The detailed development plan is expected to be completed in 2021. Development work and construction start for the first residential units are expected to begin in 2022, with occupancy in 2023/2024.



Barkarby City, Järfälla

In 2020, Serneke signed purchase and development agreements for the development of seven blocks totaling 130,000 square meters GFA in Barkarby, just outside Stockholm. The seven blocks are planned to house a mixed city with, among other things, an indoor skiing facility, other sports facilities and homes, premises for e-sports, gym and treatment center, hotel and other commercial premises. At the end of the year, Balder acquired part of the project.



Cirkustomten project in Gothenburg

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



Hagastaden, Stockholm

At Torsplan in central Stockholm, Serneke and YMCA Central are developing a new sports and culture center that, among other things, will house a multifunctional sports arena with room for 2,000 spectators, a special hall for gymnastics and another sports hall and premises for cultural activities. The proposal also includes office buildings, a hotel and an upper-secondary school. In total, buildings with a GFA of 40,000 square meters are included. The construction is scheduled to begin in 2021.

Example of development projects (cont.)



Brunnshögstorg, Lund

Together with the architectural firm Semrén & Månsson, Serneke is developing an innovative proposal for 50,000 square meters of housing and services space around Brunnshögstorget in Lund. The district will in the long term be the home and workplace for up to 40,000 people; construction is expected to begin in 2023–2024.



Norrköping District Court

Norrköping's new district court building is being constructed with four floors and an area of around 4,000 square meters. The project will be environmentally certified according to BREEAM Excellent. The property was acquired in 2019 by Vacse, with occupancy in 2022.

WHOLLY OWNED AND PARTLY OWNED COMPANIES

Fjätervålen AB

In 2018, Serneke acquired 40 percent of Fjätervålen AB, which operates mountain facilities in Idrefjällen. The ambition is to preserve what is unique about Fjätervålen, but to develop the facility and in the long term become the Nordic region's most sustainable mountain destination. In the next few years, the plan is to develop a new sitting lift, peak lodge, cross-country skiing trails and a new center building with hotel and conference possibilities.

Änglagården Holding AB (Prioritet Serneke Arena)

Together with Prioritet Finans, Serneke owns Änglagården Holding AB, the operations of which consist of owning, managing and developing Prioritet Serneke Arena, the Nordic region's largest multisport facility. The facility houses an indoor skiing facility, full-sized soccer field, two sports halls, a compulsory school, a sports high school, restaurant, conference, gym, sports injury clinic and sports hotel. Serneke's participating interest is 40 percent.

Karlstaden Utveckling AB

Karlstaden Utveckling AB is responsible for the development of the new city district, Karlstaden. The company is wholly owned by Serneke. The vision is for Karlstaden to become a denser mixed urban development is planned for the area, with 2,000 apartments (of a total 200,000 square meters) - offices, shops, restaurants, a medical center, a school and more. And in the middle of it all is the 245-meter tall Karlartornet.

Nybergs Svets AB

The Alingsås-based Nybergs Svets AB has been part of the Serneke Group since 2009. The operations comprise, among other things, production of steel structural work for the construction industry, where the company is one of the larger ones in Sweden, as well as stairs and railings. Serneke's participating interest is 100 percent.



SERNEKE INTERNATIONAL

The Group's international efforts are gathered in Serneke International. This business area is starting up and at the end of 2020 consisted of a participating interest in a construction company in Australia and an limited project export effort. The efforts in the business area will not tie up any significant capital for the foreseeable future.

Serneke International shall be seen as a platform to enable and realize a long-term stake on selected international markets. The operations are an initial step towards the vision of becoming an international company, with the possibility of contributing to a better society. Through the effort, attractive development opportunities are also created for Serneke's employees.

The business model rests on two legs: investments in existing construction operations and investments in the form of project exports.

Investments in construction operations

If the right opportunity arises, Serneke may invest in existing construction operations. The investments will be made based on clearly established criteria. Among them are a requirement of healthy finances and a similar corporate culture. The acquisition must also create clear benefits and values for both Serneke and the operations in question.

Status 2020

Since 2018, Serneke has been a minority owner of Consortium Builders, a construction company based in Perth, Australia. Serneke's participating interest amounts to 33 percent, with an option for majority shareholding.

Project exports

Within the scope of the business area's emphasis, Serneke is also striving, together with partners, to expand the international presence through project exports. The main focus is on countries with extensive needs for investments in infrastructure, and Serneke only intends to participate in projects financed and insured through the Swedish export credit system (Swedish Export Credit Corporation and the Swedish Export Credits Guarantee Board).

Serneke will not be the main contractor, but will serve as the project managers and primarily contribute knowledge in functional design, sustainability and quality.

Status 2020

At the end of 2020, Serneke was involved in two projects: a water treatment plant in Ghana and a fresh water project in the Ivory Coast. Both of the projects were conducted in close cooperation with the trading house Elof Hansson.



Focus 2021

- Preparations for and start of the first projects
- Continuing to build relationships with partners and financiers

Financial priorities

- Effective use of capital
- Export financing through the Swedish export credit system (Swedish Export Credit Corporation and the Swedish Export Credits Guarantee Board).

SUSTAINABILITY

Sustainability is not a term we relate to; it is a way of being that permeates everything we do. Serneke's foundation and history represent true community involvement and a genuine interest in thinking larger than ourselves. Through our activities, we want to contribute to the development of towns, cities and society as a whole.

Community involvement is the core of everything we do, when we build homes, plan new city districts, develop new areas, build an arena or sponsor a soccer club.

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 for the next generation.



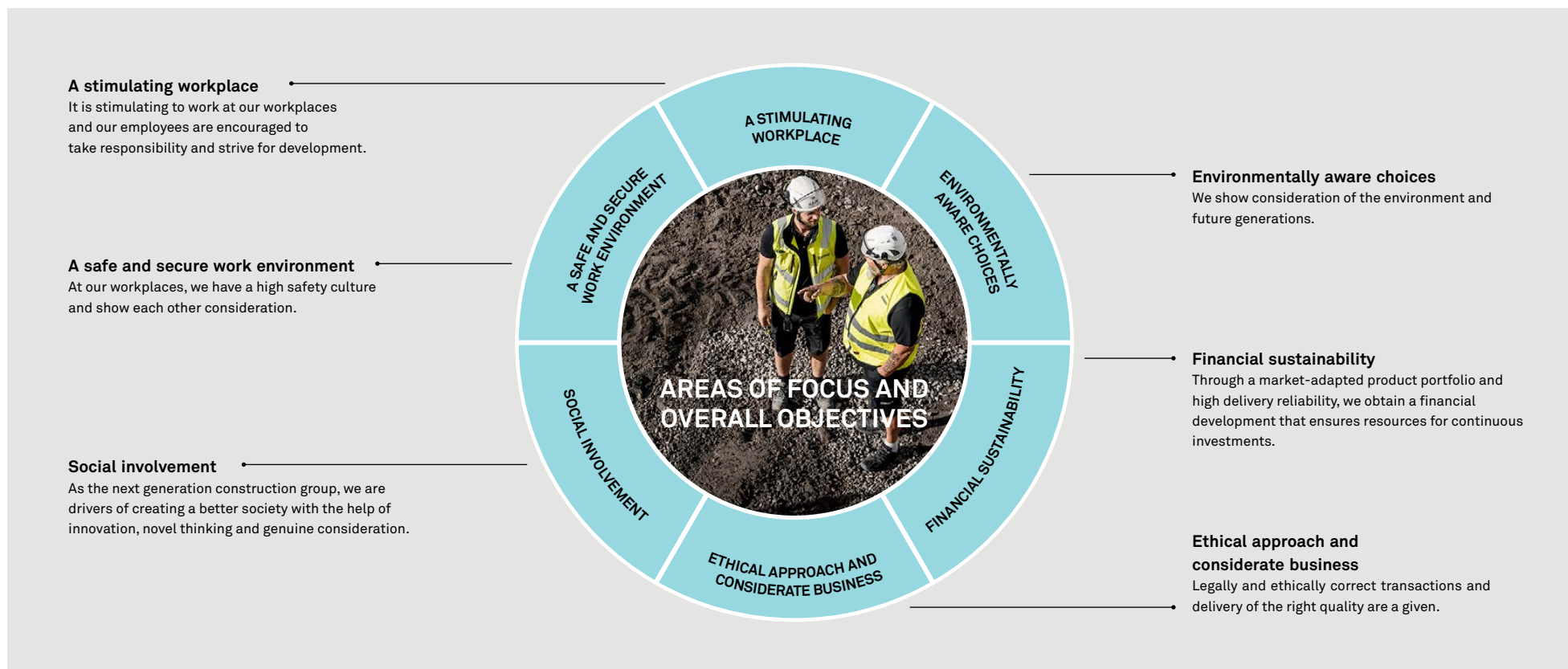
By sponsoring sports clubs and associations, we contribute to an important part of building a socially sustainable future for the next generation.

OUR FOCUS AREAS

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

About the sustainability report

This statutory sustainability report is submitted by the Board of Serneke Group AB, but does not form part of the formal annual report. 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, which was updated in 2020, describes Serneke's guidelines for employees, suppliers and partners. The company's attitude to gifts and bribes is described here. It applies to the Board of Directors and all employees of Serneke. All employees must abide by its principles in their daily work. Serneke's Group Management is responsible for compliance with the Code.

Group policies

With the aim of clarifying regulations and instructions, Serneke has adopted several policies. The Purchasing Policy clarifies ethical standpoints, internally and towards 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, organizational and social work environment. The Diversity and Equal Opportunity Policy describes Serneke's ambitions with regard to gender equality, diversity and equal opportunity issues. The Alcohol and Drug Policy describes Serneke's view of alcohol and drugs.

Global Compact

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

Human rights and working conditions

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

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

Industry-wide agreements

In addition to the aforementioned framework, Serneke adheres to a number of industry-wide agreements and guidelines. Among them are the "Keep the zero" (collaboration to prevent accidents in the construction industry), the shared road map for how the construction and civil engineering sector can enable a transition to a fossil-free Sweden, the Local Road Map Malmö 2030 and an industry-wide agreement that aims to combat bribes and corruption in the publicly financed construction and property sector.

Certifications

As of 2020, it is Serneke Sweden that is certified according to ISO 14001:2015 (environment), ISO 9001:2015 (quality) and Nyberg Svets (a company in the Group) that holds the certification EN 1090:2 (construction steel). During the year, a major recertification was conducted of Serneke Sverige AB for the ISO standards ISO 9001:2015 and ISO 14001:2015.



Organization and responsibility

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

Monitoring and controls

The construction and civil engineering industry is subject to extensive regulations and continuous external review regarding environmental and technical quality aspects, as well as safety and work environment aspects. The Company's business system with its processes and procedures contribute to maintaining a high and even quality in every aspect. For the evaluation and improvement of the efficiency of the operations' processes, internal audits are conducted within the company. This also creates security and control over the operations working as they should. The principal external controls include audits in relation to ISO certification, audits from customers and clients, inspections by the Swedish Work Environment Authority and the Swedish Tax Agency, and the trade unions' job site and workplace inspections and ongoing monitoring.

A SAFE AND SECURE WORK ENVIRONMENT

All construction operations include work activities that may be associated with risks for the individual employee. Extensive work is conducted within Serneke to create workplaces that are safe and secure for both the Company's own employees and subcontractors. The basis is about identifying and addressing risks early on, but also learning from the incidents and accidents that occur.

Coordination responsibility for the work environment

The fact that there are most often several different contractors in a single project affects the work environment and safety at the work site. In the vast majority of the projects, Serneke has the coordination responsibility for the work environment. This means, among other things, responsibility for risk assessments and for ensuring that all of the work in the project is done safely, among other things by all contractors in projects conducting risk and job preparation plans for the work that is to be done. Serneke is also responsible for coordinating the daily jobs so that the various contractors do not subject each other to risks.

Identifying risks

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

Preventative measures

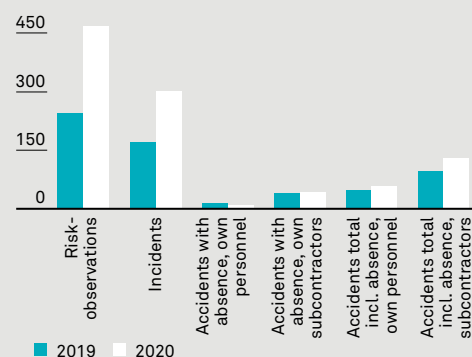
Serneke works actively to identify risks, both overall and in each project. The work is based on a regular annual overall risk assessment, in which different types of operational risks are analyzed, assessed and monitored. Collected data on risk observations, incidents and accidents, as well as outcomes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

System for reporting and follow-up

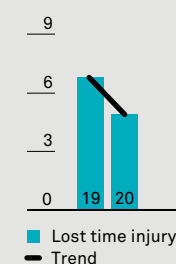
In 2019, system support was implemented for the reporting of risk observations, incidents and accidents, the Work Environment Information System (IA), which has contributed to a marked increase in the reporting of risk observations and incidents in the entire company.



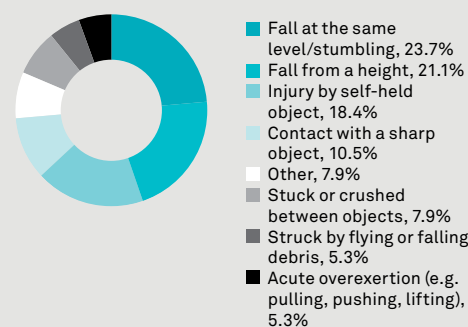
Incident reporting



Accident rate



The most common kind of accidents and injuries



Follow-up of incidents and accidents

In addition to annual follow-up procedures, structured and regular monitoring of risk observations, incidents and accidents takes place at both the Group and regional level. Within the project, a risk analysis is always done of all work steps and actions are taken to help or minimize the risks. Serneke has a Quality, Environment and Work Environment department (KMA) that visits the Group's projects to monitor and identify improvement areas. During the year, safety committees were also established in the regions, which hold regular meetings. Once a year, joint meetings with safety officers are held to review procedures and improvement areas together. However, due to COVID-19, this could not be done in 2020.

“Keep the zero”

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

In 2020, for example, Serneke participated in projects with “Keep the Zero” to prepare guides in personal protective equipment and risk assessment of work steps. Serneke also actively participated in the “Keep the Zero” safety push, with the main goal of pointing out and highlighting good examples concerning cooperation and thereby strengthening the importance of working together for a good safety culture.

Outcome 2020

In 2020, the reporting of risk observations and incidents has increased markedly over the previous year. The results are a manifestation of several factors, such as simplified reporting possibilities through the IA app, increased risk awareness in the projects and a long-term preventive work environment effort. Reporting of risk observations increased by 45 percent and incident reporting by 43 percent. The most common risk observations are in the work steps “work at an elevation” and “excavation work”. For the incidents, the most reported are the work steps “Lifts” and “work at an elevation”. The most common cause of accidents is “Fall at the same level/stumbling”. The number of accidents with absences for Company employees and temporary personnel decreased from nine to seven. This entails a Lost Time Injury (LTI) ratio of 4.9 per million hours worked, which is an improvement by 28 percent compared with the previous year.



The collaboration project “Keep the zero” has the aim of preventing and eliminating accidents in the construction industry.

A STIMULATING WORKPLACE

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

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

Continuous development of the employee offering

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

A year of challenges and continued organizational development

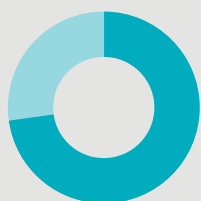
An extensive focus during the year was on continued work to consolidate and adapt the organization with the aim of both facing challenges in the surrounding world better and increasing internal focus on profitability. The efforts included the establishment of a new organization and new business areas, as well as cuts in the workforce by the equivalent of around 100 positions. In addition to this, several measures were conducted directly linked to the pandemic, including short-term lay-offs. At year-end, the number of employees in the Group was 1,120.

Skills development

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

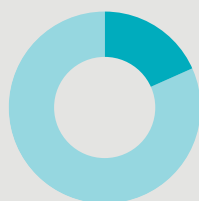


Proportion of blue-collar workers to white-collar workers



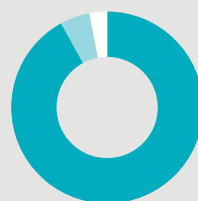
■ White-collar workers, 72%
■ Blue-collar workers, 28%

Percentage of women and men



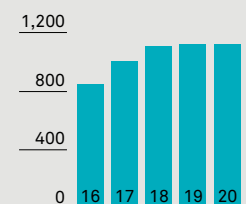
■ Women, 18%
■ Men, 82%

Percentage of employees by business area



■ Sweden, 92%
■ Invest, 5%
■ Other, 3%

Number of employees



courses are based on our overall strategic development in combination with a structured skills inventory at an individual level. In recent years, the number of implemented training hours increased sharply, not least as a result of higher investments in contract law and internal business systems.

During the year, the pandemic entailed major challenges with regards to the possibility of physical meetings, which among other things resulted in the average number of training hours decreasing. Extensive effort was devoted during the year to enabling digital training sessions.

Serneke Management Academy

In 2020, the initiative continued with Serneke's internal management program – Serneke Management Academy. During the year, 30 managers received diplomas, who through the program gained in-depth knowledge in leadership and Serneke's management strategy. In addition to this, 15 people attended the training program "Lead without staff responsibility".

During the year, preparatory work was also under way for the launch of Serneke's trainee and mentor program. Two pilots were launched at the beginning of 2021. The trainee program aims to attract ambitious young employees with academic qualifications who want to pursue a career in the construction industry. The program intersperses work in production with strategy work, estimates and purchasing. The mentor program is intended to increase the knowledge and expertise of the participants through knowledge and experience exchange, and to establish good contacts between mentees and mentors.

Equality and diversity

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

Since 2015, the proportion of women in the organization increased from 10 percent to 18.5 percent. The stated objective is that both men and women should be represented among final candidates in all recruitment processes. The goal for 2020 was to reach a 40 percent gender distribution in all recruitment and senior positions. The outcome for the year was 20 percent. The work will be further intensified in coming years.

Periodic employee surveys

Extensive focus is placed on measuring and following up on feedback and comments from the employees. Since 2018, web-based pulse measurements are continuously taken at frequent intervals. Follow-up enables greater transparency and more possibilities of rapidly applying the right kind of measure.

The temperature measurements measure the organization's well-being based on nine areas, which together create a comprehensive definition of the optimal employee experience – from personal development and team feeling to the work situation and leadership. Altogether, the measurements provide a good picture of how the employees and the organization as a whole are doing.

Health promotion

At Serneke, movement is encouraged. In addition to health care contributions, a variety of exercise opportunities are provided. The Company's own sports association Serneke IF arranges ski trips, running training, yoga and cycling, as well as the possibility to participate in many different exercise competitions. Serneke also has an internal health promoter with the task of continuing to develop the health promotion work, increasing knowledge and understanding and inspiring a sound lifestyle. The health-promoting work is also something that contributes strongly to Serneke's culture and creates joy and community for employees in various roles and regions.

The pandemic meant that most of the planned larger joint activities had to be postponed. Focus during the year was on outdoor activities in smaller groups. During the year, several digital initiatives were conducted with extensive participation, including the "Healthy from Home Challenge" and the "Gothenburg Half-marathon Virtual Race".





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

ENVIRONMENTALLY AWARE CHOICES

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

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

Direct and indirect impact

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

Environmental accidents

Any environmental accidents are reported in the IA system, a reporting system for risk observations, incidents and accidents. Serneke has a vision of zero serious environmental accidents in the construction operations and this vision was achieved in 2020.

Climate impact

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

become more energy efficient and electricity production transitions to more renewable sources.

Today, Serneke's climate survey encompasses Scope 1, 2 and 3, where scope 1 and 2 are compulsory to report according to the Green House Gas Protocols (GHG). Scope 1 comprises direct greenhouse emissions, meaning own consumption from vehicles and machinery that Serneke owns or leases. Scope 2 comprises indirect greenhouse gas emissions from consumption of electricity, district heating and cooling. Scope 3 comprises greenhouse gas emissions, in addition to purchased energy, that take place in the operations. In Scope 3, Serneke has currently chosen to delimit it to emissions linked with business travel (rail, air and rental cars).

Outcome 2020

The reporting of production fuel is made difficult by the company owning few of its own vehicles and work machines, but instead engaging subcontractors including machinery and fuel. This combined with COVID-19 and several large transactions, which impacted all of the underlying key factors, gives a low key indicator for climate impact (0.27).

The key indicator is probably not fully representative of the actual climate impact, which is why focus in the future is to find effective measurement methods for the total direct emissions and the indirect climate impact in Serneke's value chain, from for example material production and the buildings' environmental impact after completion. On a project level, focus was on developing a model to implement climate estimates in projects. Doing climate estimates early enables better prerequisites to adjust material selections and selections of transports to get a lower climate impact.

