

WELCOME TO THE NEXT GENERATION

2016 ANNUAL REPORT

SERNEKE®



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A RAPIDLY GROWING CONSTRUCTION COMPANY WITH A FOCUS ON INCREASED PROFITABILITY

Serneke is one of Sweden's fastest growing construction and project development groups, with a comprehensive offering in construction, civil engineering, project development and property management. Since operations commenced in 2002, Serneke has developed from a local construction company into a dynamic and fast-growing construction company with a strong portfolio in project development.

Between 2002 and 2016, income for Serneke increased from SEK 14 million to nearly SEK 4 billion, representing an average annual growth rate of over 50 per cent. Serneke is today one of Sweden's ten-largest construction companies.

The Company builds, develops and manages housing, commercial buildings, industrial facilities, public buildings, roads and civil engineering projects, and other infrastructure. The Company's

customers mainly include the government, municipalities, county councils, property companies, industrial and trading companies, as well companies owned by local and central government authorities. Operations are focused on the three metropolitan regions of Gothenburg (Region West), Stockholm (Region East) and Malmö (Region South). The number of employees at the end of 2016 amounted to 850.

50%

ANNUAL GROWTH 2002-2016

850

EMPLOYEES

The audited financial statements for Serneke Group AB (publ), 556669-4153 are on pages 56-112. The Annual Report is published in Swedish and English, and the Swedish is the original version. Sustainability priorities are integrated into the entire Annual Report.

OUR BUSINESS



CONSTRUCTION

Business Area Construction provides comprehensive services in the construction industry, ranging from major construction contracts to smaller maintenance and repair work. The focus is mainly on larger, more complex projects. It includes the construction of homes, offices, hospitals, shopping centers, schools and industrial premises.



CIVIL ENGINEERING

Business Area Civil Engineering perform all types of excavation and civil engineering work: Excavation work, the laying of the foundation, infrastructure, electricity networks, energy plants, harbor contractors and concrete works. Customers consist mainly of municipalities, the Swedish Transport Administration as well as customers in industry and real estate. The business area works with both the Group as its client and directly with external customers.



PROJECT DEVELOPMENT

Business Area Project Development is responsible for the acquisition, development and sale of developable land and development rights, primarily for housing, offices and retail space.



PROPERTY MANAGEMENT

Business Area Property Management develops and manages properties for long-term capital appreciation. In close collaboration with Business Area Property, properties are acquired and developed with good potential to increase in value. Management is performed through wholly owned companies or in collaboration with partners through associates.

INCOME, SEK MILLION

3,978

OPERATING PROFIT, SEK MILLION

411

OPERATING MARGIN, %

10.3

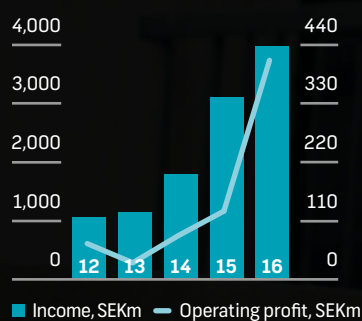
ORDER BOOKINGS, SEK MILLION

5,539

ORDER BACKLOG DECEMBER 31,
2016, SEK MILLION

7,041

INCOME AND OPERATING PROFIT



CONTINUED GROWTH WITH STRENGTHENED PROFITABILITY

Consolidated income for the full year 2016 amounted to SEK 3,978 million (3,107), an increase of 28 percent compared with 2015. The increase in income is primarily due to increased sales in the construction operations.

Operating profit increased by SEK 283 million, from SEK 128 million to SEK 411 million. Among the contributing factors to the improvement are the sale of 50 percent of the project Karlstad and higher earnings from the Group's construction activities.

KEY INDICATORS

SEK million	2016	2015
Income	3,978	3,107
Operating profit	411	128
Operating margin, %	10.3	4.1
Earnings per share, SEK, after dilution	21.22	8.11
Equity per share, SEK, after dilution	79.12	26.82
Equity/assets ratio, %	42.7	27.4
Net debt	-37	223
Net debt/equity ratio, %	-2.5	49.2
Order bookings	5,539	5,094
Order backlog	7,041	5,125

2016 IN BRIEF

STRONGER POSITIONS WITHIN THE CONTRACTING OPERATIONS

During the year, Serneke strengthened its position as one of Sweden's most dynamic contracting and project development groups. Growth in construction activities during the year amounted to 29 percent. The main driving forces were a large number of new projects in the residential, infrastructure and public services segments. Order intake increased by 9 percent to SEK 5,539 million (5,094). The order backlog at year-end amounted to 7,041 (5,125).

NREP NEW PARTNER IN KARLASTADEN

During the year, the private equity firm NREP acquired 50 percent of the Karlstad project in Gothenburg. The acquisition is based on the upcoming detailed development plan and made with an expected total underlying building rights value of approximately SEK 1.5 billion. The continued work to develop residential and commercial properties in the new district will be conducted in a joint venture company.

STRENGTHENED ORGANIZATION

The recruitment rate for the year was still high and a number of working executives and civil servants have been recruited to handle the increased number of bids and orders. Staff functions have also been strengthened to support the business operations. Particular focus was directed during the year toward strengthening internal control.

IPO ON NASDAQ STOCKHOLM

At the end of November 2016, Serneke's B share was listed on Nasdaq Stockholm Mid Cap. In connection with the IPO, a new share issue was carried out that injected SEK 598 million into Serneke, after deduction of issue costs of SEK 27 million and tax effects. The proceeds will be used for continued growth, mainly organic but also through supplementary selective acquisitions.

STRONG CONSTRUCTION MARKET

Activity in the Swedish construction market in 2016 remained high. The main driving forces belonged to major infrastructure projects and continued extensive housing construction.

CONTINUED ESTABLISHMENT IN STOCKHOLM

During the year, expansion in the Stockholm and Mälardal region continued with several new contracts. In order to increase availability while optimizing conditions for collaboration between construction, civil engineering and project development operations, all operations were moved into new premises in central Stockholm during the year.

ISSUE OF BOND LOAN

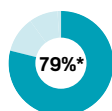
As part of the continued expansion, a non-secured debenture loan of SEK 300 million was issued during the year. The loan is listed on the Nasdaq Stockholm exchange since October 2016.

EVENTS AFTER THE BALANCE SHEET DATE

The Polish government decided in January 2017 that Serneke's land in Golczewo, Poland will be included in a special economic zone, enabling the development of an industrial center with favorable tax conditions. The plan is to build an industrial park that can support a strong construction market in Sweden.