Climate neutrality 2045

Serneke is behind the national road map for climate neutral construction and shares the objective of being climate neutral by 2045. The road map was developed by the Swedish Construction Federation, industry representatives, researchers and the organization the Fossil

Free Sweden Initiative. The objective is to unite politicians, authorities and industry actors in the vision for a climate-neutral industry.

Energy consumption and transports

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



Local Road Map Malmö 2030

LFM30 is an industry initiative and rallying of forces for a climate neutral construction and civil engineering sector in Malmö by 2030. Malmö is the first in Sweden with this kind of local initiative. With a goal-oriented local climate effort, it is hoped that rings are made in the water that make a difference nationally and even internationally. Since 2019, Serneke has actively participated in the work with representatives in reference and workgroups. Read more at <http://lfm30.se/>.

Serneke's vehicle fleet comprises service vehicles and company cars. Vehicles and work machines for production are leased and procured in the projects. In order to reduce the environmental impact from transports, work is being done to gradually replace fossil-powered vehicles with hybrid solutions.

Outcome 2020

In 2020, a new system for energy follow-up was implemented, Pondus Pro. Through the system, the energy consumption could be more easily continuously monitored in the operations. Energy consumption decreased during the year by 41 percent, from 5.1 MWh/SEK million in 2019 to 3 MWh/SEK million in 2020. In addition to active environmental efforts, the impacting factors include consequences of the pandemic, fewer projects, divestment of several properties, less business travel and a reduced vehicle fleet.

The energy consumption varies depending on the construction and civil engineering projects phase and scope, which makes it difficult to extrapolate trends in the statistics. To further improve the follow-up, measurement of fuel consumption from transports and work machines in production will be the focus moving forward.

Renewable electricity

97 percent of the electricity Serneke bought in 2020 came from renewable sources. Solar cells are on part of the roof of Prioritet Serneke Arena, the property in the Group (including interest holdings), with the largest energy consumption. In total, the arena produced 248 MWh of electricity in 2020.

Materials – and resource efficiency

Resource consumption and waste management constitute one of Serneke's highest priority environmental issues. The objective for the Group is minimizing material and resource consumption and thereby the waste amounts, reducing the proportion of waste that goes to landfills and increasing the sorting of waste from building production. In order to achieve the goals, greater precision is needed in the calculation of material amounts, selection of materials with low negative environmental impact and that the waste generated is handled in the right way.

By at least assessing all chemical products in BASTA's database, it is ensured that hazardous content is avoided. In 2020, 76 percent of Serneke's building projects with a project amount exceeding SEK 30 million kept a log book in Byggsvarubedomningen, SundaHus or BASTA.

On August 1, 2020, new regulations entered into effect for those handling construction and demolition waste. Actors that produce construction and demolition waste must, among other things, sort out certain kinds of waste and store them separately from each other and

from other waste. The sorting requirements that Serneke complies with will provide improved conditions to be able to achieve more circular flows of materials in construction and demolition operations.

Outcome 2020

The amount of construction and demolition waste in relation to sales (1.6) was the same as the previous year. The sorting degree increased at the same time that the landfill fraction and hazardous waste decreased.

In the future, we need to increase and better measure the fraction of waste that is re-used, and also increase the amount for material recycling. To some extent, material is already re-used today, for example in the project on the School of Business, Economics and Law at the University of Gothenburg where the marble floor in the old premises will be re-used in new premises. In addition, the amount of combustible waste needs to be reduced and mixed waste may not exist in 2021 based on current legal requirements.

Through a continued strategic cooperation with selected framework agreement contractors, the work is being strengthened to achieve and exceed the legal requirements that apply to waste management in construction and civil engineering projects.

Biodiversity

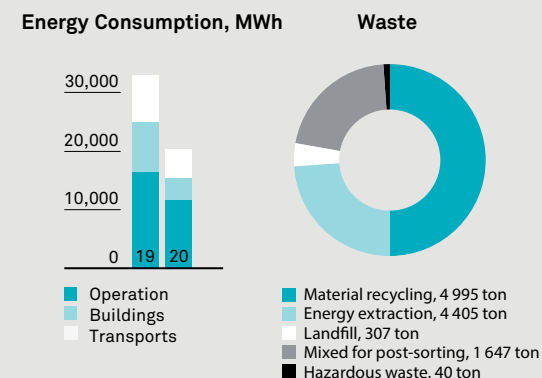
New buildings in cities not only affect the cityscape, but also the conditions for biodiversity. Through well-designed buildings and proactive solutions, conditions are provided to preserve biodiversity. Serneke strives to have as little negative impact on the natural environment as possible. During the year, work began to develop an offering for how Serneke's construction can contribute to biodiversity in the future.

Environmentally certified projects

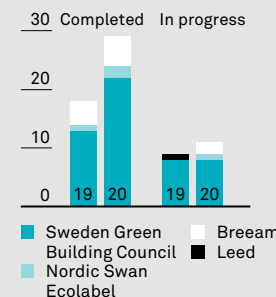
We have extensive experience and are well-versed in working with different types of environmental certifications. Within the organization, there is qualified competence within the certification systems BREEAM, LEED, the Nordic Swan ecolabel, and the Sweden Green Building Council. Through the certifications,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

Outcome 2020

In 2020, around 60 percent of Serneke's on-going construction projects with a project amount of over SEK 30 million worked based on the requirements in one of the aforementioned certification systems. This is an increase of 10 percentage points compared with the preceding year.



Environmentally certified projects



Greenhouse gas emissions

	2020
Scope 1 (Direct energy consumption)	1,450
Scope 2 (Purchased energy)	376
Scope 3 (Business travel by air, rail and rental cars)	31
Total greenhouse gas emissions (Scope 1+2+3)	1,856
Total CO₂e (ton)/SEK million¹⁾	0.27

¹⁾The reporting of production fuel is made difficult by the company only owning a few of its own vehicles and work machines, but instead engaging subcontractors including machinery and fuel. This, combined with COVID-19, which affects all key factors, gives a low key indicator for climate impact (0.27).

ETHICAL APPROACH AND CONSIDERATE BUSINESS

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

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

Ethical guidelines

We have zero tolerance for all forms of corruption, including all types of bribery and corruption. Serneke's Code of Conduct also defines policies on gifts, drugs and alcohol, and potential conflicts of interest.

If an employee discovers something that violates Serneke's Code of Conduct, values, policies or applicable law, there is the possibility of anonymously and through a third party reporting improprieties over the WhistleB service. The purpose of the function is to ensure that any irregularities are brought to the attention of Serneke in the event the communication channel via the immediate supervisor or HR function is not possible for some reason. In 2020, a total of eight matters were received, all of which were addressed and investigated in accordance with established procedures.

Industry agreement on bribery

In December 2015, several major players in the Swedish construction industry signed an agreement to combat bribery and corruption in the publicly-funded construction and property sector. Apart from several nationwide construction companies, the Swedish Construction Federation and the Swedish Association of Local Authorities and Regions are parties to the agreement. The overall aim of the agreement is to meet external demands for greater transparency. In addition to principal positions, it also provides concrete guidance on topics such as business entertainment and sponsorship. Serneke wholeheartedly backs the agreement and it is compulsory for all white-collar employees to attend the training provided in the subject by the Swedish Construction Federation.

Purchasing

On a larger scale, purchasing activities and supplier relationships are regulated in accordance with the applicable Code of Conduct, adopted purchasing policy and environmental policy. At the project level, the purchasing work is also governed by defined requirements from clients and customers. It can be anything from special materials to ensuring the projects at the overall level meet specific assessment criteria, such as SundaHus and Byggarubedömnigen, or requirements of new start work and interns. Environmental considerations should always be used as a parameter in each procurement process. Serneke has a number of cooperation agreements with recurring suppliers where the cooperation is followed up twice a year. The set agenda for this meeting has the follow-up of the Code of Conduct as a standing item.

Subcontractors

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

With the supplier level in several stages, Serneke strives to promote transparency and ensure that these terms are also regulated in agreements with third parties (supplier's sub-suppliers). By keeping personnel ledgers in InfoBric, or a similar system, it is ensured that everyone who is in the work area is approved according to ID06.

In order to achieve financial sustainability, checks are done in each procurement through credit rating tools, the Swedish Tax Agency and continuous monitoring of contractors' financial status to capture changes at an early stage. Financial sustainability is, however, also achieved through a close relationship with contractors and a good continuous dialog. Many risks are captured through long-term cooperation with contractors.

Auditor's report on the statutory sustainability report

This is a literal translation of the Swedish original report
To the general meeting of the shareholders in Serneke Group AB (publ), corporate identity number 556669-4153.

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2020 on pages 24–34 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Gothenburg the day stated on our electronical signatures
PricewaterhouseCoopers AB

Ulrika Ramsvik
Authorised Public Accountant
Partner in charge

Konstantin Belogorcev
Authorised Public Accountant

THE SHARE

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

The price paid for Serneke's Class B share decreased by around 7 percent in 2020. The highest price during the year was reached on February 20 at SEK 89.54 and the lowest price on March 25 at SEK 23.64. The price at year-end corresponded to a market capitalization of around SEK 1,187 million.

In total in 2020, 14,473,101 shares were traded, corresponding to a turnover rate of 86 percent. The combined value of the trade in the Class B share amounted to SEK 831,823,113. The average daily turnover amounted to 57,433 shares or SEK 3,300,885.

Shareholders

There were around 8,700 shareholders as of December 31, 2020. At the same time, the largest shareholder was Ola Serneke Holding AB, with 24.72 percent of the number of shares and 55.16 percent of the number of votes. The second largest shareholder was Lommen Holding AB, with 16.16 percent of the number of shares and 12.37 percent of the number of votes. The remaining shares and votes were owned by institutional investors and private individuals in Sweden and abroad.

Dividend policy

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

Incentive program

At the Annual General Meeting on May 5, 2020, it was resolved to introduce share savings programs for the employees for 2021, 2022 and 2023. The programs essentially correspond to the annually recurring share savings programs adopted at the 2018 Annual General Meeting and comprised the years 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 2021, 2022 and 2023 programs amounts to 1,733,472 Class B shares corresponding to around 7.2 percent of the number of shares issued after dilution and around 2.4 percent of the number of votes after dilution.

The Annual General Meeting resolved in accordance with the Board's proposal that the Company's commitments to supply matching and performance shares in accordance with the program shall be ensured by the Company buying back Class B shares. Today, the Company has enough own Class B shares to be able to provide Matching and Performance Shares according to the Program for 2021, which means that the Board at the 2020 Annual General Meeting will not present any proposal to authorize the Board to be able to buy back shares during the time until the 2021 Annual General Meeting. If necessary, the Board intends to come back with proposals on buyback authorization at the 2022 and 2023 Annual General Meetings. In 2018, a total of 814,987 Class B shares were bought at a value of SEK 65 million and no shares were bought back in 2019 and 2020.

Private placement

As a part of the deal on Karlatornet, Balder subscribed for a total of 2,300,000 Class B Serneke shares at an exercise price of SEK 53 per share, which meant a cash contribution for Serneke totaling around SEK 122 million before issue expenses. This has meant that Serneke's share capital increased by SEK 230,000 to SEK 2,554,845. The total number of shares increases by 2,300,000 shares to 25,548,452 shares.

Rights issue

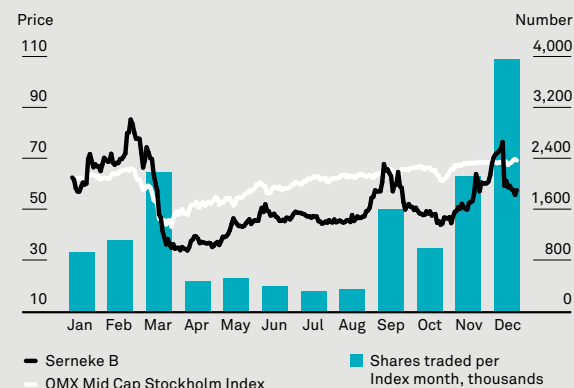
On December 17, Serneke decided on a fully guaranteed rights issue. The subscription period in the rights issue expired on January 13, 2021 and was fully subscribed and no guarantee commitments needed to be utilized. Through the rights issue, Serneke obtains around SEK 170 million before issue expenses. As a result of the rights issue, Serneke's share capital will increase by SEK 320,478 to SEK 2,875,323. The total number of shares will increase by 3,204,780 shares to 28,753,232 shares.

Key performance indicators per share

SEK M	2020	2019
Profit/loss before dilution	–15.82	–3.66
Profit/loss after dilution	–15.82	–3.66
Weighted average number of shares before dilution	22,625,132	22,433,465
Weighted average number of shares after dilution	22,657,467	22,558,676
Cash flow from operations, before dilution	–15.56	–28.75
Cash flow from operations, after dilution	–15.56	–28.75
Shareholders' equity, before dilution	78.68	97.13
Shareholders' equity, after dilution	78.68	96.92
Provision at December 31	57.6	61.7
Dividend, SEK ¹⁾	0	0

1) Board's proposal to the 2021 Annual General Meeting.

Share performance 2020



Serneke's ten largest shareholders, December 31, 2020

Name	Class A shares	Class B shares	Total number of shares	Percentage shares, %	Percentage of votes, %
Ola Serneke Holding AB	3,710,000	2,404,205	6,114,205	24.72	55.16
Lommen Holding AB	540,000	3,457,803	3,997,803	16.16	12.37
Christer Larsson i Trollhättan AB	380,000	497,000	877,000	3.55	6.00
Ledge Ing AB	330,000	456,763	786,763	3.18	5.25
Vision Group i väst AB	250,000	551,000	801,000	3.24	4.26
Fastighets AB Balder	–	2,300,000	2,300,000	9.30	3.21
Svolder Aktiebolag	–	1,327,609	1,327,609	5.37	1.85
Cliens Fonder	–	795,000	795,000	3.21	1.11
Försäkringsbolaget Avanza Pension AB	–	352,886	352,886	1.43	0.49
Michael Berglin	–	270,781	270,781	1.09	0.38
Total, 10 largest	5,210,000	12,413,047	17,623,047	71.25	90.07
Other shareholders	–	7,110,418	7,110,418	28.75	9.93
Total	5,210,000	19,523,465	24,733,465	100.0	100.0
Repurchased shares	–	814,987	814,987		
Total shares registered	5,210,000	20,338,452	25,548,452		

Share capital development

Date	Event	Change in number of shares	Class A shares	Class B shares	Total number of shares	Change in share capital	Total share capital	Par value per share
2004	Founding of Company	1,000			1,000		100,000	100
2005	New share issue	4,000			5,000	400,000	500,000	100
2011	Bonus issue/share split	9,995,000	5,000,000	4,995,000	10,000,000	500,000	1,000,000	0.10
2012	New share issue	478,000		478,000	10,478,000	47,800	1,047,800	0.10
2012	New share issue	1,047,670		1,047,670	11,525,670	104,767	1,152,567	0.10
2013	New share issue	2,717,256	360,000	2,357,256	14,242,926	271,725.6	1,424,292.6	0.10
2014	New share issue	286,000		286,000	14,528,926	28,600	1,452,892.6	0.10
2015	Exchange of convertibles	1,309,586		1,309,586	15,838,512	130,958.6	1,583,851.2	0.10
2015	New share issue	727,273		727,273	16,565,785	72,727.3	1,656,578.5	0.10
	New share issue in conjunction with the initial public offering	5,681,818		5,681,818	22,247,603	568,181.8	2,224,760.3	0.10
2016	Exchange of convertibles	467,249		467,249	22,714,852	46,724.9	2,271,485.2	0.10
2017	Exchange of convertibles	533,600		533,600	23,248,452	53,360	2,324,845.2	0.10
2018	Conversion	0	–150,000	+150,000	23,248,452	0	2,324,845.2	0.10
2020	New share issue	2,300,000		2,300,000	25,584,452	230,000	2,554,845.2	0.10
2021	New share issue	3,204,780		3,204,780	28,753,232	320,478	2,875,323.2	0.10

Ownership structure, December 31, 2020

Number of shares	Number of share-holders	Number of shares	Percent-age of shares, %
1–1,000	7,989	1,309,708	6.7
1,001–10,000	625	2,309,629	11.8
10,001–100,000	108	2,996,949	15.4
100,001–	14	12,907,179	66.1

Source: Euroclear and Serneke

Share class, number of shares and number of votes, December 31, 2020

Share class	Shares	Votes
Class A shares	5,210,000	5,210,000.0
Class B shares	19,523,465	1,952,346.5
Total	24,733,465	7,162,346.5

Analysts monitoring Serneke

Erik Granström, Carnegie	erik.granstrom@carnegie.se
Per Holm, Carnegie	per.holm@carnegie.se
David Flemmich, Nordea	david.flemmich@nordea.com
Bertil Nilsson, Jarl Securities ¹	bertil.nilsson@jarlsecurities.com

1) Assignment analysis

Share capital and votes

Share capital amounts to SEK 2,875,323.20 distributed over 28,753,232 shares, each with a quota value of SEK 0.10. Each Class A share carries one (1) vote and each Class B share carries one tenth (0.1) of a vote.

Share information

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

BOARD OF DIRECTOR'S REPORT

The Board and Chief Executive Officer of Serneke Group AB (publ), corp. ID no. 556669-4153 hereby present the Annual Report and Consolidated Financial Statement for the 2020 financial year. Serneke Group AB, headquartered in Gothenburg, Sweden, is the Parent Company of the Group.

Operations

The Group provides comprehensive services in construction and project development 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

SEK M	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2017
Income statement				
Revenue	6,871	6,725	6,516	5,605
Operating profit/loss	-414	-84	595	419
Profit/loss after net financial items	-502	-111	558	401
Profit/loss for the year	-358	-82	604	323
Key indicators				
Growth, %	2.2	3.2	16.3	40.9
Organic growth, %	2.2	3.2	16.2	39.1
Operating margin, %	-6.0	-1.2	9.1	7.5
Equity/assets ratio, %	32.5	38.0	40.9	41.3

Business concept

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

Revenue

SEK M	Jan-Dec 2020	Jan-Dec 2019
Sweden	6,990	6,693
Invest	325	405
International	0	0
Group-wide	88	147
Eliminations	-532	-520
Total	6,871	6,725

Operating profit/loss

SEK M	Jan-Dec 2020	Jan-Dec 2019
Sweden	-331	88
Invest	-91	-134
International	-13	-1
Group-wide	0	1
Eliminations	21	-38
Total	-414	-84

Order bookings and order backlog

For the period January-December 2020, the order bookings increased to SEK 10,639 million (8,601). There is uncertainty concerning the market trend, but there is still an underlying demand even if there is some shift from the private residential unit clients to the municipal clients in the form of more public premises and public service properties. At the end of 2020, the order backlog was SEK 13,619 million, compared with SEK 8,943 million at year-end 2019.

Revenue

Consolidated income for 2020 amounted to SEK 6,871 million (6,725), an increase of 2 percent compared with the corresponding period in the preceding year. Business Area Sweden increased its income by 4 percent to SEK 6,990 million (6,693). During the period, four tenant-owner apartment projects were turned over to the customer, which generated SEK 477 million (84). Business Area Invest's income amounted to SEK 325 million (405) and decreased by 20 percent where SEK 190 million (177) pertains to sales of implemented transactions. The decrease is largely attributable to decreased activity due to the coronavirus pandemic.

Earnings

The consolidated operating loss was SEK 414 million (84). Sweden accounted for a loss of SEK 331 million (profit: 88) and Invest accounted for a loss of SEK 91 million (134) of the operating loss. Operating profit was negatively impacted by on-going structure changes, increased reserves for disputes, the closure of PD projects and civil engineering projects, transaction expenses for Karlatornet and revaluations of the project portfolio. The operating profit has also been affected by sales of development rights in Karlastaden to

Tosito by SEK 45 million, the sale of Karlatornet contributed SEK 2 million and implemented sales of tenant-owner apartment projects contributed SEK 91 million. The operating margin for the Group was -6.0 percent (-1.2). Net financial items amounted to an expense of SEK 88 million (27) and was affected by the sale of Karlatornet as an expense of SEK 66 million where the shareholder loan of SEK 1.4 billion was appraised at market value and discounted with an interest amounting to the difference between an estimated market rate and the agreed rate. During the period, loan expenses were also capitalized on project properties in an amount of SEK 59 million (51). The recognized tax for the year amounted to SEK 144 million (29) and the positive tax effect is mainly attributable to the sale of Karlatornet of SEK 31 million and the sale of development rights in Karlastaden of SEK 16 million and a change in deferred tax related to tax loss carry-forwards. The loss for the year amounted to SEK 358 million (82).

Financial position

On December 31, 2020 the equity/assets ratio was 32.5 percent (38.0). Cash and cash equivalents at the end of the period amounted to SEK 234 million (162) and in addition to that, the Group has a credit facility of SEK 500 million of which SEK 88 million is utilized by guarantees issued. At the end of the period, total consolidated cash and cash equivalents amounted to SEK 646 million (692). The Group also has unutilized granted building credits of SEK 110 million.

Shareholders' equity amounted to SEK 1,946 million (2,179). The change is comprised of the loss for the year of SEK 358 million, a new share issue of SEK 121 million and share-based remuneration of SEK 4 million.

At December 31, 2020, net debt amounted to SEK 20 million (1224) and the change pertains mainly to increased interest-bearing receivables, which arose in connection with Serneke and Balder entering a share transfer agreement that means that Balder acquires 50 percent of the shares in Karlatornet AB (the Joint Venture). The Joint Venture has acquired all of the Karlatornet assets from Serneke at their book value, where project and development properties amounted to SEK 1,574 million, against a promissory note in the form of an interest-bearing shareholder loan of SEK 1,386 million. The net debt/equity ratio was 1.0 percent (56.2).

Cash flow

Cash flow from operating activities amounted to an outflow of SEK 352 million (645), of which cash flow from changes in working capital amounted to an inflow of SEK 7 million (outflow: 593). The cash flow from investing activities amounted to an outflow of SEK 20 million (inflow: 211) and the previous year's cash flow pertained mainly to the early redemption of supplementary purchase considerations for S ve Airport in agreement with Castellum of SEK 300 million.

Cash flow from financing activities amounted to SEK 444 million (207) and is mainly attributable to loans from the Swedish Tax Agency due to the coronavirus pandemic amounting to SEK 275 million, paid-in work in tenant-owner associations of SEK 300 million, repayment of loans in tenant-owner associations of a negative SEK 307 million and a new share issue of SEK 122 million.

Cash flow for the period amounted to an inflow of SEK 72 million (outflow 227).

Sales

Secured financing of Karlatornet

On December 17, 2020, Serneke and Balder entered a share transfer agreement meaning that Balder acquires 50 percent of the shares of Karlatornet AB ("the Joint Venture"). The Joint Venture is a newly established company that has acquired all of the Karlatornet assets from Serneke at their book value of SEK 1.6 billion against a promissory note in the form of an interest-bearing shareholder loan of SEK 1.4 billion. Karlatornet will be fully financed through further shareholder loans from Balder of SEK 500 million and a construction credit from Nordea of around SEK 3 billion. For Balder's commitment to invest SEK 500 million in Karlatornet and provide a joint guarantee for the construction credit of SEK 3 billion, Balder's shares in the Joint Venture entitle it to a fixed preference dividend of SEK 600 million. The dividend is to be paid according to the waterfall principle after Nordea's construction credit and Balder's shareholder loans plus interest have been repaid. Once the project is complete and the aforementioned loan and dividend have been repaid, Serneke will recoup its entire invested capital of SEK 1.4 billion plus interest together with the remaining project profit in the Joint Venture. The repayment presupposes that underlying estimates continue as forecast and, if a deviation were to arise that means that appropriated earnings are not available to enable the

dividend to Balder, Serneke has committed to convert the shareholder loan to a conditional shareholder contribution. The transaction entails a positive impact on the operating profit/loss of SEK 2 million. Serneke continues as the main contractor and in the deal entered a design-construct contract with the Joint Venture regarding the project's remaining project development and contract work at a fixed price of around SEK 3.2 billion.

As a part of the deal, Balder subscribed for a total of 2,300,000 Class B Serneke shares at an exercise price of SEK 53 per share, which meant a cash contribution for Serneke totaling around SEK 122 million before issue expenses. This has meant that Serneke's share capital increased by SEK 230,000 to SEK 2,554,845. The total number of shares will increase by 2,300,000 shares to 25,548,452 shares.

Sales of development rights in Karlastaden to Tosito

On December 18, 2020, Serneke sold 15,000 square meters of development rights in Karlastaden to the property company Tosito for the development of mainly residential units for SEK 190 million, which corresponds to a development right value of around SEK 13,000 per square meter.

Other significant events during the year

New organization as of January 1, 2020 and new business areas with changed segment reporting.

As of the beginning of the year, a region-based organization has been introduced with the overall objective of increasing the collaboration in the Group and at the same time strengthening local entrepreneurship and professionalism. The new organization is based on five regions: South, West, East, Central and North. In each region, Serneke's entire range of services within construction operations and project development are offered. All construction, civil engineering and infrastructure-related activities are conducted within the construction operations, and development of housing and commercial properties is conducted in project development.

The core businesses in construction and project development were gathered in the Serneke Sweden business area. The Group clarified Serneke Sweden's strategic focus in connection with the capital market day in September 2020 and the establishment of two new business areas, Serneke Invest and Serneke International.

Serneke Invest handles the Group's major development projects and investments and the Group's international initiatives are gathered in Serneke International.

The changes entail a new segment reporting and have been adjusted retroactively in accordance with IAS 8. This means that attributable items from earlier periods have been reclassified for correct comparability. The reclassifications have not entailed any effects on the Group's previously reported key performance indicators.

Extension of the bond's maturity period

On June 24, the terms were approved for extending the maturity of the bonds by 18 months with the maturity date on December 1, 2022. The new terms also mean that a liquidity commitment (financial covenant) is removed and that SEK 200 million is to be repaid no later than June 1, 2021. The changed terms are available on the company's website <https://ir.serneke.se/sv/obligationslan>.

Capital market day where a new business plan was presented

On September 29, a capital market day was held where a new business plan and strategic focus for the future was presented. In the new business plan, a clear strategy is set for how Serneke will focus on profitability, stability and a continued strong corporate culture in the next few years. In connection with this, new long-term financial targets were launched where the earlier growth target was removed at the same time that a target was added regarding positive operational cash flow. Other changes are that the equity/assets ratio has been increased from 25 to 30 percent and the Group's EBIT margin has been reduced from 8 to 6 percent.

The new financial targets are:

- > 6 percent EBIT margin
- > 15 percent return on equity
- > 30 percent equity/assets ratio
- Operating cash flow positive rolling 6 months
- Dividend 30–50 percent of net profit after tax

Coronavirus pandemic

At the beginning of the year, the coronavirus pandemic spread throughout the world and the entire world economy was impacted. As an employer, Serneke safeguards our employees, but naturally also our customers, subcontractors and suppliers, as well as other cooperative partners. For Serneke, it is important based on a societal perspective to do what we can to prevent the spread of infection and keep our operations running. Serneke's starting point for the limitation of the spread of infection is the guidelines and instructions of the Public Health Agency of Sweden. During the year, extensive work was done to minimize the risk of the spread of infection at offices and construction sites. The prevention work encompassed a broad range of measures, including continuous risk assessments of workplaces and work steps, strict routines regarding cleaning and hygiene and information on maintaining social distancing. All employees in the Group who during the year had the possibility to work remotely were encouraged to do so. Physical meetings have been avoided and replaced by digital meetings to the furthest possible extent. As the situation is continuously changing, we are carefully monitoring the developments and adapting in pace with them. The entire economy is affected, but it is difficult to assess the extent and manner in which it affects Serneke's business in the long-term perspective. The effects in the short-term perspective are limited and have not had any major impact on on-going productions.

Other significant events after year-end

Rights issue

On December 17, Serneke decided on a fully guaranteed rights issue. The subscription period in the rights issue expired on January 13, 2021 and was fully subscribed and no guarantee commitments needed to be utilized. Through the rights issue, Serneke obtains around SEK 170 million before issue expenses. As a result of the rights issue, Serneke's share capital will increase by SEK 320,478 to SEK 2,875,323. The total number of shares will increase by 3,204,780 shares to 28,753,232 shares.

Sale of development rights to Balder

Serneke and Balder entered an agreement on December 17, 2020 that Serneke sells development rights to Balder through so-called forward-funding for an underlying property value totaling around SEK 3.2 billion.

The arrangement guarantees Serneke return for the projects on attractive terms with an associated contract and without a requirement of further financing. The relevant development rights cover a total of around 100,000 square meters and are allocated to 10 projects. The framework agreement on the development rights sale is expected to provide a total positive liquidity infusion of around SEK 250 million that is realized at the respective project's occupancy date. Four projects had occupancy on January 15, 2021 and provided a positive liquidity effect of SEK 105 million.

Ola Serneke is leaving the role as CEO of Serneke Group

After discussions with the Board of Directors, Serneke Group decided that Ola Serneke will leave the role as the President and CEO of Serneke Group on February 24. At the same time, he also left his post as a member of the Company's Board of Directors. Ola Serneke will continue to be responsible for the Company's major projects in urban development in his role as the President of Serneke Invest. Michael Berglin, Deputy CEO of Serneke Group, will take the position of the acting President and CEO. The changes in management for Serneke Group were precipitated by Ola Serneke's activity in online discussion forums under pseudonyms. An external independent investigation appointed by the Board of Directors noted that no violations of the regulations occurred, but that the actions were an expression of poor judgment.

Serneke is reviewing existing bond financing

Serneke has decided to review existing bond financing to achieve a strong cash position in the next few years and to achieve a maturity profile that follows the cash flows that will be received until the completion of Karlatornet. As a part of this, Serneke has commissioned Carnegie Investment Bank AB and Nordea Bank AB to evaluate a credit market transaction as a possible alternative in this review in spring 2021.

Outlook

Partially subdued market – but continued structural deficit of housing and public service properties

The pandemic has had a negative impact on certain parts of the construction market, primarily projects related to retailing and office spaces. In addition, a somewhat greater sluggishness is also noted in decisions on new projects. However, the rapidly growing Swedish population still has a positive effect on construction through the increased demand for housing, public properties, commercial properties and infrastructure investments. Altogether, the National Board of Housing, Building and Planning estimates that on average 64,000 new residences need to be built during the period 2018 to 2027 to meet demand.

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 24–34.

Employee

In 2020, the average number of employees amounted to 1,184 compared with 1,170 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.

Work of the Board in 2020

Serneke's Board consists of seven members. In 2020, the Board held 23 minuted meetings in addition to continuous contacts. The Board of Directors is responsible for the organization and management of the company's affairs, including establishing targets and strategy, ensuring procedures and systems for monitoring the stated targets, ongoing assessment of the Group's financial position and evaluating operational management. In general, the Board addresses issues that are of material significance to the Group. In addition to the issues incumbent on the Board to address according to the Board's formal work plan, main issues during the year were strategic decisions on reorganization, property transactions and financing. A specific description of the Board's work is presented in the Corporate Governance Report.

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; for the guidelines, see the Corporate Governance Report. "Senior executives" refers to Serneke's Group Management.

The Board of Directors at the Annual General Meeting in 2021 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 88 million (178) and there was an operating loss of SEK 7 million (14). The decreased income is attributable to the reorganization where central functions are shrinking.

The Share

Serneke's Class B share has been listed on Nasdaq Stockholm since November 2016. For more information, please refer to page 35 under "The Share".

Dividend policy & proposed dividend

Serneke's long-term dividend policy is to distribute 30 to 50 percent of net profit after tax for the previous financial year. The Board of Directors proposes no dividend for the 2020 financial year.

Proposed appropriation of earnings

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

Profit/loss brought forward	–384,058,135
Share premium reserve	923,182,653
Profit/loss for the year	–114,941,476
Total	424,183,042

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

Dividend	–
Carried forward:	424,183,042
Total	424,183,042

RISKS AND RISK MANAGEMENT

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

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

agement 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.

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.
Risks related to work environment and health	Serneke's operations can cause work-related injuries and give rise to accidents and illness that affects Serneke's employees, subcontractors or others who are affected by the Group's activities in various ways. This can in turn lead to serious bodily injury, chronic illness or in worst case death, and thereby result in worse quality of life or shortened life expectancy. Accidents or serious incidents can also incur liability and negative publicity, which could have a negative effect on Serneke's brand, operations, performance and financial position. This can also result in fines, penalty charges or prosecution.	Serneke's routines and rules for safety and order for the work environment, health and safety include rules on how employees and other personnel at our workplaces are expected to behave. This includes training, reporting of risk observations, incidents and accidents, risk assessments, instructions regarding personal protective equipment and systematic follow-up. In addition, internal training is conducted in systematic work environment management for employees in senior positions.
Environmental risks	Serneke's operations can entail negative impact on the environment and/or personal injury and ecosystem damage. It can also result in cost increases and a decrease in earnings. 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.	Serneke is certified for ISO 14001. All employees are trained in environmental knowledge. Through internal environmental expertise, it is ensured that regulations are implemented and that compliance is followed up. In addition, a continuous dialog is conducted with suppliers to minimize risks of environmental incidents.
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 a well-prepared process to capture risks in projects that are followed up monthly. Serneke also 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.
Risks related to ethics and conduct	A good reputation is of major importance to Serneke's success. Actions, which mean that the Company or its representatives violate ethical codes, both internal and external, regarding expected conduct towards the surrounding world, customers, employees or others, risk seriously damaging the Company's brand. They can thereby also entail a negative impact on the Company's earnings and financial position.	In 2020, Serneke conducted extensive work to revise the Company's Code of Conduct in two versions – for employees and for suppliers. In 2021, the Company intends to conduct a program for communication, training and implementation of the new Code of Conduct.

Risk	Description of the risk	Management
FINANCIAL RISKS (SEE NOTE 4 FINANCIAL RISK MANAGEMENT)		
Interest rate risk	In addition to shareholders' equity, Serneke's operations are financed through borrowing. Interest expenses are primarily affected by the level of current market interest rates and the credit institutions' margins, as well as the strategy chosen by Serneke in fixing interest rates. Market interest rates are mainly affected by the anticipated rate of inflation. Shorter-term rates are affected primarily by the Riksbank's "repo rate", which acts as a monetary policy instrument. In periods with rising inflation expectations, interest levels are expected to rise, which could have a negative effect on Serneke's performance and cash flow.	Financial policy governs the handling of Serneke's interest rate risk. Prevailing interest rates are continuously monitored.
Liquidity risk	Serneke's payment commitments consist primarily of expenses for materials and subcontractors, as well as personnel expenses. Should Serneke lack sufficient liquidity to meet its payment commitments, this could have a negative effect on Serneke's operations, financial position and performance.	The Group continuously monitors its liquidity with monthly reporting to the Board and management. Liquidity planning takes place on a running basis with a focus on both short- and long-term needs.
Refinancing risk	Refinancing risk is the risk that financing cannot be secured or renewed on maturity, or can only be obtained or renewed at significantly increased expense. The Company primarily finances its operations through shareholders' equity, borrowing and the Company's own cash flow. There is a risk that it will not be possible to raise additional capital or that it can only be obtained on terms that are unfavorable for Serneke. Although the Group currently has access to long-term financing, Serneke could, in the future, breach its financial covenants and other commitments under credit and loan agreements due to general economic conditions or disruptions in the capital and credit markets. If the Company fails to obtain the necessary capital in the future, this could have a negative impact on the Company's operations, financial position and performance. If the Company fails to refinance its loan agreements or can only obtain refinancing of its loan agreements at significantly increased expense, this could have a material adverse effect on the Company's operations, financial position and performance.	The Group's external financing needs are monitored regularly by management and the Board. The Group's financing activities are centrally organized, which provides a good overview of their financial positions.
Risk of commitments in loan agreements and debenture loans	Serneke's borrowings from credit institutions and the issued debenture loan contains commitments. If a Group company were to breach any of the obligations included in a loan agreement or the terms of the debenture, this could result in the loan being terminated, and even in other loan agreements being terminated as a result of so-called cross-default provisions. A termination of this kind could have a negative effect on Serneke's operations, performance and financial position.	Group fulfillment of loan conditions and covenants is continuously monitored by the Board and management.
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. The rules in the Code have been analyzed and Serneke fully complies with them.

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

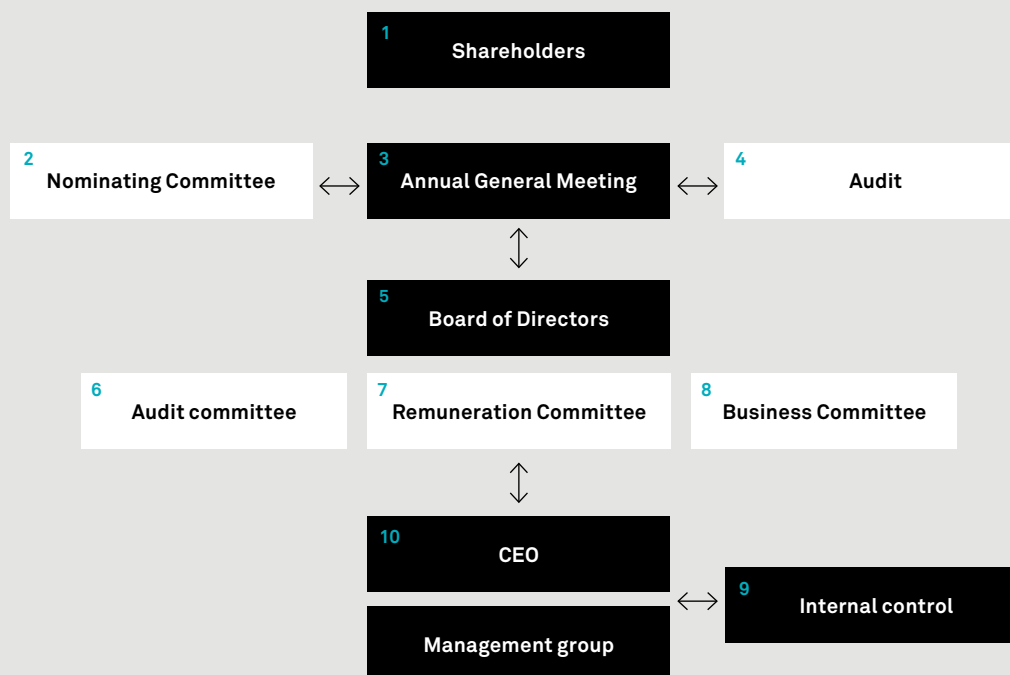
1. Shareholders

The Serneke Group consists of 177 subsidiaries. The Parent Company is the Swedish limited liability company Serneke Group AB, the Class B shares of which are listed on the Nasdaq Stockholm exchange in the Small 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, 2020, there were 8,736 shareholders (7,332).

The largest shareholder at that time was Ola Serneke Holding AB with a participating interest of 24.72 percent. The second largest shareholder, Lommen Holding AB, owned 16.16 percent. The larger primary shareholders in Serneke exercise an active ownership role. The Board and Group Management controlled a total of 68.1 percent of the votes and 42.5 percent of the capital in the Company. The Articles contain no reservations about voting restrictions.

Serneke's governance structure



For further information on the ownership structure, trading and share performance, see pages 35–36 of the Annual Report.

2. Nominating Committee

The rules regarding the composition of Serneke's Nomination Committee was decided at the 2020 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 2020 Annual General Meeting

The composition of the Nomination Committee was announced on December 1, 2020. Ahead of the 2021 Annual General Meeting, the Nomination Committee consists of the following members:

- Carl Sandberg (Chairman of the Nomination Committee), appointed by Ola Serneke Holding AB and represented 56.9 percent of the votes at September 30, 2020, and 55.2 percent at December 31, 2020,
- Ludwig Mattsson, appointed by Lommen Holding AB and represented 12.8 percent of the votes at September 30, 2020, and 12.4 percent at December 31, 2020,
- Christer Larsson, appointed by Christer Larsson in Trollhättan AB and represented 6.2 percent of the vote at September 30, 2020, and 6.0 percent at December 31, 2020.
- Daniel Åstenius, appointed by Ledge Ing AB and representing 5.4 percent of the votes at September 30, 2020, and 5.2 percent at December 31, 2020,
- Jan C. Johansson, Chairman of the Board of Serneke Group AB.

Prior to the 2021 Annual General Meeting, the Nomination Committee has held four minuted meetings and in addition to this, there have been several follow-up meetings and reconciliations by e-mail, teams and phone. 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 internals 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 2021 Annual General Meeting.

3. General Meeting

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

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

Right to participate in General Meetings

To participate in a General Meeting, shareholders must notify Serneke no later than on the date specified in the invitation to attend. This day

may not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and not fall earlier than the fifth weekday prior to the meeting. Shareholders wishing to have matters considered at the 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 2020

The Annual General Meeting 2020 was held on May 5, 2020 at the Company's headquarters in Gothenburg. Overall, 63.0 percent of the total number of shares and 88.0 percent of the total number of votes were present. The accounts for 2020 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 Annual General Meeting resolved in accordance with the Board's proposal to authorize the Board to, on one or more occasions, during the time until the next Annual General Meeting, with or without deviation from the shareholders' preferential rights, against cash payment, contribution in kind or through offset, decide on the issue of shares and/or convertibles that entail the issue of or conversion to a total of no more than 5.6 million shares, which corresponds to a dilution of approximately 20.0 percent of the share capital and around 7.5 percent of the votes. The Meeting also resolved in accordance with the Board's proposal to adopt a share savings program for the employees for 2020, 2021 and 2022. For more information on the share savings program, see page 35 in the annual report.