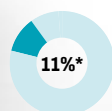
Serneke has entered into an implementation agreement to construct a new campus for Mälardalen University in Eskilstuna. The project has an order value of approximately SEK 700 million, which is included in the order bookings for the first quarter of 2017. In mid-March 2017, Serneke and Pareto signed an agreement for the sale of the jointly-owned project company that owns the properties. The purchaser is the property company Hemsö. The transaction is subject to final approval by the Municipality of Eskilstuna and Mälardalen University.

BUSINESS AREA DEVELOPMENT



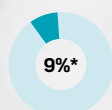
BUSINESS AREA CONSTRUCTION

Business Area Construction in 2016 strengthened its positions in all geographic markets. Order bookings were strong during the year, largely driven by high demand in the housing sector. Other high profile projects during the year included reconstruction and renovation of Galleria Trädgården shopping center in Varberg, renovation of the Stockholm City Museum and the contract for construction of the shopping center Kongahälla outside Kungälv.



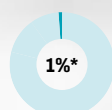
BUSINESS AREA CIVIL ENGINEERING

In 2016, Business Area Civil Engineering was characterized by continued growth in Gothenburg and Malmö, establishment in Stockholm and an overall increased focus on major projects. These included the reconstruction work on the Sörredsmotet junction on road 155 in Gothenburg, civil engineering work for the construction of new e-commerce clusters in Ängelholm and construction of buildings in the Port of Gothenburg. In addition, a comprehensive action program to improve profitability and strengthen internal controls was launched during the year.



BUSINESS AREA PROJECT DEVELOPMENT

The major events during the year included the sale of 50 per cent of the project Karlstaden to the private equity firm NREP. Serneke and NREP have formed a joint venture company that will develop the residential and commercial property in the new district. During the year, Serneke won the land-use competition held by the City of Gothenburg for the development of the Cirkustomten project in central Gothenburg.



BUSINESS AREA PROPERTY MANAGEMENT

Business Area Property Management is Serneke's newest business area and was still under development in 2016. The major events during the year included the acquisition of Säve flygplats at Hisingen in Gothenburg. The vision for the area is to develop the area into an experience center, logistics center and an area for research and development in the automotive industry.

* The Business Area's share of Group sales, excluding Group-wide and elimination.

INCOME

SEK million	2016	2015
Business Area Construction	3,229	2,466
Business Area Civil Engineering	455	389
Business Area Project Development	373	540
Business Area Property Management	15	3
Group-wide*	99	61
Elimination	-193	-352
Total	3,978	3,107

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

OPERATING PROFIT

SEK million	2016	2015
Business Area Construction	86	48
Business Area Civil Engineering	-36	-15
Business Area Project Development	334	166
Business Area Property Management	37	0
Group-wide*	-10	-71
Total	411	128
Net financial items	-17	-16
Profit/loss before tax	394	112



MAJOR ASSIGNMENTS IN 2016

- Continued work on Karlstaden project
- Acquisition of Säve flygplats
- Contract for Kongahälla shopping center
- Rebuilding and renovation of the Galleria Trädgård shopping center in Varberg
- Renovation of the Stockholm City Museum
- Reconstruction of Sörredsmotet junction on highway 155 in Gothenburg
- Construction of buildings in the Port of Gothenburg
- Construction of e-commerce clusters in Ängelholm
- Development of Circus plot in central Gothenburg
- Construction of tennis facility in Stockholm
- Start of construction of the first phase of the Årsta thoroughfare in southern Stockholm, with 187 new rental units
- The first construction project in Växjö was begun, with a total of 152 apartments
- New waste water treatment plant will be built in Stromstad
- Start of construction of Trollhättan's largest elementary school



WELCOME TO GOTHENBURG'S NEW CITY CENTER

BARELY TEN MINUTES from the current center of Gothenburg, you will find Lindholmen and Karlastaden. This is where Serneke will construct a dense mixed urban development with 2,000 apartments (tenant-owned and rental apartments), as well as offices, shops, restaurants, a medical center and a school. The development of Karlastaden began in 2005 with the first acquisition of the properties that make up the site. The project involves a new district created in Gothenburg, which altogether is expected to consist of 8 blocks with a gross area of approximately 275,000 square meters. The district will be built around Karlatornet, which is slated to be Gothenburg's first skyscraper with a height of about 240 meters.

The area is designed by the renowned US architectural firm, Skidmore, Owings & Merrill LLP, which, among other things, designed the Burj Khalifa in Dubai. The project is owned and operated by Serneke Project Development and NREP (www.nrep.com) as a joint venture with a holding of 50 percent by each party. Serneke is running the planning and building permit process, together with the City of Gothenburg, with production planned to commence in the second half of 2017. The objective is for Karlatornet to be completed in conjunction with Gothenburg's 400th anniversary in 2021. Read more at karlastaden.se







SERNEKE'S BUSINESS MODEL AND LONG-TERM BUSINESS PLAN ARE DELIVERING RESULTS

How would you describe 2016?

"It was an intense year of growth and improvements on several levels. We have strengthened our business both in terms of projects and as an organization. We see a positive trend in all our business lines and in all geographic regions. We have high confidence among our clients and are perceived as relevant and competitive in the tenders we participate in. Our projects have become larger and more complex, which is completely in keeping with our strategy. Development during the year is also reflected in the reported results. Consolidated income for the year amounted to SEK 3,978 million, an increase of 28 percent compared with the previous year. Operating profit also increased to SEK 411 million (128), largely from the sale of 50 percent of the project Karlstad, but also from stronger performance in our construction operations. Our financial position is solid, and at year-end we had an equity/assets ratio of 42.7 percent (27.4).

More important than the numbers, however, is the continued investment in our own organization during the year. Our aim is to continue to grow, and that requires capacity in the form of systems, procedures, processes and, of course, employees. We have strengthened substantially in this area."

What do the developments for 2016 entail?

"We have a solid platform for continued growth. We are now one of Sweden's ten-largest construction companies, which means that we can seriously compete for the largest and most complex projects."

Describe the development of the contracting business.

"Growth in our contracting operations, Business Area Construction and Business Area Civil Engineering, was 31 and 17 percent, respectively, and order bookings increased by a total of 9 percent. The order backlog at the end of the year amounted to more than SEK 7 billion, an increase of 37 percent compared to the same time last year. Most of the projects that were completed in 2016 resulted not only in satisfied clients but better-than-expected financial results, which is very pleasing. State and municipal customers remained the largest customer category, but in 2016 we took an important step to broaden the customer base, which has now also been reflected in the order book. We have established ties with major nationwide, stable private clients. We clearly see that they are attracted to our way of working and the values our organization bring to projects."