Annual General Meeting 2021

The 2021 Annual General Meeting will be held on May 6, 2021 and in light of the continued uncertainty regarding the coronavirus pandemic, the Board of Directors has decided that the Annual General Meeting will only be held through a postal voting procedure. 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 Wednesday, April 28, 2021, and must register by making their postal vote no later than Wednesday, May 5, 2021.

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 2020 Annual General Meeting elected the registered accounting firm PricewaterhouseCoopers AB with authorized public accountant Ulrika Ramsvik as the principal auditor, for the period extending until the end of the next Annual General Meeting. Ulrika Ramsvik 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.

During the year, the auditors participated in four meetings of the Board's Audit Committee and two meetings with the Company's Board of Directors.

5. Board of Directors

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

Composition of the Board of Directors

The elected members of the Board are elected by the Annual General Meeting for the period until the conclusion of the next Annual General Meeting. According to the Articles of Association, the Board of Directors shall consist of no less than three (3) and no more than nine (9) ordinary members elected by the General Meeting, without deputies. Board Members are presented on pages 50–51.

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 2020 financial year, the Board has held 23 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 2020 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 2020 Annual General Meeting resolved that fees totaling SEK 2,900,000 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 Group receiving SEK 250,000, the Chairman of the Audit Committee receiving SEK 100,000 and the other committee members not employed by the Group each receiving SEK 50,000. The Nomination Committee's proposal on remuneration prior to the 2021 Annual General Meeting is presented by the convening notice for the Annual General Meeting.

Board Committees

Serneke's Board has three ordinary committees: the Audit Committee, the Business Committee and the Remuneration Committee. The previous Strategy and Development Committee was discontinued in 2020. The work conducted in the committees is reported continuously to the Board. The committees shall be seen as working committees for the Board and do not take over responsibility that is incumbent on the Board as a whole.

6. Audit committee

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

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

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

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

The Audit Committee held seven minuted meetings in 2020. 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 Jan C. Johansson (Chair), Veronica Rörsgård and Fredrik Alvarsson. The CEO presents matters not involving remunerations to the CEO.

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

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

An important part of the Remuneration Committee's tasks is to ensure that the right skills are available in the Group's key positions. The Committee conducts an annual review and evaluation of the management organization based on specific criteria and requirements to meet future needs. The evaluation takes place both as individual conversations and with the CEO presenting.

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

8. Business Committee

Serneke's Business Committee consists of Per Åkerman (Chair), Fredrik Alvarsson and Ludwig Mattsson. The Business Committee handles construction projects, investments/divestments or other business that requires the Board's engagement, involvement and decision making. It is the Board's forum that logically follows the structure for risk management and business culture that is comprised of business councils at various levels in the company.

9. 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 Swedish Corporate Governance Code (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.

10. 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 connection with the new organizational structure that became effective January 1, 2020, the Group Management of Serneke Group AB was changed to encompass Ola Serneke, President and CEO; Michael Berglin, Deputy CEO; Anders Arfvén, President of Serneke Sweden (began July 1, 2020); Anders Düring, CFO; Jonas Fjellman, HR Director; Robin Gerum, Business Development Manager and Daniel Modéus, General Counsel. See pages 52–53. Ola Serneke is leaving the role as the President and CEO of Serneke Group on February 24, 2021. Ola Serneke will continue to be responsible for the Company's major projects in urban development in his role as the President of Serneke Invest. Michael Berglin, Deputy CEO of Serneke Group, will take the position of the acting President and CEO.

Remuneration to senior executives

In 2020, a total of SEK 15.6 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 19.4 million in 2020, of which SEK 3.9 million constituted remuneration to the CEO.

Principles for remuneration to senior executives

The Annual General Meeting of May 5, 2020 adopted the 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.

Work of the Board in 2020

FEBRUARY/MARCH

Board of Directors

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

Audit committee

- Audit Status financial audit
- Evaluation auditors

Remuneration Committee

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

APRIL/MAY

Board of Directors

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

Statutory Meeting

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

Audit committee

- Audit plan

JULY

Board of Directors

- Interim Report second quarter

SEPTEMBER/OCTOBER

Board of Directors

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

Audit committee

- Evaluation of internal controls and risk management

- Review of the auditors' examination of the interim report
- Review of policies

DECEMBER

Board of Directors

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

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The Annual General Meeting's resolutions

The Annual General Meeting of 2020 resolved to approve the following guidelines for remuneration and other terms of employment for senior executives. The guidelines are to apply until the 2024 Annual General Meeting unless circumstances requiring a change occur prior thereto. The guidelines cover the CEO and other senior executives 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. Remuneration included in the guidelines shall comprise fixed salary, other benefits and pension. Remuneration is equivocated with the transfer of securities and assignment of rights to acquire securities from the Company in the future. The guidelines do not cover the Company's incentive programs where senior executives receive a right to acquire shares in the Company in the future. In order to get a perception of the Company's total remuneration package, the Company's incentive programs are described for informational purposes in a special section after the proposal on guidelines for remuneration of senior executives.

The guidelines' contribution to the Company's business strategy, long-term interests and sustainability

The Company'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. The goal of the remuneration package is to motivate, retain and reward qualified personnel for their contributions to achieving the Company's business strategy, long-term interests and sustainability.

Various forms of remuneration

The Company 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. Other benefits that may be provided are a company car and health insurance. In addition to this, the Annual General Meeting may resolve to approve share-based payment, among other things.

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.

End of employment

The period of notice shall normally be six months if the senior executive resigns. On termination by the Company, the notice period and the period during which severance pay applies should not exceed 12 months.

Salary and terms of employment for employees

In the formulation of the guidelines for remuneration of senior executives, salary and terms of employment for the Company's employees have been taken into account by including information on the employee's total remuneration. In addition, the remuneration's various components, its increase and rate of increase over time were part of the Remuneration Committee's and the Board's input for decisions on the evaluation of guidelines for remuneration and in the assessment of whether the guidelines and the limitations pursuant to them are reasonable.

Decision process for approval, review and implementation of guidelines

The Company's Board of Directors has established a Remuneration Committee that 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 Board of Directors shall prepare proposals for new guidelines at least every four years and present the proposal to the Annual General Meeting for resolution. The Company's CEO and other senior executives shall not participate in the Board's handling and decisions on guidelines for remuneration of senior executives insofar as they are affected by these decisions.

Deviation from guidelines for remuneration

The Board of Directors may temporarily decide to deviate from the guidelines, in part or in whole, if in the individual case there are special reasons to do so and the deviation from the guidelines is necessary to support the Company's long-term interests and sustainability or to ensure the Company's financial viability. In the event of such a deviation, the information thereon and the reasons for the deviation will be reported in the proposal regarding guidelines for remuneration to senior executives presented at the next Annual General Meeting.

The Remuneration Committee appointed by the Board of Directors prepares and submits proposals to the Board for a decision of the Board regarding remuneration of the CEO and other members of Group Management.

BOARD OF DIRECTORS



	Jan C. Johansson	Mari Broman	Ludwig Mattsson	Ola Serneke*
Born	1954	1951	1983	1971
Nationality	Swedish	Swedish	Swedish	Swedish
Function	Member of the Board and Chairman of the Board since 2020.	Board member since 2015. Chairman of the Audit Committee.	Member of the Board since 2012. Member of the Business Committee and Audit Committee.	Member of the Board since 2004 and CEO since 2008.
Education	LL.M.	MA in political science, Gothenburg University.	Graduate Business Administrator, Stockholm School of Economics.	Master of Engineering, Chalmers University of Technology.
Experience	CEO SCA, CEO Boliden, Telia, Vattenfall and Shell.	Deputy CEO, Riksbyggen, chairman and member of the Boards of several property companies and industry bodies.	CEO of Gavia Group, assignments in the Gavia Group and assignments in the Lommen Group.	Founder of Serneke Group AB.
Other assignments	Chairman OrganoClick, member of Boards of Vinda, OptiGroup, Kährs. Adviser to Triton.	Chairman of the Board of IQ Samhällsbyggnad AB. Member of the Boards of Forserum Safety Glass AB, Offentliga Hus, Ligna Energy AB and ChromoGenics AB.	President and CEO of Adapta Fastigheter. Chairman of the Board of Lommen Invest AS and member of the Boards of other companies in the Lommen Group. Chairman of the Board of Spisa Holding AB and member of the Boards of Ativo Finans AB, Ånglagården Holding AB, Ånglagården Fastighetsutveckling AB and GBG Nya Arena Drift och Event AB.	Member of the Boards of Ånglagården Fastighetsutveckling AB and Göteborgs Nya Arena drift och event AB. Member of the Boards and President of Ola Serneke Invest AB, Landskrona Fröfabriksutvecklings AB. Member of several cooperative societies and, in addition, several assignments as Chairman of the Board, member of the Board or President of companies within the Serneke Group.
Fees decided by Annual General Meeting (Board and committees)	SEK 800,000	SEK 400,000	SEK 350,000	—
Holdings in Serneke Group AB, own and related parties, Dec 2020	19,780 Class B shares in Serneke Group AB (publ).	909 Class B shares in Serneke Group AB (publ).	540,000 Class A shares and 3,457,803 Class B shares in Serneke Group AB (publ).	3,710,000 Class A shares and 2,404,205 Class B shares in Serneke Group AB (publ).
Independent of major shareholders	Yes	Yes	No	No
Independence to the Company and its management	Yes	Yes	Yes	No
Member of committee	Remuneration Committee	Audit committee Strategy and Development Committee	Audit committee Business Committee	Not a member
Meeting attendance	Board meetings 13/13 (from May 2020) Remuneration Committee 1/1 (from May 2020)	Board meetings 23/23 Audit Committee 7/7 Strategy and Development Committee 2/2	Board meetings 23/23 Audit Committee 7/7 Business Committee 8/8	Board meetings 23/23

* Member of the Board of Directors and CEO of Serneke Group until February 2021

BOARD OF DIRECTORS



	Veronica Rörsgård	Anna Belfrage	Fredrik Alvarsson	Per Åkerman
Born	1974	1962	1969	1964
Nationality	Swedish	Swedish	Swedish	Swedish
Function	Board member since 2020. Member of the Remuneration Committee.	Board member since 2019.	Board member since 2019.	Member of the Board and Deputy Chairman of the Board since 2020.
Education	Master of Economics, International Marketing, Mälardalen University and Université Jean Moulin III Lyon.	Graduate Business Administrator, Lund University.	Engineer, Lund University and IFL from the Stockholm School of Economics.	Master of Science in Engineering LTH (Lund).
Experience	Managing Director Pysslingen förskolor (AcadeMedia), former IT and HR Director Skanska AB, Sweden Country Manager Alumni, Board member Aditro.	Until the end of May 2019, Chief Financial Officer (CFO) of Södra Skogsägarna also in charge of purchasing and IT, former acting President of Beijer Electronics, CFO of ABS Group in the Cardo Group and before that various roles in such industrial companies as Dresser Wayne Fueling Systems, Obducat, Lund Eastern Energy and Åkerlund & Rausing.	President of CA Fastigheter, Project Development Manager of Hemsö Fastighets AB and several different positions in NCC, Kungsleden and Vasakronan.	Several different senior positions in Skanska in Sweden and internationally, including as the Executive Vice President of Skanska Sweden and Skanska Poland and President of Skanska Industrial Solutions.
Other assignments	–	Conducts his own consultancy operations. Member of the Boards of CINT AB (publ.), Mycronic AB, NOTE AB, Ellevio AB and Isofol Medical AB.	Partner and President of SHH Samhällsfastigheter AB.	Conducts his own consultancy operations. Member of the Board of Zutech Holding (publ.).
AGM-approved remuneration	SEK 350,000	SEK 300,000	SEK 350,000	SEK 350,000
Holdings in Serneke Group AB, own and related parties, Dec 2019	0 shares	0 shares	0 shares	20,200 Class B shares in Serneke Group AB (publ.).
Independent of major shareholders	Yes	Yes	Yes	Yes
Independence to the Company and its management	Yes	Yes	Yes	Yes
Member of committee	Strategy and Development Committee Remuneration Committee	Audit committee	Remuneration Committee Business Committee	Strategy and Development Committee Business Committee
Meeting attendance	Board meetings 13/13 (from May 2020) Remuneration Committee 1/1 Strategy Committee 2/2	Board meetings 21/23 Audit Committee 7/7	Board meetings 23/23 Remuneration Committee 1/2 Business Committee 8/8	Board meetings 13/13 (from May 2020) Strategy Committee 2/2 Business Committee 8/8

MANAGEMENT



	Michael Berglin	Ola Serneke	Anders Arfvén	Anders Düring
Born	1973	1971	1962	1965
Nationality	Swedish	Swedish	Swedish	Swedish
Function	Acting CEO, Serneke Group	President, Serneke Invest	President, Serneke Sverige AB	CFO
Employed since	2012	2002	2020	2017
Education	Structural engineering program, University of Borås, 1994, and upper-secondary engineering program, Sven Erikson upper-secondary school, Borås, 1992.	Master of Engineering, Chalmers University of Technology, 1998.	Structural Engineer	Executive MBA Finance & Accounting, University of Gothenburg, 1998 and MSc Business Administration, University of Gothenburg, 1990.
Experience	Head of a claims department, Folksam 2000–2012 and assignments in NCC and Skanska in 1994–2000.	Founder of Serneke Group AB.	Business Area Manager Veidekke 2014–2020, Site Manager/Work Manager/Regional Manager/Division Manager Peab 1987–2014.	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.
Other assignments	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.	Member of the Boards of Änglagården Fastighetsutveckling AB and Göteborgs Nya Arena drift och event AB. Board member and President of Ola Serneke Holding 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 BRA AB, Arcona AB, Stockholms Byggmästareförening, Byggföretagen region Öst, Eric Forss Stiftelse. Member of the Board of Reinhold Gustafssons stiftelse.	
Holdings, Dec 2020	270,781 Class B shares in Serneke Group AB (publ).	3,710,000 Class A shares and 2,404,205 Class B shares in Serneke Group AB (publ).	–	11,780 Class B shares in Serneke Group AB (publ).

MANAGEMENT



	Daniel Modéus	Jonas Fjellman	Robin Gerum
Born	1970	1979	1987
Nationality	Swedish	Swedish	Swedish
Function	General Counsel	HR Director	Director of Business Development
Employed since	2018	2017	2017
Education	Graduate in Law, University of Lund, 1998.	M.Sc. Political Science, University of Gothenburg 2005.	M.Sc. Finance and Investments, Rotterdam School of Management, 2012, and B.Sc. Business Administration, University of New Hampshire, 2011.
Experience	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.
Other assignments			
Holdings, Dec 2020	10,999 Class B shares in Serneke Group AB (publ).	10,000 Class B shares in Serneke Group AB (publ).	52,682 Class B shares in Serneke Group AB (publ).

Auditor's report on the Corporate Governance Statement

This is a literal translation of the Swedish original report.

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

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2020 on pages 44–53 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 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.

Opinions

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

Gothenburg the day stated on our electronic signatures

PricewaterhouseCoopers AB

Ulrika Ramsvik	Konstantin Belogorcev
Authorized Public	Authorized Public
Accountant	Accountant
Partner in charge	

MULTI-YEAR SUMMARY

SEK M	2020 Jan–Dec	2019 Jan–Dec	2018 Jan–Dec	2017 Jan–Dec	2016 Jan–Dec
Income statement					
Revenue	6,871	6,725	6,516	5,605	3,978
Operating profit/loss	–414	–84	595	419	411
Profit/loss after net financial items	–502	–111	558	401	394
Profit/loss for the year	–358	–82	604	323	394
Balance sheet					
Non-current assets	2,156	661	1,094	1,682	1,160
Current assets	3,836	5,073	4,461	2,722	2,277
Total assets	5,992	5,734	5,555	4,404	3,437
Shareholders' equity	1,946	2,179	2,272	1,821	1,469
Non-current liabilities	1,058	1,435	1,289	980	764
Current liabilities	2,988	2,120	1,994	1,603	1,204
Total equity and liabilities	5,992	5,734	5,555	4,404	3,437
Orders					
Order bookings	10,639	8,601	4,692	6,400	5,539
Order backlog	13,619	8,943	6,382	7,965	7,041
Staff					
Average number of employees	1,184	1,170	1,070	942	779

MULTI-YEAR SUMMARY

SEK M	2020 Jan–Dec	2019 Jan–Dec	2018 Jan–Dec	2017 Jan–Dec	2016 Jan–Dec
Key indicators					
Growth, %	2.2	3.2	16.3	40.9	28.0
Organic growth, %	2.2	3.2	16.2	39.1	28.0
Operating margin, %	–6.0	–1.2	9.1	7.5	10.3
Earnings per share, SEK, before dilution	–15.82	–3.66	26.37	13.94	22.40
Earnings per share, SEK, after dilution	–15.82	–3.66	26.16	13.81	21.22
Cash flow before financing	–372	–434	–212	–272	–156
Cash flow from operations per share, before dilution	–15.56	–28.75	11.57	2.03	2.56
Cash flow from operations per share, after dilution	–15.56	–28.75	11.48	2.01	2.42
Working capital	848	3,237	2,467	1,119	1,073
Capital employed	3,539	3,603	3,264	2,516	1,985
Return on capital employed, %	–11.4	–2.2	21.9	21.6	31.8
Return on equity after taxes, %	–17.4	–3.7	29.5	19.6	41.0
Equity per share, SEK, before dilution	78.68	97.13	101.28	78.33	64.67
Equity per share, SEK after dilution	78.68	96.92	100.47	77.73	62.83
Equity/assets ratio, %	32.5	38.0	40.9	41.3	42.7
Net debt	20	1,224	552	254	–37
Net debt/equity ratio, %	1.0	56.2	24.3	13.9	–2.5
Average number of shares before dilution	22,625,132	22,433,465	22,905,389	23,169,394	17,590,630
Average number of shares after dilution	22,657,467	22,558,676	23,085,392	23,396,120	18,567,901

FINANCIAL DEFINITIONS

KEY INDICATORS	DEFINITION	PURPOSE																					
Revenue	Within the construction operations, income is reported in accordance with the percent-age-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 Com-pany, 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 2020</th><th>Jan-Dec 2019</th></tr> <tr> <td>Income current period</td><td>6,871</td><td>6,725</td></tr> <tr> <td>Income corresponding period previous period</td><td>6,725</td><td>6,516</td></tr> <tr> <td>Income change</td><td>146</td><td>209</td></tr> <tr> <td>Adjustment for structural effect</td><td>—</td><td>—</td></tr> <tr> <td>Total organic growth</td><td>146</td><td>209</td></tr> <tr> <td>Total organic growth (%)</td><td>2.2%</td><td>3.2%</td></tr> </table>	Calculation of organic growth	Jan-Dec 2020	Jan-Dec 2019	Income current period	6,871	6,725	Income corresponding period previous period	6,725	6,516	Income change	146	209	Adjustment for structural effect	—	—	Total organic growth	146	209	Total organic growth (%)	2.2%	3.2%	
Calculation of organic growth	Jan-Dec 2020	Jan-Dec 2019																					
Income current period	6,871	6,725																					
Income corresponding period previous period	6,725	6,516																					
Income change	146	209																					
Adjustment for structural effect	—	—																					
Total organic growth	146	209																					
Total organic growth (%)	2.2%	3.2%																					
Order bookings	The value of new projects and changes in existing projects during the period.	In Serneke's view, the key indicator allows investors, who so wish, to assess the Group's sales by the construction operations for the current period.																					
Order backlog	The value of the Company's undelivered orders at the end of the period excluding coopera-tion agreements.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's income in the construction operations in future periods.																					
Operating margin	Operating profit divided by revenues.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's profitability.																					
Working capital	Current assets less current liabilities.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's tied-up capital in relation to its competitors.																					

FINANCIAL DEFINITIONS

KEY INDICATORS	DEFINITION	PURPOSE																								
Capital employed	<p>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.</p> <table> <tr> <td>Calculation of capital employed</td><td>Dec 31, 2020</td><td>Dec 31, 2019</td></tr> <tr> <td>Total assets</td><td>5,992</td><td>5,734</td></tr> <tr> <td>Other deferred tax assets</td><td>-15</td><td>-</td></tr> <tr> <td>Less non-interest-bearing liabilities including deferred tax liabilities</td><td>-2,438</td><td>-2,131</td></tr> <tr> <td>Capital employed</td><td>3,539</td><td>3,603</td></tr> </table>	Calculation of capital employed	Dec 31, 2020	Dec 31, 2019	Total assets	5,992	5,734	Other deferred tax assets	-15	-	Less non-interest-bearing liabilities including deferred tax liabilities	-2,438	-2,131	Capital employed	3,539	3,603	<p>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.</p>									
Calculation of capital employed	Dec 31, 2020	Dec 31, 2019																								
Total assets	5,992	5,734																								
Other deferred tax assets	-15	-																								
Less non-interest-bearing liabilities including deferred tax liabilities	-2,438	-2,131																								
Capital employed	3,539	3,603																								
Return on capital employed	<p>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.</p> <table> <tr> <td>Calculation of average capital employed</td><td>Dec 31, 2020</td><td>Dec 31, 2019</td></tr> <tr> <td>December 31, 2020 (3,539) + December 31, 2019 (3,602) / 2</td><td>3,571</td><td></td></tr> <tr> <td>December 31, 2019 (3,602) + December 31, 2018 (3,264) / 2</td><td></td><td>3,433</td></tr> </table> <table> <tr> <td>Calculation of return on capital employed</td><td>Dec 31, 2020</td><td>Dec 31, 2019</td></tr> <tr> <td>Profit/loss after net financial items</td><td>-502</td><td>-111</td></tr> <tr> <td>Plus financial expenses</td><td>96</td><td>36</td></tr> <tr> <td>Average capital employed</td><td>3,571</td><td>3,433</td></tr> <tr> <td>Return on capital employed, %</td><td>-11.4%</td><td>-2.2%</td></tr> </table>	Calculation of average capital employed	Dec 31, 2020	Dec 31, 2019	December 31, 2020 (3,539) + December 31, 2019 (3,602) / 2	3,571		December 31, 2019 (3,602) + December 31, 2018 (3,264) / 2		3,433	Calculation of return on capital employed	Dec 31, 2020	Dec 31, 2019	Profit/loss after net financial items	-502	-111	Plus financial expenses	96	36	Average capital employed	3,571	3,433	Return on capital employed, %	-11.4%	-2.2%	<p>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.</p>
Calculation of average capital employed	Dec 31, 2020	Dec 31, 2019																								
December 31, 2020 (3,539) + December 31, 2019 (3,602) / 2	3,571																									
December 31, 2019 (3,602) + December 31, 2018 (3,264) / 2		3,433																								
Calculation of return on capital employed	Dec 31, 2020	Dec 31, 2019																								
Profit/loss after net financial items	-502	-111																								
Plus financial expenses	96	36																								
Average capital employed	3,571	3,433																								
Return on capital employed, %	-11.4%	-2.2%																								

FINANCIAL DEFINITIONS

KEY INDICATORS	DEFINITION	PURPOSE																					
Return on equity	<p>Profit for the period as a percentage of average shareholders' equity. Accumulated interim periods are based on rolling 12-month earnings.</p> <table> <tr> <td>Calculation of average shareholders' equity</td><td>Dec 31, 2020</td><td>Dec 31, 2019</td></tr> <tr> <td>December 31, 2020 (1,946) + December 31, 2019 (2,179) / 2</td><td>2,063</td><td></td></tr> <tr> <td>December 31, 2019 (2,179) + December 31, 2018 (2,272) / 2</td><td></td><td>2,226</td></tr> <tr> <td>Calculation of return on shareholders' equity</td><td>Dec 31, 2020</td><td>Dec 31, 2019</td></tr> <tr> <td>Earnings for the period</td><td>-358</td><td>-82</td></tr> <tr> <td>Average shareholders' equity</td><td>2,063</td><td>2,226</td></tr> <tr> <td>Return on equity %</td><td>-17.4%</td><td>-3.7%</td></tr> </table>	Calculation of average shareholders' equity	Dec 31, 2020	Dec 31, 2019	December 31, 2020 (1,946) + December 31, 2019 (2,179) / 2	2,063		December 31, 2019 (2,179) + December 31, 2018 (2,272) / 2		2,226	Calculation of return on shareholders' equity	Dec 31, 2020	Dec 31, 2019	Earnings for the period	-358	-82	Average shareholders' equity	2,063	2,226	Return on equity %	-17.4%	-3.7%	<p>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.</p>
Calculation of average shareholders' equity	Dec 31, 2020	Dec 31, 2019																					
December 31, 2020 (1,946) + December 31, 2019 (2,179) / 2	2,063																						
December 31, 2019 (2,179) + December 31, 2018 (2,272) / 2		2,226																					
Calculation of return on shareholders' equity	Dec 31, 2020	Dec 31, 2019																					
Earnings for the period	-358	-82																					
Average shareholders' equity	2,063	2,226																					
Return on equity %	-17.4%	-3.7%																					
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	2020	2019
Revenue	5, 6, 7	6,871	6,725
Production and administration expenses		-7,218	-6,732
Gross profit		-347	-7
Sales and administration expenses		-80	-85
Earnings effect of establishment of joint ventures		2	-
Share in profit of associates and joint ventures	20	11	8
Operating profit/loss	8, 9, 10, 11	-414	-84
Financial income	12	9	12
Financial expenses	13	-97	-39
Net financial items		-88	-27
Earnings after financial items		-502	-111
Taxes	15	144	29
Profit/loss for the year		-358	-82
Attributable to:			
Parent Company's shareholders		-358	-85
Non-controlling interests		0	3
Earnings per share			
Earnings per share before dilution, SEK		-15.82	-3.66
Earnings per share after dilution, SEK		-15.82	-3.66
Weighted average number of ordinary shares before dilution, number of shares		22,625,132	22,433,465
Weighted average number of ordinary shares after dilution, number of shares		22,657,467	22,558,676

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Note	2020	2019
Profit/loss for the year		-358	-82
Other comprehensive income			
Items that may be reclassified to profit/loss:			
Translation differences for the year		0	0
Total comprehensive income		-358	-82
Attributable to:			
Parent Company's shareholders		-358	-85
Non-controlling interests		0	3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK million	Note	Dec 31, 2020	Dec 31, 2019
ASSETS			
Non-current assets			
Intangible fixed assets	16	24	23
Other tangible fixed assets	18	416	298
Participations in associated companies and joint ventures	20	148	145
Deferred tax assets	30	15	–
Non-current interest-bearing receivables	21	1,354	37
Other non-current receivables	21	138	97
Contract assets, long	7	61	61
Total non-current assets		2,156	661
Current assets			
Project and development properties	22	1,740	3,274
Inventories	23	1	1
Accounts receivable	24	1,012	825
Accrued but not invoiced income	7.25	420	560
Prepaid expenses and deferred income	26	35	67
Other current receivables	27	394	184
Cash and bank balances		234	162
Total current assets		3,836	5,073
Total assets		5,992	5,734

FINANCIAL DEFINITIONS

SEK million	Note	Dec 31, 2020	Dec 31, 2019
EQUITY AND LIABILITIES			
Shareholders' equity	28		
share capital		2	2
Other capital contributions		947	821
Translation reserve		-1	-1
Retained earnings including profit/loss for the year		998	1,357
Equity attributable to Parent Company shareholders		1,946	2,179
Non-controlling interests		0	0
Total shareholders' equity		1,946	2,179
Non-current liabilities			
Non-current interest-bearing liabilities	29	840	962
Other non-current liabilities	29	31	185
Deferred tax liability	30	-	128
Other provisions	31	187	160
Total non-current liabilities		1,058	1,435
Current liabilities			
Current interest-bearing liabilities	29	768	461
Accounts payable		1,058	958
Current tax liabilities		2	12
Other current liabilities		392	227
Invoiced but not accrued income	7.25	618	347
Accrued expenses and prepaid income	32	150	115
Total current liabilities		2,988	2,120
Total equity and liabilities		5,992	5,734

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, 2019	2	807	-1	1,463	2,271	1	2,272
Total comprehensive income							
Profit/loss for the year				-85	-85	3	-82
Other comprehensive income							
Translation differences	-	-	0	-	-	-	0
Total other comprehensive income, after tax	-	-	0	0	0	0	0
Total comprehensive income	-	-	0	-85	-85	4	-82
Transactions with shareholders:							
Transaction with non-controlling interests	-	-	-	4	4	-4	0
Changed accounting policy, tenant-owner apartment project	-	-	-	-25	-25	-	-25
Share-related compensation	-	15	-	-	15	-	15
Convertible debentures	-	-1	-	-	-1	-	-1
Dividend	-	-	-	-	-	-	-
Share repurchases	-	-	-	-	-	-	-
Total transactions with shareholders	0	-14	-	-21	-7	0	-11
Closing balance as at December 31, 2019	2	821	-1	1,357	2,179	0	2,179

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, 2020	2	821	-1	1,357	2,179	0	2,179
Total comprehensive income							
Profit/loss for the year				-358	-358	0	-358
Other comprehensive income							
Translation differences	-	-	0	-	-	-	0
Total other comprehensive income, after tax	-	-	0	0	0	0	0
Total comprehensive income	-	-	0	-358	-358	0	-358
Transactions with shareholders:							
Transaction with non-controlling interests	-	-	-	0	0	0	0
Share-related compensation	-	4	-	-	4	-	4
Dividend	-	-	-	-	-	-	-
New share issue	0	121	-	-	121	-	121
Share repurchases	-	-	-	-	-	-	-
Total transactions with shareholders	0	125	-	0	125	0	125
Closing balance as at December 31, 2020	2	947	-1	998	1,946	0	1,946

CONSOLIDATED STATEMENT OF CASH FLOW

SEK million	Note	2020	2019
Cash flow from current operations			
Operating profit/loss		-414	-84
Adjustment for non-cash items	34	84	55
Interest received		8	5
Interest paid		-27	-28
Income taxes paid		-10	0
		-359	-52
Decrease (+)/increase (-) in project and development properties		-491	-285
Decrease (+)/increase (-) in inventories		0	0
Decrease (+)/increase (-) in accounts receivable		-182	147
Decrease (+)/increase (-) in receivables		24	-56
Decrease (+)/increase (-) in accrued but not invoiced		131	-227
Decrease (-)/increase (+) in accounts payable		100	-34
Decrease (-)/increase (+) in current liabilities		155	47
Decrease (+)/increase (-) in invoiced but not accrued income		270	-185
Cash flow from current operations		-352	-645
Investment activities			
Acquisition of fixed assets		-8	-52
Acquisitions of investment properties		-	-2
Sale of investment properties		-	300
Sale of fixed assets		-	0
Sale/dividend associated companies		7	-
Investments in associated companies		-5	-15
Divestments/decrease of financial assets		-14	-20
Cash flow from investment activities		-20	211

SEK million	Note	2020	2019
Financing activities			
New share issue	28	122	–
Borrowings	34	137	446
Amortization of loans	34	–375	–258
Dividend paid		–	–
Changes in financing activities	34	560	19
Cash flow from financing activities		444	207
Cash flow for the year		72	–227
Cash and equivalents at the beginning of the year		162	389
Cash and equivalents at year-end		234	162

PARENT COMPANY INCOME STATEMENT

SEK million	Note	2020	2019
Revenue	6	88	178
Sales and administration expenses	8	-95	-192
Operating profit/loss	9, 10, 11	-7	-14
Impairment on participations in Group companies	19	-12	-45
Financial income	12	5	3
Financial expenses	13	-101	-49
Net financial items		-108	-91
Year-end appropriations	14	-	-
Profit after financial items and appropriations		-115	-105
Tax on profit/loss for the year	15	0	3
Profit/loss for the year		-115	-102

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK million	Note	2020	2019
Profit/loss for the year		-115	-102
Other comprehensive income		-	-
Total comprehensive income		-115	-102

PARENT COMPANY BALANCE SHEET

SEK million	Note	Dec 31, 2020	Dec 31, 2019
ASSETS			
Non-current assets			
Tangible fixed assets			
Equipment, tools, fixtures and fittings	18	9	13
Total tangible fixed assets		9	13
Financial assets			
Participations in Group companies	19	306	300
Deferred tax assets	30	13	13
Other long-term receivables	21	3	3
Total financial fixed assets		322	316
Total non-current assets		331	329
Current assets			
Project and development properties	22	2	2
Current receivables			
Receivables from Group companies		1,372	1711
Other current receivables	27	1	2
Prepaid expenses and deferred income	26	5	13
Total current receivables		1,378	1726
Cash and bank balances		115	66
Total current assets		1,495	1,794
TOTAL ASSETS		1,826	2,123

SEK million	Note	Dec 31, 2020	Dec 31, 2019
EQUITY AND LIABILITIES			
Shareholders' equity	28		
<i>Restricted equity</i>			
share capital		2	2
Statutory reserve		1	1
		3	3
<i>Non-restricted equity</i>			
Share premium reserve		924	803
Profit/loss brought forward		–384	–287
Profit/loss for the year		–115	–102
		425	414
Total shareholders' equity		428	417
Non-current liabilities			
Non-current interest-bearing liabilities	29	522	699
Other provisions	31	2	2
Total non-current liabilities		524	701
Current liabilities			
Current interest-bearing liabilities	29	207	10
Accounts payable		9	22
Liabilities to Group companies		633	952
Current tax liabilities		1	1
Other current liabilities		6	6
Accrued expenses and prepaid income	32	18	14
Total current liabilities		874	1,005
TOTAL EQUITY AND LIABILITIES		1,826	2,123

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, 2019	2	1	803	-301	505
Profit/loss for the year				-102	-102
Total comprehensive income				-102	-102
Transactions with shareholders					
Dividend				-	-
Share repurchases				-	-
Convertible debentures				-1	-1
Share-related compensation				15	15
Total transactions with shareholders				14	14
Closing balance as at December 31, 2019	2	1	803	-389	417
Opening balance as at January 1, 2020	2	1	803	-389	417
Profit/loss for the year				-115	-115
Total comprehensive income				-115	-115
Transactions with shareholders					
Dividend				-	-
New share issue	0		121	-	121
Share repurchases				-	-
Convertible debentures				-	-
Share-related compensation				5	5
Total transactions with shareholders	0		121	5	126
Closing balance as at December 31, 2020	2	1	924	-499	428

STATEMENT OF CASH FLOWS, PARENT COMPANY

SEK million	Note	2020	2019
Cash flow from current operations			
Operating profit/loss		-7	-14
Adjustment for non-cash items	34	3	11
Interest received		5	3
Interest paid		-69	-49
Income taxes paid		0	0
		-68	-49
Decrease (+)/increase (-) in project and development properties		0	1
Decrease (+)/increase (-) in receivables		348	-154
Decrease (-)/increase (+) in accounts payable		-13	1
Decrease (-)/increase (+) in current liabilities		-330	-22
		5	-174
Cash flow from current operations		-63	-223
Investment activities			
Purchases of tangible fixed assets		-1	-4
Disposal of tangible fixed assets		2	0
Investments in associated companies		-	-5
Cash flow from investment activities		1	-9
Financing activities			
New share issue	28	122	-
Borrowings	34	-	103
Amortization of loans	34	-9	-115
Dividend paid	34	-	-
Changes in financing activities		-2	-
Cash flow from financing activities		111	-12
Cash flow for the year		49	-244
Cash and equivalents at the beginning of the year		66	310
Cash and equivalents at year-end		115	66

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") operations comprise comprehensive services in construction and project development. Serneke operates in both the public and private markets.

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

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

New accounting principles 2020

The following new accounting standards and interpretations are applied by the Group for the first time for fiscal years beginning on or after January 1, 2020.

IFRS 3 Business Combinations

IFRS 3 has been updated and one change is that the Group can choose to conduct a "concentration test", which means, if it shows that the acquisition is an asset acquisition, that no further assessment is required. However, the test never answers the question of whether or not an acquisition is a business combination, but rather can only indicate if it is an asset acquisition. This is an optional test that means that if substantially all of the fair value of the gross assets acquired can be attributed to an asset or a group of similar assets, the acquisition is an asset acquisition. If the test is done and it is not possible to show that it is an asset acquisition, further

assessment must be done to determine whether or not the acquisition is a business combination. The Group has not had any acquisitions during the year and the change of IFRS 3 has not entailed any difference to the Group.

No other new or amended IFRS or interpretations that became effective on January 1, 2020 have had a material impact on the Group's financial statements.

New accounting policies 2021 or later

There are no new or amended accounting standards or interpretations that have been published that enter into effect in 2021 and later that are deemed to have a material impact on the Serneke Group's financial statements.

Consolidated financial statements

The consolidated financial statements cover the Parent Company Serneke Group AB (publ) and the companies over which the Parent Company has a direct or indirect controlling interest (subsidiaries). The Group has a controlling interest over a company when it has influence over the investment object, exposure to or entitlement to a variable return from its involvement in the investment object, and an opportunity to exert its influence over the investment object to affect its return. Details of the composition of the Group are provided under Note 19.

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.

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

cont. Note 2

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.

IFRS lacks rules for how contingent considerations are to be recognized upon the acquisition of assets. For recognition of contingent considerations, the Company 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. When changes in the assumptions of the contingent consideration, debt is remeasured. 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

cont. Note 2

associate/joint venture is adjusted so that it complies with the Group's accounting policies.

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

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

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

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

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

Revenue from Contracts with Customers

Under IFRS 15, income is reported according to a five-stage model: The first stage identifies customer contracts. If two or more agreements have been entered with a customer and the pricing of one agreement is dependent on another agreement, these agreements are combined. An amendment to an agreement entails a change to an agreement approved by the parties to the agreement and exists when the parties to the agreement approve an amendment that either creates new rights and obligations for the parties to the agreement or amends existing ones. An 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 the follow the same pattern of conveyance to the customer. A product or service is distinct if the customer can benefit from that product or service separately or together with other resources available to the customer and if the company's promise to transfer the product or service to the customer can be distinguished from other promises in the agreement.

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

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

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

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 projects' final forecasts and modification and supplementation work that are not deemed to be independent agreements entail corrections of previously completed results. 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.

Serneke initiates and enters into agreements with newly established

cont. Note 2

Swedish tenant-owners' associations for the construction of homes. The terms in these agreements are such that Serneke has a controlling influence and thereby consolidates the tenant-owners' associations during the construction period and until the end customer's occupancy when Serneke no longer has a controlling influence. Upon the end customer's occupancy, the tenant owner association is deconsolidated and the income is recognized. Homes that have not yet been occupied are reported as project and development property.

Sale of properties and development rights

On disposal of properties or development rights directly or indirectly through a sale of shares, the underlying property or development right's value is recognized in the Group as income. The sales revenue from property sales is recognized at occupancy and the revenue is valued at the contractual transaction price. The compensation is normally due for payment when the right of ownership has been transferred. If the terms of payment exceed 12 months, the transaction price may be adjusted for effects of significant financing components. When contracts include property sales, development rights and construction contracting to the buyer of the planned building, an assessment is made regarding whether the property and/or development rights transactions and the construction contract are separate performance undertakings. Depending on the design and terms of the agreement, the sale can be seen as one or several performance undertakings. Sales revenues are recognized at the point in time at which control is transferred to the buyer. Control is transferred over time if the seller has no alternative use for the property sold and the seller is entitled to payment from the customer for the work performed. In such cases, income is reported applying percentage of completion. If any of the above criteria are not met, the revenue is recognized at a time when it is completed and turned over to the customer and that there is no alternative use and Serneke has the right to payment.

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

Rental income

Income also includes rental income, which is to be considered as operating leases under IFRS 16. Rental income is invoiced in advance and recognized on a straight-line basis in the income statement based on the terms of the lease agreements. Advance rent is reported as prepaid rental income. In cases where the rental contract allows a reduced rent for a certain period of time, which is compensated for by higher rent during another period, this is allocated across the term of the contract.

Other income

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

Dividend income

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

Interest income

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

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

Government grants

Grants from the government are recognized at fair value when there is a reasonable assurance that the grant will be received and that the Group will fulfill the terms that are associated with the grant. Government grants that pertain to cost coverage are allocated to periods and recognized as income in the income statement over the same periods as the costs the grants are intended to cover. Government grants are presented as other income in the consolidated income statement.

A breakdown of income is provided in Note 6.

Employee benefits

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

Defined contribution plans

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

Borrowing expenses

Borrowing expenses that are directly attributable to the purchase, design or production of an asset that out of necessity takes a considerable amount of time to complete for its intended use or sale, are included in the asset's acquisition cost up until the point that the asset has been completed for its intended use or sale. Interest income from temporary investment of borrowed funds for the asset described above is deducted from the borrowing expenses that may be included in the asset's acquisition cost.

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

Taxes

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

Current tax

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

Deferred tax

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

A deferred tax liability is recognized for taxable temporary differences attributable to investments in subsidiaries, except in cases where the

cont. Note 2

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.

Tax liability

An assessment is made as to whether or not it is likely that the tax authority or court will accept the tax treatment in the income tax return; otherwise, the effect of the uncertainty is estimated and recognized in the financial statements as a tax liability.

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.

Right of use assets and lease liabilities

A right of use asset (ROU asset) is an asset that the Group according to a contract has a right to use for a period of time in exchange for compensation, something that is called a lease. In order to count as an ROU asset for the Group, the agreement must give the right to control the user of an identified asset where the Group receives all identified financial benefits and the right to control the use of the identified asset. The Group may not be considered to have control over the asset if the supplier has practical possibilities of replacing the asset with alternative assets during the period of use and that it would entail a financial advantage for the supplier to exercise the right.

The Group has chosen to apply the exception, which means that short-term agreements and leases for which the underlying asset is of lesser value are not considered to be ROU assets. Payments for these contracts are expensed straight-line in the income statement.