FACTS

Name: Ola Serneke

Born: 1971

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

“Since our inception, we have been a company intensely focused on growth. Our aim has always been to challenge the top players, and thereby change the game plan in the construction market. Looking forward, we will focus even more on profitability.

In Business Area Construction, development was driven primarily by strong demand in the housing sector. For Business Area Civil Engineering, the year was characterized by continued growth and increased focus on major projects. In recent years, growth within civil engineering has been strong. Increased expenses and project impairments have had a negative effect on profitability. In order to strengthen internal control and increase profitability in each project, an action program was initiated during the year.”

What milestones do you see in the project and property?

“We have had a strong focus on the project Karlastaden. The single biggest event of the year, which is the largest deal so far in Serneke’s history, was the sale of our development rights in the project to a joint-venture company owned by us and the private equity firm NREP. The transaction is based on the upcoming detailed development plan and was implemented with an expected value of approximately

SEK 1,500 million for the development rights. We are very pleased to have gained a partner that is as passionate about the project as we are. NREP’s expertise and experience in project development, financing and transactions will be very important in future work.

Business Area Project Development has a strong portfolio of property projects, including Karlastaden, and the fair value of these amounted to SEK 1.7 billion, of which SEK 0.6 billion was recognized as book value at December 31, 2016.

Within the new Business Area Property Management, we are already seeing good rental income from Sävle flygplats, Prioritet Serneke Arena and other properties.”

Sales of apartments in Karlatornet began in 2016 and have been completed in stages. How has interest been?

“Interest has been enormous. At the end of December 31, 2016, we had sold about 80 percent of the more than 300 apartments we put up for sale.”

The acquisition of Sävle flygplats at Hisingen in Gothenburg was among the other major transactions. What are the plans for this?

“Overall, the area includes about 2 million square meters, so we are talking about very large spaces. The current flight operations will remain, but our vision is to develop the area into a recreational center and development area for various kinds of motor-related operations. The area has great potential.”

Karlastaden, Sävle flygplats and even the multi-sport arena in Kviberg are all somewhat spectacular projects. What do these projects mean for Serneke?

“Basically, they are naturally exciting in terms of business, but they also say a lot about who we are and what our ambitions are. We want to have an impact and contribute positively to social development – not only for us, but for future generations. Just as Karlatornet and the multi-sport arena serve as magnets for their respective districts, the projects are also good



promotion for us as a Group and an employer. Our ideas and projects have the potential to influence the development of entire neighborhoods – and eventually cities. Here you get the opportunity to take an active part in the development of society. They make it easier for us to recruit innovative thinkers and qualified employees.”

In recent years, the construction and property markets have been very strong. How do you assess the future of development in the Stockholm, Gothenburg and Malmö regions?

“We estimate that it will continue to be strong. In all three regions, extensive infrastructure projects are underway, despite a housing deficit. The National Board of Housing, Building and Planning forecasts a need for 700,000 new homes to be built by 2025. In addition, the properties that were built as part of the Million Homes Program are in need of major renovation. Overall, this will drive demand for both construction and installation services for many years to come.”

How do you see the relationship between growth and profitability?

“Since our inception, we have been a company intensely focused on growth. Our aim has always been to challenge the top players, and thereby change the game plan in the construction market. A certain volume is required in order to seriously compete for the biggest, most enjoyable – and profitable – projects. That is why we have, so far, prioritized growth over profitability. We have always invested in the next step. Looking forward, we will focus even more on profitability. We will have better returns on the investments we have made in our own organization, and the projects we are entering now will also have higher profitability – partly as a consequence of a stronger market, partly because we now have the potential to take on larger and more complex projects. It is nonetheless important to remember that we are still in a growth phase – and we will not shy away from investing in projects we deem commercially interesting and profitable.”

There are 850 employees within the Group. In 2016 alone, the number of employees went up by 150. What demands does such rapid growth place on the organization?

“It places great demands on the procedures and processes – and one should respect the fact that it sometimes takes time for things to fall into place. We have in recent years worked hard to establish operations and a culture that supports the development and our growth ambitions. We want to retain the agility of a small company, but at the same time take advantage of the opportunities available to a large company, such as synergies, economies of scale and collaboration.”

How important is culture – and how would you describe it?

“It is hugely important. We have since the start been very focused on establishing a culture that is both performance-oriented and value-driven – based on our core values. We are committed, energetic, visionary and solution-oriented. Entre-

preneurship and the courage to think in new ways are essential elements of our DNA. If you are committed and see opportunities, then you are more interesting than someone who chooses to focus on the challenges and problems.”

You describe Serneke with the words “next generation”. What does that actually entail?

“It means that we take on projects and challenges in a partly new way. The building and construction market has, for many years, been dominated and defined by a few major players. Serneke offers the same security and expertise as the market leaders, but with more energy, greater commitment and a more modern approach. We have a different perspective on issues related to leadership and development opportunities. We also have a different perspective on how we view the relationship with clients, customers and society. We believe in partnership, collaboration and transparency – to work towards common objectives where everyone has full transparency.”

How do you see corporate and social responsibility? What responsibility do you think the private sector has and takes?

“Far too many are doing far too little. For us it is an obvious choice to contribute and lend support in various ways. In December 2016, we signed the UN Global Compact, and we support its ten principles that form the basis for a large part of our sustainability efforts. By virtue of our size, we have both an opportunity and a responsibility. We want to be involved and contribute to a better, more inclusive, society and positive urban development. This can also be seen in several of our projects. The multi-sport arena Prioritet Serneke Arena is a good example. It adds life to the neighborhood while contributing to better public health. We are convinced that this approach is good for the community and the local businesses.”

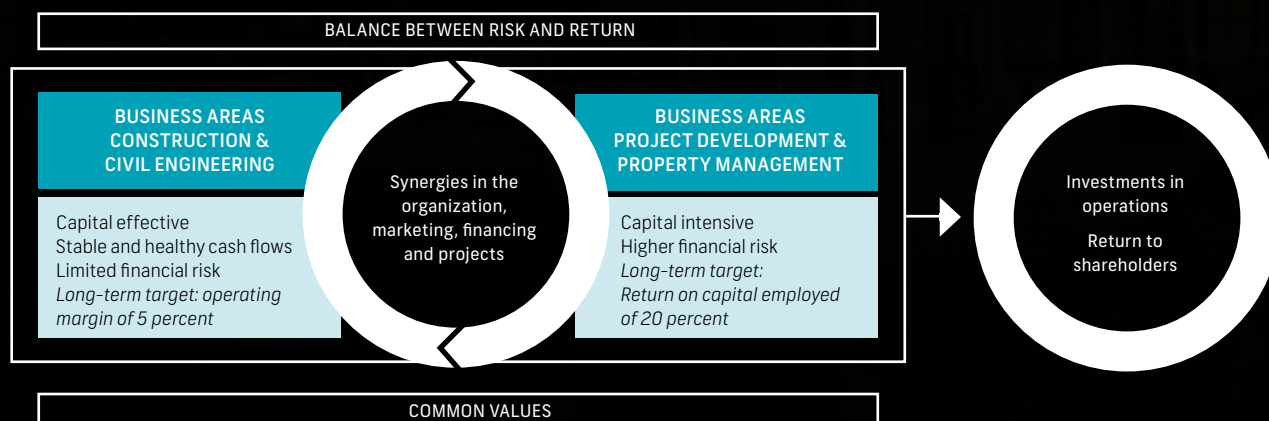
What do you see as the important objectives in the coming years?

“We will continue to grow and strengthen profitability. We continue to target an operating margin of at least 5 percent in our contracting operations and, for our Project Development operations to be able to achieve a return on capital

employed of 20 percent. This will be done with strong organic expansion and potential acquisitions. The Group intends to expand the contracting segments in the places where we already operate, and we are working to consolidate our position in Uppsala, Eskilstuna/Västerås and Växjö with permanent larger local offices in these cities. We already have operations in these municipalities and see good growth ahead. We also see opportunities to establish ourselves with local offices in the emerging cities of Linköping, Norrköping and Jönköping. The objective is for each area to achieve annual sales of SEK 200 million. As for Business Area Construction and Business Area Civil Engineering, there is continued focus on larger and more complex projects. The objective is to strengthen our positions, especially in the Stockholm and Malmö regions. In Business Area Project Development and Business Area Property Management, we will continue to work to develop our project and property portfolio. The major projects include Karlstad, Sönderby flygplats and the Cirkustomten project in Gothenburg. In addition, we are working continuously to evaluate new projects. It will undoubtedly be an exciting year.”

OUR BUSINESS MODEL

Through a competitive offering in construction, civil engineering, project development and property management, Serneke has developed into a leading contracting and project development group in Sweden. Close cooperation in planning, expense calculation and project implementation creates the conditions for superior efficiency and utilization of skills. In addition, it allows for the stable cash flows from ongoing investments in construction activities in the more capital-intensive project development activities.



FROM NEWCOMER TO CHALLENGER

Since its inception in 2002, Serneke has gone from being a newcomer to becoming a serious contender as a challenger in the market for construction contracts. Between 2002 and 2016, income increased from SEK 14 million to the around SEK 4 billion, representing an annual growth of more than 50 percent.

The development is the result of focused efforts that began with the vision of creating a nationwide contracting and project development group. We offer the same security and expertise as the market leaders, but with more energy, greater commitment and a more modern approach. Determined efforts have resulted in rapid growth and a stronger market position, where Serneke today is one of Sweden's ten-largest construction companies. The work has also resulted in a stable platform for continued growth and improved profits.

A COMPLEMENTARY, COMPREHENSIVE OFFERING

Through a competitive offering in construction, civil engineering, project development and property management, Serneke has developed into a leading contracting and project development group in Sweden. Close cooperation in planning, expense calculation and project implementation creates the conditions for superior efficiency and utilization of skills. In addition, it allows for the stable cash flows from ongoing investments in con-

struction activities in the more capital-intensive project development activities.

PRESENCE IN SWEDEN'S METROPOLITAN REGIONS

Serneke has a strong and well-established market position in the expansive Gothenburg and Stockholm. In addition, there is significant establishment in the Malmö/Lund area. Based on the three metropolitan regions, Serneke has established a solid foundation for continued expansion and growth.

ABILITY TO ATTRACT THE RIGHT EMPLOYEES

Serneke's main assets include a strong company and a brand that allows for the recruitment of the right kind of expertise and employees. The company culture is characterized by an entrepreneurial spirit and enthusiasm, pride, personal commitment, innovation and cost-effectiveness. Several large-scale and high-profile projects reinforce the image of Serneke as an attractive employer that can offer exciting and developing job opportunities, facilitating the recruitment of motivated employees.

GROWING PROJECT PORTFOLIO IN ATTRACTIVE LOCATIONS

In addition to construction activities, Serneke has a growing portfolio of projects with good potential for future capital appreciation. The portfolio consists of residential and commercial properties in prime locations, mainly in the three metropolitan regions. Through efficient processes and experience from previous complex projects, combined with knowledge and resources from its own contracting operations, Serneke is able to control the entire construction process and ensure profitable project implementation.

A STRONG MARKET FOR CONSTRUCTION ASSIGNMENTS

Continued extensive housing construction and major infrastructure investments are expected to contribute to high activity in the construction market in the future. Investment in housing, commercial buildings and facilities is expected in 2017 and 2018 to amount to about SEK 340 billion annually.**

TEN LARGEST CONSTRUCTION COMPANIES IN THE SWEDISH MARKET (2015)*

	Country	Construction	Civil engineering	Project development	Property management	Turnover, SEK million
Peab	Sweden	✓	✓	✓	✓	36,780
Skanska	Sweden	✓	✓	✓	✓	34,124
NCC	Sweden	✓	✓	✓	✓	32,104
JM	Sweden	✓		✓	✓	10,880
Veidekke Sweden	Norway	✓	✓	✓		7,121
Svevia	Sweden		✓			6,961*
Infranord	Sweden		✓			3,947
Serneke	Sweden	✓	✓	✓	✓	3,107
Strukton Rail	Sweden		✓			2,531
Erlandsson Construction	Sweden	✓		✓		2,529

Source: *The Swedish Construction Federation, 2016 and Serneke ** Euroconstruct



THE NEXT-GENERATION CONSTRUCTION COMPANY

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

VISION

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

MISSION

With increased commitment, Serneke will, together with its clients, develop products that challenge and generate added value.

OUR OFFERING

We offer the same security and expertise as the market leaders, but with more energy, greater commitment and a more modern approach.

COMMITMENT AND COURAGE

SIMPLICITY AND DRIVE

HONESTY AND RESPECT

VISIONARY AND SOLUTION-ORIENTED

“ Only by accepting shortcomings and weaknesses, can we develop, and trust is something you earn. We are always honest towards ourselves and others.

“ Regardless of whom we meet, where or how, we always show respect. Mutual respect paves the way for dialogue, cooperation and development.