Leasing term

The leasing term is defined as the interminable period for which the lessee has the right to use the underlying asset, together with:

- i) periods that are covered by a possibility to extend the lease if the lessee is reasonably certain of utilizing that alternative, and

- li) periods that are covered by a possibility to terminate the lease if the lessee is reasonably certain of not utilizing that alternative.

It is primarily property contracts where possibilities of extension or termination have a significant impact on the leasing liability. For vehicles and other equipment, such possibilities have not generally been included in the leasing term as the underlying assets in most cases are returned when the original leasing term is over.

Valuation of ROU asset and leasing liability

ROU assets shall be valued at their nominal value and consist of the following:

- At the start date, the lessee shall value the leasing liability at the present value of the leasing fees that have not been paid at this time. The leasing fees shall be discounted using the lease's implicit interest rate if this interest rate can easily be determined. If this interest rate cannot be easily determined, the lessee shall use the lessee's marginal loan interest.
- Any leasing fees paid at or before the start date
- The lessee's possible initial direct expenses (excluding expenses for construction or design of the underlying asset)
- An estimate of the lessee's expenses for disassembly and removal of the underlying asset, restoration of the site where it is or restoration of the underlying asset to the conditions prescribed in the lease terms.
- Deduction for accumulated depreciation and any accumulated impairment, and
- Consideration of adjustment for any revaluation of the leasing liability
 - upon a change of the lease, the revised leasing fees should be determined based on the updated lease terms either as a new lease or
 - upon a possible change of the assessment of an option to buy the underlying asset, or
 - upon a possible revaluation that arises when a change is made in the amounts that are expected to be paid out according to a residual value guarantee or
 - upon an evaluation that happens as a result of changes in an index or price

The right of use is depreciated straight-line over the shorter of the asset's useful life and the term of the lease. IFRS 16 establishes that the implicit interest rate for every lease shall be applied to the calculation of the leasing liability. Serneke has used this interest rate when it is available. However, in most cases, the implicit interest rate is not available. In such a situation, IFRS 16 refers to an alternative approach that means that the lessee's marginal loan rate can be applied. The marginal loan rate that Serneke uses is estimated based on Serneke's contract length, interest margin and the interest level in the country where the asset is leased.

cont. Note 2

Managed properties

In 2019, the Board of Directors conducted a strategic review of the Group's properties. The new strategic focus means that the intention with all properties is that they are to be sold within the near future after completion, and the earlier investment properties have thereby been reclassified to project and development properties.

Properties acquired for more long-term strategic development are classified as investment properties when the Group's intention with the holding was to manage it for the purpose of generating rental income and earnings from property management, or an increase in value, or a combination of the two. These properties are initially recognized at acquisition cost for each acquisition, but the properties are subsequently measured at market value in accordance with IAS 40. Any impairment needs are fully reserved when identified. See Note 17 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.

Operating properties

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

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

Impairment of tangible fixed assets

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

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

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

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

Financial instruments

Financial assets

Financial assets are classified within the following valuation categories:

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

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

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

Financial liabilities

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

- financial liabilities valued at fair value through profit or loss (such liabilities, including derivatives that are liabilities, are subsequently valued at fair value)
- financial liabilities that arise when the transfer of a financial asset does not meet the conditions for being removed from the statement of financial position or when a continued commitment applies
- financial guarantee agreements
- a loan commitment at an interest rate below market interest rates

- a conditional additional purchase consideration recognized by a purchaser in connection with a business combination covered by IFRS 3 (any such conditional additional purchase consideration is subsequently valued at fair value with changes being recognized in the income statement)

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

Financial instruments reported in Serneke's financial statements are cash and cash equivalents, loan receivables, accounts receivable, accounts payable and loan liabilities. All financial instruments in Serneke are valued at amortized cost, except for the shareholder loan towards Karlornet AB and a minor item in other non-current receivables, and supplementary purchase considerations that are recognized under other non-current liabilities (see information in Note 4).

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.

cont. Note 2

Project and development properties

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

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

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

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

Inventories

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

Appropriations

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

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

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

Shareholders' equity

Repurchased shares

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

Dividends

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

Related-party transactions

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

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

Accounting policies for the Parent Company

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

With regard to IFRS 16 Leases, RFR 2 contains an exception that means that leases can be recognized as operating leases when the Parent Company is the lessee and the changes with IFRS 16 compared with IAS 17 Leases have not had any impact on the Parent Company as the Company chose to use the exception in RFR 2 and does not recognize leases on the balance sheet.

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

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

Classification and presentation

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

Subsidiary

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

Group contributions

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

Pensions

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

NOTE 3 KEY ESTIMATES AND ASSESSMENTS

Significant sources of uncertainty in estimates

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

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

- On the disposal of properties and development rights, different assessments and estimates may be made regarding the likelihood of various factors, such as changes to detailed development plans, assessment of multiple performance commitments and allocation of purchase consideration to the various performance items and outstanding commitments, which could have a highly significant impact on the Group's performance and financial position. Outstanding commitments may also be difficult to identify by their nature and extent. A sale may be conditional on a future detailed development plan being accepted. In the event that the detailed development plan is not accepted, the occurrence of which had been assessed by the Group as highly probable, there could be significant impact on performance and financial position.
- In connection with sales of properties and development rights, business arrangements occur that mean that the agreed property value is based on whether or not government assistance in the form of investment grants will be paid out to the buyer in connection with the completion of the property. In order to obtain investment support, there are clear criteria on what needs to be fulfilled in the newly produced property. In the event that investment support would not be obtained by the buyer, which the Group had assessed as very likely to be obtained, this could have a significant impact on performance and financial position.
- The reported earnings of ongoing construction projects are determined under the percentage-of-completion method based on the project's completion. A fundamental condition in order to assess the percentage-of-completion method is for project income and project expenses

to be reliably determined. The assessment of project income and project expenses is based on a number of estimates and assumptions that rely on project managers' experience and knowledge of project management. An important assessment is modifications and supplementary work recognized as income that have not yet been approved in writing by the client. There is a risk that the final outcome of a project may differ from the gradually accumulated results.

- Within the framework of Serneke's ordinary operations, Serneke is from time to time involved in various legal disputes. In these cases, an assessment of the commitments and responsibilities as well as the probability of the outcome is determined. The assessment is based on information and knowledge that exists in the current situation. The assessment is in any case difficult, and the final outcome may be different than predicted, which may have significant impact on the reporting and monitoring.
- 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.
- On December 17, 2020, Serneke and Balder entered a share transfer agreement meaning that Balder acquires 50 percent of the shares of Karlatornet AB ("the Joint Venture"). The Joint Venture is a newly established company that has acquired all of the Karlatornet assets from Serneke at their book value of SEK 1.6 billion against a promissory note in the form of an interest-bearing shareholder loan of SEK 1.4 billion. Karlatornet will be fully financed through further shareholder loans from Balder of SEK 500 million and a construction credit from Nordea of around SEK 3 billion. For Balder's commitment to invest SEK 500 million in Karlatornet and provide a joint guarantee for the construction credit of SEK 3 billion, Balder's shares in the Joint Venture entitle it to a fixed preference dividend of SEK 600 million. The dividend is to be paid according to the waterfall principle after Nordea's construction credit and Balder's shareholder loans plus interest have been repaid. Once the project is complete and the aforementioned loan and dividend have been repaid, Serneke will recoup its entire invested capital of SEK 1.4 billion plus interest together with the remaining project profit in the Joint Venture. The repayment presupposes that underlying estimates continue as forecast and, if a deviation were to arise that means that appropriated earnings are not available to enable the dividend to Balder, Serneke has committed to convert the shareholder loan to a conditional shareholder contribution.

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. In order to ensure good payment capacity, liquidity forecasts are made, a long-term one for 12 months forward that is made monthly and a short-term one for the upcoming quarter that is made weekly. At year-end, there was available liquidity as detailed below.

The cash situation is continuously assessed by the Board of Directors and Group Management. Work on sales of the Group's project portfolio is a part of Serneke's operations and is continuing among other things with the aim of balancing the tied-up capital and freeing liquidity. The Board's assessment is that Serneke is acting based on good business order and ensuring that adequate liquidity is obtained to ensure continued operations.

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 credit facility with Nordea of SEK 500 million can be used as a credit account or bank guarantees and is subject to customary covenants regarding equity/assets ratio and EBITDA. The EBITDA covenant's first reference date is March 31, 2021. The covenant was fulfilled at the reporting date on December 31, 2020.

GROUP	Available liquidity	
	Dec 31, 2020	Dec 31, 2019
Cash and bank balances	234	162
Unused bank overdraft	412	530
Total	646	692

cont. Note 4

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 29.

Currency risk

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

Credit and counterparty risk

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

Credit risk in accounts receivable

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

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.

Accounts receivable are spread across a large number of customers and no single customer accounts for a significant portion 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 24 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.

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

GROUP 2020 SEK M	Currency	Average interest rate on the balance sheet date, %	Nominal amount original currency	Amount SEK, including interest	Maturing 2021	Maturing 2022–2023	Maturing 2024 or later
Bank loans, long term	SEK	1.69	32	35	1	14	20
Bank loans, short term	SEK	3.40	214	221	221	–	–
Liabilities regarding leasing	SEK	1.25–3	368	401	89	65	247
Debenture	SEK	8.25	700	801	243	558	–
Other	SEK	1.45	275	277	277	–	–
Total interest-bearing financial liabilities			1,589	1,735	831	637	267
Accounts payable	SEK	–	1,058	1,058	1,058	–	–
Other liabilities	SEK	–	1,317	1,317	1,317	–	–
Total non-interest-bearing financial liabilities			2,375	2,375	2,375	–	–
Total financial liabilities			3,964	4,110	3,206	637	267

GROUP 2019 SEK M	Currency	Average interest rate on the balance sheet date, %	Nominal amount original currency	Amount SEK, including interest	Maturing 2021	Maturing 2022–2023	Maturing 2024 or later
Bank loans, long term	SEK	2.46%	68	74	2	41	31
Bank loans, short term	SEK	2.79%	409	420	420	–	–
Liabilities regarding leasing	SEK	1.25%	243	252	46	61	145
Convertible debentures	SEK	2.60%	8	8	8	–	–
Debenture	SEK	5.25%	700	755	37	718	–
Total interest-bearing financial liabilities			1,428	1,509	513	820	176
Accounts payable	SEK	–	958	958	958	–	–
Other liabilities	SEK	–	771	771	771	–	–
Total non-interest-bearing financial liabilities			1,729	1,729	1,729	–	–
Total financial liabilities			3,157	3,238	2,242	820	176

Further information is provided under Note 29.

cont. Note 4

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 the shareholder loan against Karlatornet AB, 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 2020	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					
Non-current interest-bearing receivables	1,320	–	34	1,354	1,354
Other long-term receivables	–	2	197	199	199
Accounts receivable	–	–	1,012	1,012	1,012
Other current receivables	–	–	814	814	814
Cash and bank balances	–	–	234	234	234
Total financial assets	1,320	2	2,292	3,614	3,614
Financial liabilities					
Convertible debentures	–	–	–	–	–
Liabilities to credit institutions	–	–	247	247	247
Debenture	–	–	719	719	700
Lease liability	–	–	368	368	368
Other current and non-current liabilities	23	–	1,294	1,317	1,317
Accounts payable	–	–	1,058	1,058	1,058
Total financial liabilities	23	–	3,686	3,709	3,690
GROUP 2019	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	–	3	192	195	195
Accounts receivable	–	–	825	825	825
Other current receivables	–	–	744	744	744
Cash and bank balances	–	–	162	162	162
Total financial assets	–	3	1,923	1,926	1,926
Financial liabilities					
Convertible debentures	–	–	8	8	8
Liabilities to credit institutions	–	–	477	477	477
Debenture	–	–	695	695	700
Lease liability	–	–	243	243	243
Other current and non-current liabilities	23	–	748	771	771
Accounts payable	–	–	958	958	958
Total financial liabilities	23	–	3,129	3,152	3,157

cont. Note 4

Calculation of fair value

Financial assets and financial liabilities measured at fair value in the balance sheet are classified according to one of three levels based on the information used to establish the fair value. The tables below give details of the Group and Parent Company's classification of financial assets and liabilities measured at fair value. No significant transfers have been made between the levels during the periods. In 2019, investment properties were reclassified to project and development properties and the Group now has no properties valued at fair value.

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

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

Examples of observable data within Level 2 are:

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

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

The most important item is described below:

The shareholder loan against Karlatornet of SEK 1,386 million has been appraised at market value and discounted with an interest rate amounting to the difference between the estimated market rate and the agreed rate at initial recognition based on the requirements set in IFRS 10 concerning when a subsidiary becomes an associated company. The valuation is based on observable interest rates and dividends that were agreed with more senior credits from Nordea and Balder within the scope of the financing of Karlatornet. The market value of the shareholder loan against Karlatornet amounts to SEK 1,320 million at December 31, 2020. A change in the discount rate by 100 percentage points would increase/decrease fair value by SEK 42 million.

In 2018, an asset acquisition was done of a property at an underlying property value of SEK 26 million from Ola Serneke Holding 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 30 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 2020, the Group's equity/assets ratio amounted to 32.5 percent (38). The Group is subject to externally imposed capital requirements, which are detailed under Note 29.

GROUP	Level 1		Level 2		Level 3		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Financial assets								
Non-current interest-bearing receivables	–	–	–	–	1,320	–	1,320	–
Financial assets available for sale	–	–	–	–	2	2	2	2
Total financial assets	–	–	–	–	1,322	2	1,322	2
Financial liabilities								
Other current and non-current liabilities	–	–	–	–	23	23	23	23
<i>Of which, additional purchase considerations</i>	–	–	–	–	23	23	23	23
Total financial liabilities	–	–	–	–	23	23	23	23

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. At the beginning of 2020, a reorganization was made and the change entailed a new segment reporting. The Serneke Group has since been divided into three business areas: Sweden, Invest and International. These business areas constitute the Group's reportable operating segments.

Information according to the new segment reporting for the 2019 financial year has only been restated for the items where the cost of preparing these items is not unreasonable (in accordance with IFRS 8). Information that is missing in the 2019 segment reporting compiled based on the new segments is marked with an asterisk (*).

Operating segment

Sweden: In Sweden, contracting is conducted in construction, civil engineering and infrastructure-related operations and project development operations through the development of project and development properties. The business area performs contracts for both external customers and for Business Area Invest.

Invest: Invest conducts development projects with a higher degree of complexity, higher transaction risk and a greater need for tied-up capital. The business area creates internal assignments for Serneke Sweden's contract operations.

International: Is the business area that gathers the Group's international efforts. This business area is starting up and today consists of a participating interest in a construction company in Australia and an on-going project export effort.

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

The respective business area's assets that are monitored in the various business areas are presented in the segment information.

Consolidated income and profit

GROUP 2020 Amounts in SEK million	Sweden	Invest	International	Group-wide	Elimination	Group
External sales	6,582	288	–	1	–	6,871
Internal sales	408	37	–	87	–532	–
Total income	6,990	325	–	88	–532	6,871
Operating profit/loss	–331	–91	–13	0	21	–414
Financial income	7	2	–	3	–3	9
Financial expenses	–13	–73	–	–13	3	–97
Net financial items	–6	–71	–	–11	–	–88
Taxes	89	80	2	–23	–5	144
Profit/loss for the year	–248	–81	–11	–35	16	–358

SEK million SEK million	Sweden	Invest	International	Group-wide	Elimination	Total segment
ASSETS						
Goodwill	23	–	–	–	–	23
Deferred tax assets	100	45	2	–137	4	15
Participations in associated companies and joint ventures	3	160	3	0	–18	148
Other fixed assets	302	1,621	7	48	–7	1,970
Project and development properties	259	1,497	–	2	–18	1,740
Accrued but not invoiced	412	7	–	0	1	420
Other current assets	2,215	2,959	13	1,691	–5,202	1,676
Total assets	3,313	6,289	25	1,605	–5,240	5,992

OTHER SEGMENT INFORMATION SEK million SEK million	Sweden	Invest	International	Group-wide	Elimination	Total segment
Depreciation	–38	–20	–	–13	–	–71
Share of earnings associates and joint ventures	–1	14	–1	–	0	11

cont. Note 5

GROUP 2019 Amounts in SEK million						
	Sweden	Invest	International	Group-wide	Elimination	Group
Revenue	6,693	405	0	147	-520	6,725
Operating profit/loss	88	-134	-1	1	-38	-84
Financial income	*	*	*	*	*	12
Financial expenses	*	*	*	*	*	-39
Net financial items	*	*	*	*	*	-27
Taxes	*	*	*	*	*	29
Profit/loss for the year	*	*	*	*	*	-82

SEK million SEK million						
	Sweden	Invest	International	Group-wide	Elimination	Total segment
ASSETS						
Goodwill	23	—	—	—	—	23
Participations in associated companies and joint ventures	1	139	5	—	—	145
Other fixed assets	*	*	*	*	*	494
Project and development properties	643	2,629	—	2	—	3,274
Accrued but not invoiced	*	*	*	*	*	560
Other current assets	*	*	*	*	*	1,238
Total assets	*	*	*	*	*	5,734

OTHER SEGMENT INFORMATION SEK million SEK million						
	Sweden	Invest	International	Group-wide	Elimination	Total segment
Depreciation	*	*	*	*	*	-50
Share of earnings associates and joint ventures	-1	10	-1	—	0	8

* Information that is missing in the 2019 segment reporting based on the new segments

NOTE 6 BREAKDOWN OF INCOME

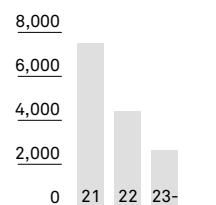
Jan-Dec 2020, SEK million	Group					Total	Parent Company
	Sweden	Invest	International	Group-wide	Eliminations		
Construction income	6,415	93	–	–	–444	6,064	–
Sale of properties and development rights	553	190	–	–	–	743	–
Rental income	0	8	–	12	–12	8	12
Other income	22	34	–	76	–76	56	76
Total income	6,990	325	0	88	–532	6,871	88
Date of income recognition:							
At a specific time	575	224	–	76	–76	799	76
Over time	6,415	101	–	12	–456	6,072	12
Total income	6,990	325	0	88	–532	6,871	88

Jan-Dec 2019, SEK million	Group					Total	Parent Company
	Sweden	Invest	International	Group-wide	Eliminations		
Construction income	6,388	143	–	–	–373	6,158	–
Sale of properties and development rights	286	180	–	–	–	466	–
Rental income	0	17	–	–	–	17	0
Other income	19	65	–	147	–147	84	178
Total income	6,693	405	0	147	–520	6,725	178
Date of income recognition:							
At a specific time	305	245	–	147	–147	550	178
Over time	6,388	160	–	–	–373	6,175	–
Total income	6,693	405	0	147	–520	6,725	178

Government grants related to COVID-19 pertain to support for short-term work, transition support and sick pay costs and amount to SEK 15 million (0). Government grants are presented as other income in the consolidated income statement. There are no unfulfilled terms or contingent liabilities that are tied to these grants.

Order backlog over time

The external order backlog as of December 31, 2020 amounted to SEK 13,619 million and is distributed over time as below:



NOTE 7 CONTRACT ASSETS AND LIABILITIES

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

	Dec 31, 2020	Dec 31, 2019
Contract assets attributable to construction contracts	420	560
Contract assets attributable to property sales	61	61
Total contract assets	481	621
Contract liabilities – construction contracts	618	347
Contract liabilities – property sales	–	–
Total contract liabilities	618	347

CONTRACT ASSETS	Dec 31, 2020	Dec 31, 2019
Opening balance	621	803
Earned income during the year, not yet invoiced	394	540
Earned income during the year, invoiced during the year	1,706	3,278
Contract assets that were previously recognized as revenue	–	–90
Invoicing	–2,240	–3,909
Carrying amount at year-end	481	621

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

CONTRACT LIABILITIES	Dec 31, 2020	Dec 31, 2019
Opening balance	347	532
Invoicing	4,150	1,990
Earned income during the year, invoiced during the year	–3,505	–1,702
Earned income during the year, invoiced previous years	–374	–473
Carrying amount at year-end	618	347

NOTE 8 OPERATING EXPENSES BY TYPE OF EXPENSE

	Group		Parent Company	
	2020	2019	2020	2019
Material	-1,341	-974	-	-
Subcontractors	-4,118	-3,865	-	-
Staff	-965	-978	-47	-94
Carrying amount sold project and development properties	-179	-292	-	-
Other production expenses	-485	-519	-	-
Depreciation	-71	-50	-2	-3
Impairment losses	-	-	-	-
Other	-139	-139	-46	-95
Total	-7,298	-6,817	-95	-192

NOTE 9 THE AUDITOR'S FEE AND COST COMPENSATION

	Group		Parent Company	
	2020	2019	2020	2019
PwC				
auditing assignments	2	-	2	-
auditing-related services	0	-	0	-
tax consultancy	0	0	0	0
Consultation	1	4	1	4
Total PwC	3	4	3	4

PwC was appointed as the primary auditing firm in 2020.