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

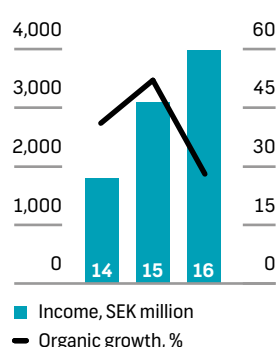
“ We resolve problems closest to the source, and the fastest route to a solution is always a straight line. We have the courage and knowledge to make difficult things easy.

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

FINANCIAL TARGETS AND OUTCOMES

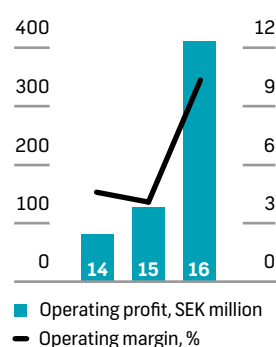
GROWTH

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



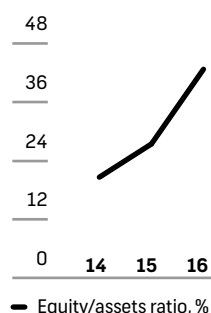
PROFITABILITY

The long-term target in Business Area Construction and Business Area Civil Engineering is an operating margin of 5 percent. Business Area Project Development aims for a return on capital employed of 20 percent. For the Group as a whole, this represents a long-term target of maintaining an operating margin of about 8 percent.



CAPITAL STRUCTURE

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



DIVIDEND POLICY

Serneke's long-term dividend policy is to distribute 30 to 50 percent of net profit after tax for the previous financial year. In line with the Company's strategy, growth will be prioritized above dividends over the next few years, and future dividend decisions will be made taking the Company's development and growth potential into account.



STRATEGY FOR PROFITABLE GROWTH

We will continue to focus on developing and improving our project portfolio with a focus on the three major metropolitan regions. We will boost our projects to further meet project starts and completions, encourage the creativity within the Group and strengthen the competitiveness of project development through collaboration among all business.

STRENGTHEN THE POSITION IN BUSINESS AREAS CONSTRUCTION AND CIVIL ENGINEERING IN EXISTING REGIONS

Serneke strives to grow and increase its market position, primarily in the priority regions of Stockholm, Gothenburg and Malmö and their environs. Through a strong organization and a highly reputable comprehensive offer, the Company estimates that Serneke can grow faster than the Swedish construction market in general, capturing market share from competitors in construction and civil engineering. The overall focus is on larger and more complex projects within contracting where Serneke's competitive advantages make the most difference.

As for the Business Area Civil Engineering, the strategy is to strengthen its market position in general, but with particular focus on the Stockholm and Malmö regions. The strategy is to follow the development curve for Business Area Construction and focus on major projects, primarily in the infrastructure sector.

CONTINUED INVESTMENT IN BUSINESS AREA PROJECT DEVELOPMENT

Population growth, the housing shortage and continued strong household finances are driving the need for new housing in Serneke's principal markets. By retaining

knowledge and resources within its own contracting business, Serneke controls the process from land allocation to the completed contract and can exploit synergies between the business segments.

Through a mix of projects with short lead times and projects held for long-term capital appreciation, a favorable balance is achieved between risk, return and tying up of capital.

In recent years, Business Area Project Development has strengthened its offering and its position in the market. Completed projects have generated positive attention and good references, providing increased opportunities to secure new land allocations in the future. Combined with short decision-making paths, cooperation between business and reinforced internal organization, Serneke's capacity to deliver, and cost control, generate business opportunities in a growing market.

USE THE ORGANIZATIONAL PLATFORM FOR CONTINUED GROWTH

Serneke has made extensive investments in processes, systems and organization. The number of employees has been reinforced with the objective of supporting production closely and providing clear rules for target review. A large proportion of white-collar workers affords good control of time management, economy and

quality-assurance throughout the process. Having its own skilled workers gives the Company the opportunity to influence implementation and maintain control over the execution phase, even when subcontractors are hired in.

ADDITIONAL SELECTIVE ACQUISITIONS

The fragmented Swedish construction market offers good acquisition opportunities, especially for a company like Serneke with the entrepreneurial culture of a smaller contracting company combined with a larger company's quality assurance systems, processes and organization. Serneke has an established acquisition policy and a structured approach for identifying, implementing and integrating acquisitions.

Potential acquisition targets that can complement the existing market offering and contribute with positive synergies are continuously being evaluated. Stable earnings and a similar corporate culture are among the more critical parameters.

The Company's current acquisition strategy primarily focuses on further strengthening Serneke's position in the three metropolitan regions, its access to skilled staff, as well as continuing to strengthen the offering.

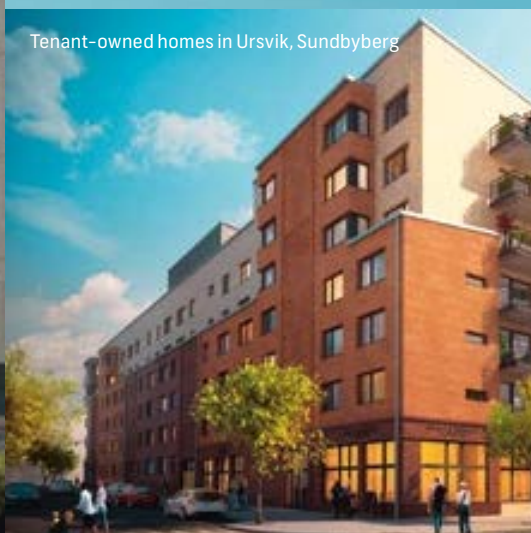


Serneke has received the prestigious contract, valued at approximately SEK 78 million, to upgrade the Stockholm City Museum.



Älvsjöstaden

Campus Eskilstuna



Tenant-owned homes in Ursvik, Sundbyberg



HIGH ACTIVITY IN MÄLARDALEN

SERNEKE'S STRATEGY is to continue to grow and strengthen its market position in the priority regions of Stockholm, Gothenburg and Malmö and their environs.

In Eskilstuna, Serneke is building a new campus for Mälardalen University. The project has an order value of approximately SEK 700 million and is included in the order bookings for the first quarter of 2017. Together with the Municipality of Eskilstuna, the parties will create a vibrant and modern campus, at which all operations will be gathered in a single location. The new university building will be on Hamngatan in the center of the town, where the sports hall and the aquatic center are currently located.

Serneke, together with the client Riksbyggen, is involved in a construction project in Ursvik, Sundbyberg. The project is being built at a value of approximately SEK 200 million and will consist of four buildings with a total of 141 tenant-owned units, which sold out quickly, and a garage.

The Årstatråket is a major urban area where the city of Stockholm is planning for approximately 3,000 new dwellings. Serneke is building the first stage with 187 new rental units, six apartments plus premises for special-needs residents as well as four commercial premises for Familjebostäder. The area Röstråknaren consists of six apartment buildings in Årstatråket. The order value for Röstråknaren is approximately SEK 389 million.



STRONG CONSTRUCTION AND CIVIL ENGINEERING MARKET

Activity in the Swedish construction market in 2016 remained high. The main driving forces included major infrastructure investments and a continued structural housing deficit.

In 2015, investments in the building and construction sector amounted to about approximately SEK 320 billion. Looking at the various market segments, investment in housing accounted for approximately 40 percent, while that of civil and commercial buildings accounted for about 30 percent, respectively.*

METROPOLITAN REGIONS ARE PUSHING ON

Of the total investment in construction projects in 2015, the metropolitan regions of Stockholm, Gothenburg and Malmö accounted for about 75 percent.**

During 2015, the Stockholm region accounted for about half of the total construction investment in Sweden. In addition, extensive housing construction is also under way as well as a large number of major infrastructure projects that include Norra Tornen, the Stockholm metro Odenplan–Arenastaden, Stockholm Bypass, construction and renovation of parts of Karolinska University Hospital and the rebuilding of Slussen. In Gothenburg,

newly-started projects in, for example, Forsåker, new construction at Almedal's factories, expansion of Östra sjukhuset, preparations for the West Link Project and Hisingsleden highway all contributed to a strong market. In Malmö, the market benefited by new projects in Västra hamnen, a new medical center at the University Hospital and the railway link Flackarp–Arlöv.

STRONG MARKET FOR THE FUTURE

Continued extensive housing construction and major infrastructure investments are expected to contribute to high activity in the construction market in the future.

In 2018, investments in housing are expected to amount to SEK 140 billion, equivalent to an average annual growth rate of 2.0 percent for the period 2015 to 2018; investments in civil engineering works are expected reach SEK 101 billion with an average annual growth rate of 2.5 percent; and investments in commercial buildings are expected to reach SEK 99 billion, corresponding to an average annual growth rate of 2.1 percent.*

THE DIVISION AND ACTORS IN THE SWEDISH CONSTRUCTION MARKET

The Swedish construction market is generally divided into contracts for construction and civil engineering, respectively. Construction includes the construction of buildings intended for residential and/or commercial use. Civil Engineering focuses primarily on foundations and excavation for properties and infrastructure construction. In addition to these segments, most of the major Swedish players in the construction market are also active in project development and property management.

The construction market is characterized by a handful of major nationwide companies and a large number of smaller local companies. Combined, Peab, Skanska and NCC account for about a third of total sales in the Swedish market. In addition to these, there are the residential developer JM, state infrastructure companies Svevia and Infranord and the Norwegian contracting companies Veidekke as well as Serneke. All these companies are active in

CONSTRUCTION INVESTMENT IN METROPOLITAN REGIONS 2015–2017**

SEK billion	2015(E)	2016(E)	2017(E)
Stockholm			
Housing	74.0	78.5	78.5
Commercial properties	54.9	55.7	56.4
Civil engineering works	23.3	23.7	24.5
Total	152.2	157.9	159.4

SEK billion	2015(E)	2016(E)	2017(E)
Gothenburg			
Housing	23.2	25.3	25.8
Commercial properties	16.0	16.2	16.3
Civil engineering works	9.3	9.5	10.0
Total	48.5	51.0	52.1

SEK billion	2015(E)	2016(E)	2017(E)
MALMÖ			
Housing	16.0	17.4	17.6
Commercial properties	13.7	14.3	14.7
Civil engineering works	3.7	3.6	3.6
Total	33.4	35.3	35.9

Source: * Euroconstruct **Swedish Construction Federation

construction, civil engineering and project development.

TRENDS IN THE CONSTRUCTION MARKET

Turnkey contracts

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

Partnerships

The construction industry has become more transparent and collaboration has become increasingly commonplace. Collaboration entails the developer and the contractor working together closely throughout the project, with all parties having insight into the finances of the

project. This often results in a more efficient process, in which the construction company has a clear incentive to deliver good quality, at the right price and on schedule.

New property ownership category

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

More stringent procurement requirements

In recent years, customers have introduced more stringent procurement requirements. Historically, it has been possible to compete mainly on price, which is no longer the case. The contractor must meet requirements such as minimum turnover, ISO certification for quality of environment, the organization's practices and individual project members' experiences.

Increased international competition

As a result of declining local markets, there has been a noticeable increase in interest from major international construction companies based in Europe. The specific conditions prevailing in the well-regulated Swedish construction market mean that such international companies are often interested in partnership with local partners.

Investments in increased housing

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

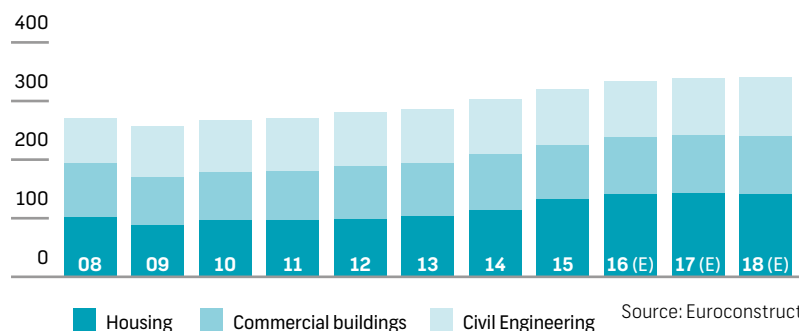
DISTRIBUTION OF BUILDING INVESTMENTS IN SWEDEN IN 2016 (E)



■ Housing, 48%
■ Premises, 32%
■ Civil Engineering, 20%

Source: Swedish Construction Federation

CONSTRUCTION INVESTMENT IN SWEDEN BY SEGMENT (SEK BILLION)



Source: Euroconstruct

MARKET DRIVERS AND TRENDS

MACROECONOMIC FACTORS

GDP

Strong GDP growth is a key prerequisite for the construction industry, although weaker periods may also be beneficial in certain cases. Construction projects can then be used to stimulate the economy. In Sweden, GDP growth has historically shifted in a stable and positive direction, with the exception of the global financial crisis of 2008–2009. Since 2010, GDP growth has returned to long-term average levels, and forecasts by the National Institute of Economic Research suggest that economic activity will remain at favorable levels going forward. In general, per capita GDP is higher in the metropolitan regions than in Sweden as a whole.