	Group		Parent Company	
	2020	2019	2020	2019
Deloitte				
auditing assignments	-	2	-	2
auditing-related services	0	1	0	1
tax consultancy	0	0	0	0
Consultation	-	0	-	0
Total Deloitte	0	3	0	3

Deloitte was appointed as the primary auditing firm in 2013-2019.

NOTE 10 LEASING

Leases with the Serneke Group as the lessee are mainly rental agreements. In addition to rental agreements, a number of smaller leases were identified, such as vehicles, machinery and construction equipment. The ROU asset is recognized under tangible fixed assets and the leasing liability under long and short interest-bearing liabilities.

GROUP

Income statement	2020	2019
Depreciation of ROU assets	-65	-44
Interest expenses for leasing liabilities	-8	-2
Profits or losses from ROU assets	0	0
Total expenses, capitalized leasing liabilities	-73	-46
Leases of a low value and with shorter lifespans	-72	-112
Total expenses from non-capitalized leases	-72	-112
Total expenses from leases	-145	-158

	Premises	Vehicles	Machinery and construction equipment	ROU assets
Acquisition cost, opening balance	178	117	1	296
Transition effect IFRS 16	-	-	-	-
Purchasing	164	40	-	204
Disposal/retirement	-	-37	-	-37
Closing accumulated acquisition cost	342	120	1	463
Opening depreciation	-21	-34	0	-55
Transition effect IFRS 16	-	-	-	-
Disposal/retirement	-	18	-	18
Depreciation for the year	-43	-22	0	-65
Closing accumulated depreciation	-64	-38	0	-102
Closing carrying amount	278	82	1	361

cont. Note 10

For lease liabilities and maturity analysis, refer to Note 4.

PARENT COMPANY

Operating leases – lessee

Operating lease expense for the year:

	Parent Company	
	2020	2019
Minimum lease payments	12	19
Variable payments	2	2
Total	14	21

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

	Parent Company	
	Dec 31, 2020	Dec 31, 2019
Within one year	11	13
1–5 years	31	48
Later than 5 years	0	0
Total	42	61

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

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

AVERAGE NUMBER OF EMPLOYEES	2020		2019	
	Number of employees	Of which number of men	Number of employees	Of which number of men
Parent Company				
Sweden	35	13	81	34
Total in the Parent Company	35	13	81	34
Subsidiary				
Sweden	1,149	931	1,089	916
Total for subsidiaries	1,149	931	1,089	916
Total in Group	1,184	944	1,170	950

TOTAL SALARIES, REMUNERATION ETC.	2020		2019	
	Salaries and other remunerations	Social security contributions (of which pension costs)	Salaries and other remunerations	Social security contributions (of which pension costs)
Parent Company	31	14	52	25
		(5)		(7)
Subsidiary	625	258	584	241
		(62)		(58)
Total group	656	272	636	266
		(67)		(65)

DISTRIBUTION AMONG SENIOR EXECUTIVES AT BALANCE SHEET DATE	Parent		Subsidiary	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Women:				
Board members	3	3	0	0
other senior executives	0	0	0	0
Men:				
Board including CEO	5	4	1	4
other senior executives	6	8	0	0
Total	14	15	1	4

REMUNERATION TO SENIOR EXECUTIVES Details in SEK thousand

2020	Basic salary/ Fee	Other benefits	Pension costs	Total
Chairman of the Board Jan C. Johansson	533	–	–	533
Chairman of the Board Kent Sander **	250	–	–	250
Board Member Per Åkerman	233	–	–	233
Board Member Mari Broman	383	–	–	383
Board Member Ludwig Mattsson	333	–	–	333
Board Member Anna-Karin Celsing **	92	–	–	92
Member of the Board & CEO Ola Serneke	3,936	11	–	3,947
Board Member Anna Belfrage	300	–	–	300
Board Member Fredrik Alvarsson	325	–	–	325
Board Member Veronica Rörsgård	233	–	–	233
Deputy CEO Michael Berglin	2,536	228	790	3,554
Other senior executives*	9,102	604	2,184	11,890
Total	18,256	843	2,974	22,073
Of which remuneration from Parent Company	15,656	734	2,936	19,326

cont. Note 11

2019	Basic salary/ Fee	Other benefits	Pension costs	Total
Chairman of the Board Kent Sander	750	–	–	750
Board Member Mari Broman	363	–	–	363
Board Member Ludwig Mattsson	308	–	–	308
Board Member Anna-Karin Celsing	275	–	–	275
Member of the Board & CEO Ola Serneke	3,933	137	–	4,070
Board Member Anna Belfrage	200	–	–	200
Board Member Fredrik Alvarsson	183	–	–	183
Deputy CEO Michael Berglin	2,734	201	553	3,488
Other senior executives*	12,583	906	3,326	16,815
Total	21,329	1,244	3,879	26,452
Of which remuneration from Parent Company	15,498	720	2,394	18,612

* Other senior executives' refers to the individuals in addition to the CEO and the Vice CEO who are members of Serneke's Group Management. At the end of 2020, Group Management comprised 7 people (9), including the CEO.

** In 2020, Kent Sander and Anna-Karin Celsing left the Board. In the table above, remuneration for this person has only been included for the period in which they were a member of the Board of Directors and in the capacity as the chairman and a member of the Board.

Variable remuneration

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

Incentive program

In the Group, there are share savings programs for the employees for the years 2018–2023. Employees who have joined the programs acquire Class B shares in Serneke. If the employees keep the savings shares during the savings period of around three years and are also employed during the period, they 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.

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	
	2020	2019	2020	2019
Interest income	4	12	5	3
Exchange gains	5	0	0	0
Other	0	0	0	0
Total financial income	9	12	5	3

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

NOTE 13 FINANCIAL EXPENSES

	Group		Parent Company	
	2020	2019	2020	2019
Interest expenses	–28	–39	–13	–12
Interest expense attributable to bond loans	–	0	–86	–37
Interest expense attributable to revaluation of shareholder loans	–66	–	–	–
Interest expense attributable to convertible debentures	0	0	0	0
Exchange rate losses	0	0	0	0
Other	–3	0	–2	0
Total financial expenses	–97	–39	–101	–49

All interest expenses, except those that are attributable to the shareholder loan, are attributable to financial liabilities measured at amortized cost. Financial expenses were affected by the sale of Karlatornet where the shareholder loan of SEK 1.4 billion was appraised at market value and discounted with an interest amounting to the difference between an estimated market rate and the agreed rate. This had an effect of an expense of SEK 66 million. As the project progresses according to the forecast estimate, an equivalent amount will gradually impact net interest income positively. During the year, capitalized loan expenses on project and development properties amounted to SEK 59 million (51).

NOTE 14 APPROPRIATIONS

	Parent Company	
	2020	2019
Group contributions received	–	–
Group contributions paid	–	–
Total appropriations	–	–

NOTE 15 TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
	2020	2019	2020	2019
CURRENT TAX				
Current tax on profit for the year	–	0	–	–
Adjustments recognized in current year regarding prior years' current tax	0	0	–	–
Total	0	0	–	–
	Group		Parent Company	
	2020	2019	2020	2019
DEFERRED TAX				
Deferred tax on losses	97	25	0	3
Deferred tax attributable to temporary differences	47	4	0	0
Total	144	29	0	3
Total tax	144	29	0	3

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

RECONCILIATION TAX EXPENSE FOR THE YEAR	Group		Parent Company	
	2020	2019	2020	2019
Profit/loss before tax	–502	–111	–115	–105
Recognized tax for the year	144	29	0	3
Theoretical tax expense	107	24	25	22
Difference	37	5	–25	–19
The difference is explained by				
Tax effect of non-deductible expenses	–25	–2	–24	–19
Tax effect of non-taxable income	72	5	–	–
Tax effect, rolled in loss carry-forwards, not booked earlier years	–	6	–	–
Tax effect of non-taxable income from divested properties	–	0	–	–
Tax effect of share in profit of associates	3	2	–	–
Tax effect due to new tax rate 20.6 and 21.4.	–4	–7	–1	–
Taxes attributable to previous years	–9	0	–	–
Total	37	5	–25	–19

NOTE 16 GOODWILL

	Group	
	Dec 31, 2020	Dec 31, 2019
Acquisition cost, opening balance	24	23
Purchasing	–	–
Impairments for the year	–	–
Closing acc. cost of acquisition	24	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.

NOTE 17 INVESTMENT PROPERTIES

	Group	
	Dec 31, 2020	Dec 31, 2019
Opening carrying amount	–	213
Acquisitions for the year	–	–
Capital expenditures	–	2
Reclassification	–	–215
Unrealized changes in value	–	–
Sales	–	–
Closing carrying amount	–	–

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

NOTE 18 OTHER TANGIBLE FIXED ASSETS

	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Buildings and land	32	33	–	–
Plant and machinery	9	8	–	–
Equipment, tools, fixtures and fittings	14	16	5	7
ROU assets	361	241	4	6
Closing carrying amount	416	298	9	13

BUILDINGS AND LAND	Group	
	Dec 31, 2020	Dec 31, 2019
Acquisition cost, opening balance	60	55
Purchasing	0	5
Closing accumulated cost	60	60
Opening depreciation	–27	–25
Depreciation for the year	–1	–2
Closing accumulated depreciation	–28	–27
Closing carrying amount	32	33

PLANT AND MACHINERY	Group	
	Dec 31, 2020	Dec 31, 2019
Acquisition cost, opening balance	26	24
Purchasing	2	3
Sales/scraping	0	–1
Reclassification	–	0
Closing accumulated acquisition cost	28	26
Opening depreciation	–12	–12
Sales/scraping	0	1
Depreciation for the year	–1	–1
Reclassification	–	–
Closing accumulated depreciation	–13	–12
Impairment for the year	–	–
Closing accumulated impairment	–6	–6
Closing carrying amount	9	8

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Acquisition cost, opening balance	33	126	12	16
Transition effect IFRS 16	–	–97	–	–5
Purchasing	6	5	1	1
Reclassification	–	–	–	–
Disposal/retirement	–4	–1	–3	0
Closing accumulated cost	35	33	10	12
Opening depreciation	–17	–40	–5	–4
Transition effect IFRS 16	–	27	–	1
Reclassification	–	–	–	–
Disposal/retirement	0	0	1	0
Depreciation for the year	–4	–4	–1	–2
Closing accumulated depreciation	–21	–17	–5	–5
Closing carrying amount	14	16	5	7

ROU ASSETS	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Acquisition cost, opening balance	296	0	7	0
Transition effect IFRS 16	–	194	–	5
Purchasing	204	140	2	5
Reclassification	–	–	–	–
Disposal/retirement	–37	–38	–4	–3
Closing accumulated cost	463	296	5	7
Opening depreciation	–55	0	–1	0
Transition effect IFRS 16	–	–27	–	–1
Reclassification	–	0	–	–
Disposal/retirement	18	16	1	1
Depreciation for the year	–65	–44	–1	–1
Closing accumulated depreciation	–102	–55	–1	–1
Closing carrying amount	361	241	4	6

Of ROU assets, SEK 278 million belongs to land and buildings, SEK 82 million to equipment, tools, fixtures and fittings and SEK 1 million to plant and machinery.

NOTE 19 PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	Dec 31, 2020	Dec 31, 2019
Opening cost	304	166
Acquisition of participations in Group companies	–	92
Sale of participations in Group companies	–	–54
Shareholder contributions paid	18	101
Reclassification to associates	–	–1
Closing cost of acquisition	322	304
Opening impairment losses	–4	–4
Impairments for the year	–12	–45
Reversed impairment losses upon sale	–	45
Closing accumulated impairment	–16	–4
Closing carrying amount	306	300

COMPANY, CORPORATE IDENTITY NUMBER	Domicile	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
		Share of equity %*	Share of equity %*	Carrying amount	Carrying amount
Serneke Sverige AB, 556621-6908	Gothenburg	100%	100%	25	21
Serneke Projektutveckling AB, 556688-6601	Gothenburg	100%	100%	22	22
Serneke Industri AB, 556630-8184	Gothenburg	100%	100%	1	1
Karlavagnstornet Holding AB, 556933-8964	Gothenburg	100%	100%	92	92
Serneke Fastighet AB, 556982-4914	Gothenburg	100%	100%	166	164
Serneke Invest AB, 559161-0273	Gothenburg	100%	100%	0	0
Iqine Utveckling AB, 559222-7945	Gothenburg	0%	100%	–	0
Serneke International AB, 559221-9041	Gothenburg	100%	100%	0	0
				306	300

*Also the share of votes

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

NOTE 20 PARTICIPATIONS IN ASSOCIATES AND JOINT VENTURES

Significant accounting policies

COMPANY, ORGANIZATION	Domicile	Dec 31, 2020	Dec 31, 2019	Associated companies/ Joint ventures	Valuation method	Group	
		Ownership share *	Ownership share *			Dec 31, 2020	Dec 31, 2019
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		
Herrestads Etablering AB, 556966-0086	Trollhättan	20.0%	20.0%	Associated companies	The equity method		
Estate Serneke Älvsjö Holding AB, 559157-0519	Gothenburg	0%	50.0%	Joint venture	The equity method		
Serneke Midroc Holding AB, 559157-8876	Gothenburg	50.0%	50.0%	Joint venture	The equity method		
Fastighets AB Oceanateljén, 559034-3769	Malmö	50.0%	50.0%	Joint venture	The equity method		
Fastighets AB Österskans, 559165-6953	Gothenburg	50.0%	50.0%	Joint venture	The equity method		
SerSund AB, 559117-6754	Gothenburg	50.0%	50.0%	Joint venture	The equity method		
Fjätersvålen AB, 556223-3527	Gothenburg	46.6 %	46.6 %	Associated companies	The equity method		
Sustainio AB, 559196-2765	Gothenburg	25.0%	25.0%	Associated companies	The equity method		
Serneke Malmberg Entreprenad AB, 559186-3427	Gothenburg	50.0%	50.0%	Associated companies	The equity method		
IFK GBG Transferintressenter AB, 559149-1625	Gothenburg	31.7%	40.5%	Associated companies	The equity method		
Consortium Builders Pty Ltd	Perth	33.0%	33.0%	Associated companies	The equity method		
Karlatornet AB, 559185-8526	Gothenburg	50.0%	0%	Joint venture	The equity method		

*Also the share of votes

Description of operations

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

Summary of financial information

SUMMARY BALANCE SHEET	Karlatornet AB	Änglagården Holding AB		Other	
	Dec 31, 2020	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Total assets	1710	921	934	609	326
Total liabilities and provisions	1710	571	613	567	194
Total net assets	0	350	321	43	132
Preferential dividend right to other co-owners ¹ *	–	–	–7	–	–
The Group's share of net assets	0	122	107	26	38

SUMMARY PROFIT/LOSS STATEMENT	Karlatornet AB	Änglagården Holding AB		Other	
	Dec 31, 2020	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Revenue	0	63	68	206	147
Profit/loss for the year	–1	36	36	–13	5
The Group's share of profit **	0	14	14	–3	–5

* An agreement between the co-owners of Änglagården Holding AB: Lommen Holding, Prioritet Finans and Serneke have signed in 2015, which means a preferential dividend of SEK 90 million for the benefit of the other co-owners before Serneke can partake of free distributable funds. In 2016 (SEK 13 million), 2017 (SEK 22 million), 2018 (SEK 23 million), 2019 (SEK 25 million) and 2020 (SEK 7 million), a dividend was made to the other shareholders whereby preferential rights amounted to SEK 0 million at year-end 2020. 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 17 million (8) and the closing provision for continuing commitment amounts to SEK 19 million.

**Serneke Group AB (publ) has entered into a guarantee undertaking, which means that the co-owners in Änglagården Holding AB are jointly responsible for the correct fulfillment of interest and repayment of the associate's liabilities to credit institutions in the event that the associate is unable to pay. As at December 31, 2020, the associate's liability to credit institutions amounted to SEK 406 million (424).

cont. Note 20

Karlatornet AB

On December 17, 2020, Serneke and Balder entered a share transfer agreement meaning that Balder acquires 50 percent of the shares of Karlatornet AB ("the Joint Venture").

The Joint Venture is a newly established company that has acquired all of the Karlatornet assets from Serneke at their book value of SEK 1.6 billion against a promissory note in the form of an interest-bearing shareholder loan of SEK 1.4 billion. Karlatornet will be fully financed through further shareholder loans from Balder of SEK 500 million and a construction credit from Nordea of around SEK 3 billion. For Balder's commitment to invest SEK 500 million in Karlatornet and provide a joint guarantee for the construction credit of SEK 3 billion, Balder's shares in the Joint Venture entitle it to a fixed preference dividend of SEK 600 million. The dividend is to be paid according to the waterfall principle after Nordea's construction credit and Balder's shareholder loans plus interest have been repaid. Once the project is complete and the aforementioned loan and dividend have been repaid, Serneke will recoup its entire invested capital of SEK 1.4 billion plus interest together with the remaining project profit in the Joint Venture.

NOTE 21 OTHER NON-CURRENT RECEIVABLES

	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Opening amount	134	614	3	2
Additional from establishment of joint ventures	1,320	–	–	–
Incoming other	63	37	–	1
Reclassification	–4	–78	–	–
Settlement	–21	–439	–	–
Closing value*	1,492	134	3	3
<i>*of which interest-bearing</i>	1,354	37	–	–
<i>*including receivables from associated companies and joint ventures</i>	1,407	93	–	–

NOTE 22 PROJECT AND DEVELOPMENT PROPERTIES

	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Opening cost	3,274	2,507	2	3
Purchasing	83	–	–	–
Reclassification	–	215	–	–
Incoming via business combinations	–	–	–	–
Capital expenditures	660	694	–	–
Changed accounting policy regarding tenant-owner apartment projects	–	226	–	–
Impairment losses	–50	–6	–	–
Sales	–2227	–362	–	–1
Other	–	–	–	–
Closing accumulated cost	1,740	3,274	2	2

Capitalized interest

Loan interest of SEK 59 million (51) has been capitalized during the year.

NOTE 23 INVENTORIES

	Group	
	Dec 31, 2020	Dec 31, 2019
Materials and supplies, advances paid	1	1
Total	1	1

NOTE 24 ACCOUNTS RECEIVABLE

	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Gross trade receivables	1,013	826	0	0
Credit loss provision	-1	-1	-	-
Total accounts receivable, net of provision for anticipated credit losses	1,012	825	0	0
	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Credit loss provision at beginning of year	-1	-1	-	-
Reservation for the year for anticipated credit losses	0	0	-	-
Settled anticipated credit losses	0	0	-	-
Total credit loss provision	-1	-1	-	-

GROUP	2020			2019		
	Gross	Credit loss provision	Customer Receivables	Gross	Credit loss provision	Customer Receivables
AGE ANALYSIS, ACCOUNTS RECEIVABLE						
Not yet due	745	0	745	555	0	555
Due within 30 days	78	0	78	43	0	43
Due 31-60 days	19	0	19	42	0	42
Due 61-90 days	5	0	5	10	0	10
Due > 90 days	166	-1	165	176	-1	175
Total	1,013	-1	1 012	826	-1	825

The credit loss provision recognized in the projects amounts to SEK 27 million (27) as of December 31, 2020.

NOTE 25 CONSTRUCTION CONTRACTS

	Group	
	Dec 31, 2020	Dec 31, 2019
Contract expenses and recognized profit	9,594	10,745
Less invoiced amounts	-9,174	-10,185
Accrued but not invoiced income	420	560
Invoiced amounts	10,504	7,983
Less contract expenses and recognized profit	-9,886	-7,636
Invoiced but not accrued income	618	347

NOTE 26 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Pre-paid rent	15	13	4	7
Prepaid insurance	5	4	-	-
Accrued income	7	4	-	-
Other prepaid expenses	8	46	1	6
Total	35	67	5	13

NOTE 27 OTHER CURRENT DEBT

	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Receivables from sales of project properties	160	73	-	-
Receivable from joint ventures	179	-	-	-
Other current receivables	55	111	1	2
Total	394	184	1	2

NOTE 28 SHAREHOLDERS' EQUITY

Share capital

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

At the beginning of 2020, share capital amounted to SEK 2,324,846 and the number of shares was 23,248,452, comprising 5,210,000 Class A shares and 18,038,452 Class B shares. As a part of the deal, Balder subscribed for a total of 2,300,000 Class B Serneke shares at an exercise price of SEK 53 per share, which meant a cash contribution for Serneke totaling around SEK 122 million before issue expenses (issue expenses amounted to SEK 1 million). This has meant that Serneke's share capital increased by SEK 230,000 to SEK 2,554,845. The total number of shares increases by 2,300,000 shares to 25,548,452 shares. At the end of 2020, share capital amounted to SEK 2,554,845 and the total number of shares was 25,548,452, comprising 5,210,000 Class A shares and 20,338,452 Class B shares.