Demography and urbanization

Changes in population size are an important factor for property market development. The rapidly growing Swedish population has a positive effect on the construction industry through the increased demand for housing, public properties, commercial properties and infrastructure investments. The population of Sweden is expected to exceed 11 million people in 2024. Historically, population growth has been strongest in the metropolitan regions. This trend is expected to continue in the future, resulting in continued high demand for housing, public buildings and commercial real estate, as well as infrastructure investments. The National Board of Housing, Building and Planning estimates that more than 700,000 new homes need to be built until 2025 to meet demand. Almost three-quarters of this demand is expected to derive from the three metropolitan regions.

Housing prices

Housing prices in Sweden have risen continuously since 1993. The trend is largely the result of a high demand for housing combined with falling interest rates. This is positive for the construction industry, since demand for housing tends to correlate strongly with demand for new construction and renovation of housing.

Interest rates

In low interest rate environments, large amounts of capital are generally channeled into the property markets and housing prices tend to rise sharply, making new construction and renovations relatively cheaper. In recent years, low interest rates have resulted in low funding costs and more borrowers who are prone to initiate construction projects than previously.

INDUSTRY-SPECIFIC FACTORS

Political initiatives

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

Examples of policy decisions that can affect the market for major construction works include large-scale infrastructure projects. In recent years, decisions have been made to construct a number of major infrastructure projects over the next 10 to 15 years.

- **Stockholm Bypass:** 21 kilometers of new highway, of which 18 kilometers is tunnels connecting the northern and southern parts of the county and relieving the Essingeleden highway. The budget is about SEK 28 billion.

- **West Link Project:** A railway link through a tunnel under central Gothenburg for commuter and regional trains, facilitating travel in Gothenburg and western Sweden. The budget is about SEK 20 billion.
- **Expansion of the metro in Stockholm:** Expansion of the Stockholm metro to Nacka, Arenastaden and Barkarby and the extension of the Blue Line to Gullmarsplan, connecting with the Green Line for greatly increased capacity through central Stockholm. The total expense is estimated at SEK 19.5 billion.
- **Eastern Link:** New double-track high-speed railway between Järna and Linköping. Construction work for the East Link is planned for 2017 and the objective is that the first trains will be able to start rolling 2028. The budget is about SEK 35 billion.

Examples of policy decisions that can affect the market for major construction projects include decisions on the development of districts or the repurposing of neighborhoods from industrial use to housing and office space, or decisions to extensively refurbish and renovate older property holdings. As an example, the housing companies with holdings that largely consist of apartments built during the Million Homes Program of the 1960s and 1970s are facing a major challenge, as these properties have often been neglected in terms of maintenance and are in major need of renovation. Total renovation costs of SEK 200 to SEK 500 billion are being mentioned within the industry. According to the Swedish Federation of Wood and Furniture Industry (TMF), the Million Homes Program properties comprise some 922,000 homes, most of which are owned by municipal property companies in the major cities.



According to Statistics Sweden, construction of approximately 63,100 new apartments began in 2016.

ACCORDING TO THE NATIONAL
BOARD OF HOUSING, BUILDING
AND PLANNING, MORE THAN

700,000

NEW HOMES NEED TO BE BUILT
UNTIL 2025.

WITH A FOCUS ON SUSTAINABILITY

Within Serneke we believe that focused sustainability work and strong social responsibility go hand-in-hand with long-term growth with good profitability. By virtue of our size, we have both an opportunity and a responsibility to contribute to a more sustainable development. Through our activities, we contribute to the development of towns, cities and society as a whole.

One of the construction industry's biggest sustainability challenges is to reduce the environmental impact related to construction and production. The construction industry uses large amounts of material resources and energy. Assessments from IVA (Royal Swedish Academy of Engineering Sciences) and the Swedish Construction Federation indicate that the overall environmental impact of the construction processes in Sweden is about 10 million tons of carbon dioxide per year, four million tons of which comes from housing projects and six million tons from construction projects. This is on the same scale as the emissions from all passenger cars Sweden, and more than what is generated by all the trucks and buses.

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

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

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

PRIORITIES AND OVERALL OBJECTIVES

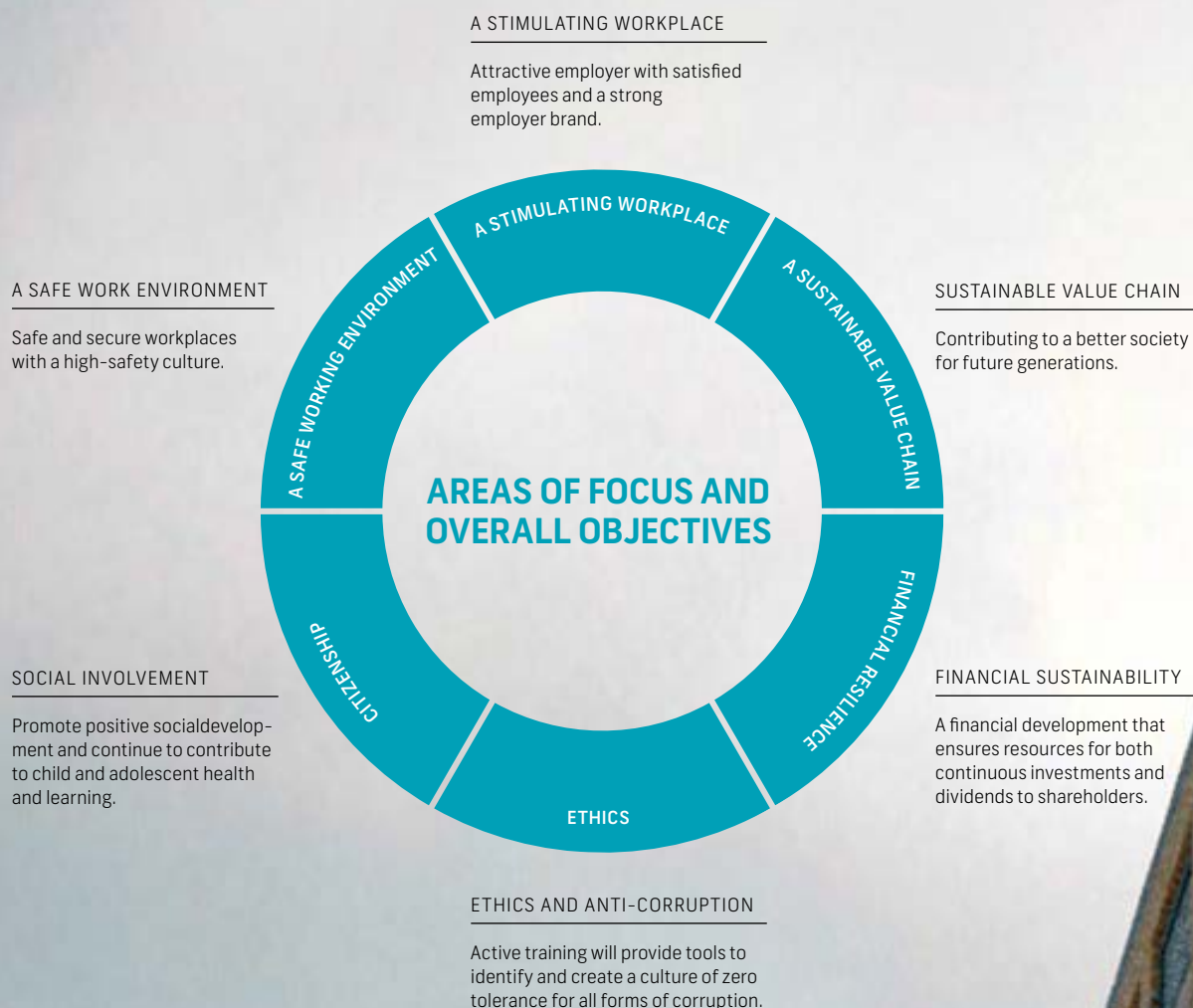
The sustainability efforts are based on a materiality analysis, in which the most important and relevant aspects of sustainability have been identified. The central parts focus on minimizing the risk of injury to persons, property and the environment, but also to continuously reduce the direct and indirect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