NOTE 29 BORROWING

LONG-TERM	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Bank loans	32	68	–	–
Convertible debentures	–	–	–	–
Leasing liabilities	289	199	3	4
Bond loan	519	695	519	695
Other	31	185	–	–
Total	871	1,147	522	699

SHORT-TERM	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Bank loans	214	409	–	–
Leasing liabilities	79	44	1	2
Bond loan	200	–	200	–
Convertible debentures	–	8	–	8
Other	275	–	6	–
Total	768	461	207	10

Total borrowing *	1,639	1,608	729	709
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* All borrowings in the Group are in SEK.

Collateral for borrowings

Total borrowing includes bank loans and other borrowings collateralized with SEK 2,017 million (2,044). Collateral for borrowings comprises the Group's properties, floating charges and pledged shares in subsidiaries. For further information regarding collateral, see Note 33.

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, 2020	Dec 31, 2019
Effect on future financial expenses +/- 1%	+16/-16	+16/-16
Effect on future financial expenses +/- 3%	+48/-48	+47/-47

Available credit

	Group	
	Dec 31, 2020	Dec 31, 2019
Credit facility	–	100
Line of credit	500	500
Bank guarantees	–88	–70
Available credit	412	530

Serneke Group AB (publ) has a credit facility with Nordea that amount to SEK 500 million, of which SEK 88 million was utilized for bank guarantees as of 12/31/2020. In addition to this, Serneke had granted unutilized construction credits of SEK 110 million. The credit facility agreements carry a customary covenant, which means that the Group will have an equity/assets ratio of 30 percent and an EBITDA covenant, the first reference date of which is March 31, 2021. The covenant was fulfilled at the reporting date on December 31, 2020.

Bank loans

The bank loans mature until 2029 and, as of 12/31/2020 have an average interest rate of 3.12 percent (2.55).

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, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
< 12 months	214	409	–	–
12–36 months	15	40	–	–
> 36 months	17	30	–	–
Total	246	479	–	–

Convertible debentures

In August 2017, a convertible debenture loan was issued aimed at employees. The amount issued totals SEK 7,648,923 and the loan carries an interest rate of 2.6 percent. Interest payments were made on December 31 every year and on the loan's due date. The loan ran until September 8, 2020 insofar as conversion had not occurred beforehand. The loan was repaid on September 8, 2020 and no conversion had been made. The conversion rate was 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.

cont. Note 29

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, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Nominal amount	–	8	–	8
Liability component at issue date	–	–8	–	–8
Equity component	–	0	–	0
Liability component at issue date	–	–8	–	–8
Effective rate	–	0	–	0
Discount rate as of December 31	–	–8	–	–8

Leasing liabilities

For leasing liabilities, refer to Note 10.

Bond loan

Serneke has a senior unsecured bond limit of SEK 1,000 million. On June 24, 2020, the terms were renegotiated and approved to extend the outstanding bond of SEK 700 million with a maturity of 18 months. The new maturity date is December 1, 2022. The new terms also mean that liquidity commitments (financial covenants) were removed and that SEK 200 million is to be repaid no later than June 1, 2021. The changed terms are available on the company's website <https://ir.serneke.se/sv/obligationslan>.

The existing bond loan carries a variable interest rate of three-month STIBOR + 8.25 percent; upon a repayment the rate drops to 5.75 percent. Serneke has listed the debenture loan on the Nasdaq Stockholm exchange.

The loan has financial covenants regarding solvency. Serneke fulfilled the terms as of December 31, 2020.

NOTE 30 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, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Deferred tax assets				
Buildings and land	1	3	–	–
Loss carryforwards	134	38	13	13
Other deferred tax assets	28	25	–	–
Total deferred tax assets	163	66	13	13
Deferred tax liabilities				
Buildings and land	–	–	–	–
Project and development properties	–129	–184	–	–
Other deferred tax liabilities	–19	–10	–	–
Total deferred tax liabilities	–148	–194	–	–
Total deferred tax assets and liabilities, net	15	–128	13	13

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

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

NOTE 31 OTHER PROVISIONS

	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Provision for commitments attributable to sales of properties and development rights	32	16	–	–
Provision for guarantee undertakings	38	32	–	–
Provision for other undertakings	117	112	2	2
Total	187	160	2	2

	Provision for commitments attributable to sales of properties and development rights	Provision for guarantee undertakings	Provision for other undertakings	Total
As of January 1, 2020	16	32	112	160
Additional provisions	17	58	23	98
Reversed unused amounts	–1	–	–4	–5
Utilized during the year	–	–52	–14	–66
As of December 31, 2020	32	38	117	187

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 not material.

Other commitments

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

NOTE 32 ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Accrued interest expenses	5	4	5	3
Accrued personnel expenses	124	103	6	9
Prepaid rental income	4	1	3	0
Deferred income	0	0	0	0
Other accrued expenses	17	7	4	2
Total	150	115	18	14

NOTE 33 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets

CONCERNING LONG-TERM BORROWINGS	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Property mortgages	36	197	–	–
Frozen funds	30	30	–	–
Liens on assets	0	0	–	–
Total	66	227	–	–

CONCERNING SHORT-TERM BORROWINGS	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Property mortgages	174	122	–	–
Pledged shares in subsidiaries	1,277	1,195	–	–
Frozen funds	0	0	–	–
Liens on assets	500	500	500	500
Total	1,951	1,817	500	500

CONCERNING PROPERTY SALES	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Property mortgages	–	–	–	–
Total	–	–	–	–

Contingent liabilities

	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Guarantee obligations of benefit for Group companies	–	–	443	341
Guarantees and contracting guarantees for Group companies	–	–	1,638	1,387
Guarantees in connection with property sales	204	204	1	184
Guarantee obligations for credit in tenant-owner's association	–	–	–	128
Guarantee obligations for advance payment and contribution guarantees in tenant-owner's association	230	128	204	204
Guarantee obligations for the benefit of associated companies *	454	18	342	19
Total	888	350	2,628	2,263

* 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, 2020, the associate's liability to credit institutions amounts to SEK 406 million (424).

Disputes and legal processes

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

NOTE 34 CASH FLOW STATEMENT

ADJUSTMENTS ITEMS NOT AFFECTING CASH FLOW	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Share in profit of associates and joint ventures	–11	–8	–	–
Revaluation on acquisition of controlling interest	–	–	–	–
Unrealized changes in value	–	–	–	–
Capital gains, properties	–	41	–	–
Capital gains	–	–4	–	–
Appropriations	26	–40	–	–
Amortization and depreciation	71	50	2	3
Other non-cash items	–2	16	1	8
Total	84	55	3	11

Reconciliation of net debt

Net debt	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Liquid assets	234	162	115	66
Non-current interest-bearing receivables	1,354	37	0	0
Loan liabilities – fall due within one year	–768	–461	–207	–10
Loan liabilities – fall due after one year	–840	–962	–522	–699
Net debt	–20	–1,224	–614	–643
Liquid assets	234	162	115	66
Non-current interest-bearing receivables	1,354	37	0	0
Gross debt – fixed interest	–275	–7	–6	–7
Gross debt – variable interest	–1,333	–1,416	–723	–702
Net debt	–20	–1,224	–614	–643

cont. Note 34

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, 2020	162	37	-44	-199	-417	-763	-1,224
Cash flow*	72	-13	-44	-15	383	-2	381
Exchange-rate differences	0	-	-	-	-	-	0
Other non-cash items	-	1330	9	-75	-655	214	823
Net debt at December 31, 2020	234	1,354	-79	-289	-689	-551	-20

* Cash flow from financing activities: the change in the financing activities of SEK 560 million is mostly attributable to deposits paid into tenant owner associations of SEK 300 million and loans from the Swedish Tax Agency due to the coronavirus pandemic of SEK 275 million.

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, 2020	66	-	-2	-4	-8	-695	-643
Cash flow	49	-	-1	0	-10	-	38
Exchange-rate differences	0	-	-	-	-	-	0
Other non-cash items	-	-	2	1	-188	176	-9
Net debt at December 31, 2020	115	-	-1	-3	-206	-519	-614

NOTE 35 RELATED PARTIES

Close associations

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

Ludwig Mattsson, family and company have a significant influence over Serneke Group AB (publ) through its holding of 12 percent (13) of the votes.

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

Transactions with Limestone Management AB, Per Åkerman's consulting firm, are related-party transactions as Per Åkerman is a member of the Board of the Company.

Ola Serneke Holding

Ola Serneke is the owner of Ola Serneke Holding AB.

Kviberg Skidanläggning AB

Kviberg Skidanläggning is owned by Ola Serneke Holding AB.

Ludwig Mattsson

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

Lommen Sjöbefälet AB

Lommen Sjöbefälet AB's principal owner is Ludwig Mattsson.

Michael Berglin

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

Limestone Management AB

Limestone Management is owned by Per Åkerman who is one the Board of Directors of Serneke Group AB

Associates and joint ventures

In addition to the above related party relationships, the Group has a close relationship with its associates. See Note 20.

Subsidiary

In addition to the related party relationships stated for the Group, the Parent Company has a close relationship with its subsidiaries. See Note 19.

cont. Note 35

Summary of transactions with related parties

GROUP	2020	2019
Transactions with Ola Serneke Holding		
Sales to Ola Serneke Holding	0	4
Purchases from Ola Serneke Holding	0	1
Receivable from Ola Serneke Holding	0	–
Liability to Ola Serneke Holding	–	–
Transactions with Kviberg Skidanläggning		
Sales to Kviberg Skidanläggning	4	–
Purchases from Kviberg Skidanläggning	3	–
Receivables from Kviberg Skidanläggning	4	–
Liabilities to Kviberg Skidanläggning	0	–
Transactions with Ludwig Mattson		
Sales to Ludwig Mattson	3	1
Purchases from Ludwig Mattson	–	–
Receivables from Ludwig Mattsson	–	1
Liabilities to Ludwig Mattson	–	–
Transactions with Lommen Sjöbefälet		
Sales to Lommen Sjöbefälet	3	152
Purchases from Lommen Sjöbefälet	12	12
Receivable from Lommen Sjöbefälet	1	–
Liability to Lommen Sjöbefälet	4	1
Transactions with Michael Berglin		
Sales to Michael Berglin	–	4
Purchases from Michael Berglin	–	–
Receivable from Michael Berglin	5	5
Liability to Michael Berglin	–	–
Transactions with Limestone Management		
Sales to Limestone Management	–	–
Purchases from Limestone Management	2	–
Receivables from Limestone Management	–	–
Liabilities to Limestone Management	0	–
Transactions with associates and joint ventures		
Sales	96	76
Purchasing	22	18
Receivable	20	3
Liability	9	30

Remuneration to senior executives

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

NOTE 36 EVENTS AFTER BALANCE SHEET DATE

Rights issue

On December 17, Serneke decided on a fully guaranteed rights issue. The subscription period in the rights issue expired on January 13, 2021 and was fully subscribed and no guarantee commitments needed to be utilized. Through the rights issue, Serneke obtains around SEK 170 million before issue expenses. As a result of the rights issue, Serneke's share capital will increase by SEK 320,478 to SEK 2,875,323. The total number of shares will increase by 3,204,780 shares to 28,753,232 shares.

Sale of development rights to Balder

Serneke and Balder entered an agreement on December 17, 2020 that Serneke sells development rights to Balder corresponding to so-called forward-funding for an underlying property value totaling around SEK 3.2 billion. The arrangement guarantees Serneke return for the projects on attractive terms with an associated contract and without a requirement of further financing. The relevant development rights cover a total of around 100,000 square meters and are allocated to 10 projects. The framework agreement on the development rights sale is expected to provide a total positive liquidity infusion of around SEK 250 million that is realized at the respective project's occupancy date. Four projects had occupancy on January 15, 2021 and provided a positive liquidity effect of SEK 105 million.

Ola Serneke is leaving the role as CEO of Serneke Group

After discussions with the Board of Directors, Serneke Group decided that Ola Serneke will leave the role as the President and CEO of Serneke Group on February 24. At the same time, he also left his post as a member of the Company's Board of Directors. Ola Serneke will continue to be responsible for the Company's major projects in urban development in his role as the President of Serneke Invest. Michael Berglin, Deputy CEO of Serneke Group, will take the position of the acting President and CEO. The changes in management for Serneke Group were precipitated by Ola Serneke's activity in online discussion forums under pseudonyms. An external independent investigation appointed by the Board of Directors showed that no violations occurred of the regulations, but that the actions were an expression of poor judgment.

Serneke is reviewing existing bond financing

Serneke has decided to review existing bond financing to achieve a strong cash position in the next few years and to achieve a maturity profile that follows the cash flows that will be received until the completion of Karlatornet. As a part of this, Serneke has commissioned Carnegie Investment Bank AB and Nordea Bank AB to evaluate a credit market transaction as a possible alternative in this review in spring 2021.

NOTE 37 APPROPRIATION OF THE PARENT COMPANY'S PROFIT

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

Profit/loss brought forward	–384,058,135
Share premium reserve	923,182,653
Profit/loss for the year	–114,941,476
Total	424,183,042

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

Dividend	–
Carried forward:	424,183,042
Total	424,183,042

APPROVAL OF THE FINANCIAL STATEMENTS

The Annual Report was approved by the Board and approved for publication April 12, 2021.

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 12, 2021

Jan C. Johansson
Chairman

Mari Broman
Board Member

Ludwig Mattsson
Board Member

Michael Berglin
CEO

Veronica Rörsgård
Board Member

Anna Belfrage
Board Member

Fredrik Alvarsson
Board Member

Per Åkerman
Board Member

Our auditor's report regarding this annual report and consolidated financial statements was issued 12 April 2021.
PricewaterhouseCoopers AB

Ulrika Ramsvik
*Authorized Public Accountant
Chief Auditor*

Konstantin Belogorcev
Authorized Public Accountant

AUDIT REPORT

Unofficial translation of the Swedish report

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

Report on the annual accounts and consolidated accounts *Opinions*

We have audited the annual accounts and consolidated accounts of SERNEKE Group AB (publ) for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 37–43 and 54–102 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 and the group as of 31 December 2020 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 2020 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. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors 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.

Other matter

The audit of the annual accounts and consolidated accounts for year 2019 was performed by another auditor who submitted an auditor's report dated 14 April 2020, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judge-

ments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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.

Key audit matters

Construction income and percentage of completion method

The Group's income from construction contracts amounted to about SEK 6.1 billion (6.2). This income essentially derives from construction projects and is recognised over time; i.e. by applying the percentage of completion method. This means that recognised income and expenses in construction projects are based on assumptions and assessments about future outcomes documented in the projects' final cost forecasts. These forecasts include assessments of remaining and total costs, invoiced and estimated total income and project margins. Occasionally, updated assessments are also required for completed projects. Where appropriate, assessments also include claims presented to customers relating to, for example, modifications and supplementary work and inadequate prerequisites for tenders. The elements of assumptions and assessments entail that the final outcome may differ from the result currently recognised. Given the considerable element of assumptions and assessments, this represents a key audit matter.

The Group discloses information on risks and risk management relating to construction contracts in the Board of Director's Report on pages 42-43. Accounting policies and critical areas of assessment relating to the percentage-of-completion of construction contracts are described in Note 2 Significant accounting policies, Note 3 Key estimates and assessments and Note 26 Construction contracts in the annual report.

Sale of Karlatornet

Serneke divested 50% of the shares in Karlatornet AB during the year. This, in turn, is a newly formed company that has acquired all of the Karlatornet assets from Serneke at their carrying amounts at a value of SEK 1.6 billion against a promissory note of SEK 1.4 billion.

In connection with the divestment, a construction contract was signed concerning the construction of the Karlatornet property.

The transaction includes a number of material estimates and assessments, such as identifying performance obligations, calculating capital gains on the sale of shares in subsidiaries and estimating the market value of non-current receivables.

The transaction involving Karlatornet constitutes the most significant transaction for the Group. Incorrect assessments could have a material impact on the Group's earnings and financial position.

The Group discloses information on risks and risk management relating to assessments of the transactions in the Board of Director's Report on pages 42-43. Accounting policies and critical areas of assessment are described in Note 2 Significant accounting policies and Note 3 Key estimates and assessments.

Material transactions

During the year, Serneke divested assets in the form of land and capitalized expenditure and, in connection with such sales, signed construction contracts concerning construction of property on divested land. In terms of amounts and contract terms and conditions, these transactions have been viewed as a key audit matter. The transactions include a number of material estimates and assessments, such as identifying performance obligations and allocating compensation received among the various performance obligations.

The Group discloses information on risks and risk management relating to assessments of the transactions in the Board of Director's Report on pages 42-43. Accounting policies and critical areas of assessment concerning sales of land are described in Note 2 Significant accounting policies and Note 3 Key estimates and assessments.

How our audit addressed the Key audit matter

Our audit has, among others, encompassed the following audit procedures:

- Review and testing of material internal controls connected to processes for income recognition
- On a sample basis, we have examined revenue and the recognised project costs on which the determination of completion ratio is based. We have discussed with Serneke the policies, methods and assumptions on which the assessments are based, also including those that form the foundation for warranty provisions and disputes concerning ongoing and already concluded projects
- For selected projects, we have performed in-depth audit procedures, including reading excerpts from contracts, reviewing final status forecasts and discussions with project managers and controllers concerning assessments, assumptions and estimates.
- For selected disputes related to construction contract operations, we have also obtained opinions from Serneke's legal representatives as well as assessments from the Group's internal company lawyers.

We have also engaged in a discussion with the company management and the Audit Committee concerning Serneke's assessments and the policies, methods and assumptions on which they are based.

Our audit has, among others, encompassed the following audit procedures:

- examined compliance with IFRS
- obtained, read and examined underlying agreements, terms and conditions of access and payment and financing terms
- examined that calculations such as pro forma amounts, payment settlements and capital gains comply with agreements
- examined the valuation of the non-current receivable that arose in connection with the divestment of Karlatornet
- We have monitored that the sale of shares was recognised correctly and was disclosed in the annual report

Our accounting specialists assisted in the implementation of our examination.

Our audit has, among others, encompassed the following audit procedures:

- For each material property transaction, we examined compliance with Serneke's accounting policies and IFRS
- For all material transactions, we have obtained, read and examined underlying agreements, terms and conditions of access and, where applicable, payment and financing terms.
- We have also examined that calculations such as pro forma amounts, payment settlements and capital gains comply with agreements.
- We have monitored that the property transactions were recognised correctly and disclosed in the annual report.

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 1–36 and 106. The other information also consists of the remuneration report for 2020 that we obtained for the date of this audit report. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Director's and the Managing Director

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

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

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of SERNEKE Group AB (publ) for the year 2020 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 statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

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

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

Responsibilities of the Board of Director's and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, Skånegatan 1, 405 32 Göteborg, was appointed auditor of SERNEKE Group AB (publ) by the general meeting of the shareholders on the 5 May 2020 and has been the company's auditor since then.

Gothenburg the day stated on our electronic signatures
PricewaterhouseCoopers AB

Ulrika Ramsvik
Authorized Public Accountant
Partner in charge

Konstantin Belogorcev
Authorized Public Accountant

ANNUAL GENERAL MEETING 2021

The Annual General Meeting of Serneke Group AB (publ) was held on May 6, 2021. In light of the risk of the spread of coronavirus (COVID-19) and the authority regulations and guidelines to avoid meetings, the Board with support of temporary legal rules decided that the Annual General Meeting will be carried out without a physical presence by shareholders exercising their voting rights only through postal voting.

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 April 28, 2021, and must register by making their postal vote no later than Wednesday, May 5, 2021.

In order to be entitled to participate in the Meeting, besides registering for the Meeting by placing his or her postal vote, a shareholder with nominee-registered shares must re-register the shares in his or her own name so that the shareholder is entered in the statement of

the share register as of the record date of Wednesday, April 28, 2021. Such re-registration may be temporary (so-called voting rights registration) and is requested with the nominee according to the nominee's routines as far in advance as the nominee requires. Voting rights registration that has been made by the nominee no later than Friday, April 30, 2021 will be taken into account in the statement of the share register for the General Meeting.

Postal voting

The Board of Directors has decided that shareholders shall be able to exercise their voting rights only through postal voting in accordance with Section 22 of the Act (2020:198) regarding Temporary Exceptions to Facilitate the Implementation of General Meetings in Companies and Associations. For postal voting, a special form must be used. This form is available on the Company's website www.serneke.se. The completed and signed postal voting form can be sent by post to

Serneke Group AB, Attn: Inger Svanholm, Box 3194, 400 10 Gothenburg or by e-mail to inger.svanholm@serneke.se. The completed form must have been received by the Company no later than Wednesday, May 5, 2021.

Terms and instructions for postal voting are provided on the form. The shareholder may not write special instructions or terms on the postal vote. If this is done, the vote (i.e. the postal voting in its entirety) is invalid.

Authorizations

If a shareholder places a postal vote by proxy, a written and dated authorization signed by the shareholder must be enclosed with the postal voting form. The authorization form is available on the Company's website www.serneke.se. If the shareholder is a legal entity, a registration certificate or other paper of authorization must be enclosed with the form.