VALUES

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

The values are:

- Commitment & Courage
- Simplicity & Drive
- Honesty & Respect
- Visionary & Solution-oriented



STARTING POINTS

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

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

"AN INTEGRAL PART OF THE ACTIVITIES"

"Our work with sustainability is a fully integrated part of Serneke's operations. In addition to continually reducing our environmental impact, we want to be involved and contribute to a better, more inclusive, society and positive urban development. We are convinced that this approach benefits both society as a whole as well as our own business."

Ola Serneke, CEO Serneke Group AB

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. Some of the key guidelines are presented below.

CODE OF CONDUCT

The Code of Conduct includes Serneke's guidelines for suppliers and partners. It also describes the relationship with employees and other stakeholders, and the policy on gifts and bribes. It applies to the Board of Directors and all employees of Serneke. All employees must abide by its principles in their daily work. Serneke's Group Management is responsible for compliance with the Code. Monitoring is continuous within the framework of the ongoing operations.

GROUP POLICIES

Serneke has several policies to make clear rules and instructions, and among them are the aforementioned Code of Conduct and purchasing policies that clarify our ethical positions, both internally and with our suppliers. The environmental policy describes Serneke's comprehensive approach to environmental issues and overall principles for the management and monitoring of the environmental work.

GLOBAL COMPACT

Serneke adheres to both the UN Global Compact and the Universal Declaration of Human Rights. The Global Compact was introduced in 1999 by the UN former Secretary General Kofi Annan and is currently, with over 6,000 corporate members from 135 countries, the largest global initiative for corporate responsibility and sustainability issues. Corporate Members commit themselves to live up to ten principles on human rights, environment, labor standards and anti-corruption, and respect these throughout the value chain.

ILO CORE CONVENTIONS

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

INDUSTRY-WIDE AGREEMENTS

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

CERTIFICATIONS

Serneke Bygg AB, Serneke Bygg Öst AB and Serneke Anläggning AB are certified according to ISO 14001: 2004 (environmental management) and ISO 9001: 2008 (quality).

ORGANIZATION AND RESPONSIBILITY

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

MONITORING AND CONTROLS

The construction industry is subject to extensive regulations and continuous external review regarding environmental and technical aspects as well as safety and working environment law. Along with the internal regulations, these control procedures ensure a consistently high level of quality.

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

A SAFE WORK ENVIRONMENT

The construction and civil engineering operations include work activities that may be associated with risks for the individual employee. Within Serneke extensive efforts are being conducted to limit the risk of serious incidents and accidents, to the extent that this is possible. Preventative measures, well-developed procedures and systematic monitoring form the core of these efforts.

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

PREVENTATIVE MEASURES

Identification of potential risks forms the basis for effective safety efforts. Serneke actively works to identify risks. The work is based on a regular annual overall risk analysis, in which different types of operational risks are analyzed and monitored. Data on incidents and accidents and outcomes from employee surveys and employee health screening all form the basis of the work. The risk analysis is then used to develop the relevant measures and a plan to implement them. In addition to annual follow-up procedures, structured and regular monitoring of incidents

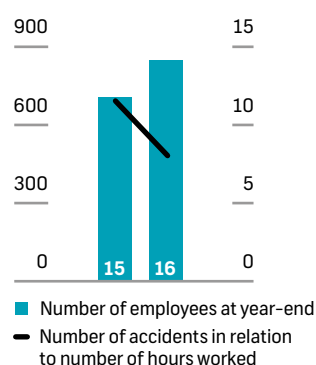
and accidents takes place at both the Group and Business Area level.

In addition to the comprehensive efforts regarding preventative measures, every project is initiated with a risk analysis that has work environment and inventory of skills as its central focus. The project is then carried out with ongoing internal risk analyses as well as the gathering of risk analysis from subcontractors, which is then integrated in the work environment plan. Serneke has its KMA department (Quality, Environment and Safety Issues) and conducts on-site visits of the Group's projects to monitor and identify areas of improvement. Twice a year, joint meetings with safety officers are held to review procedures for improvement.

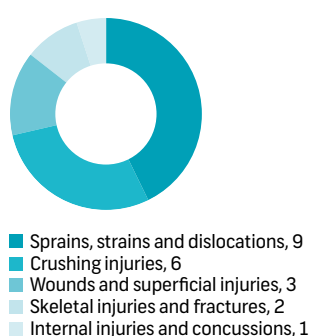
ACCIDENTS AND INCIDENTS IN 2016

In 2016, eight accidents or incidents occurred that led to absences from work of longer than eight hours and/or medical treatment and subsequent absence due to medical reasons. The increase in the number of accidents and incidents between 2015 and 2016 is likely due to an increased propensity of reporting. The objective is for all incidents and accidents to be reported, whether for the Company's own employees or those of subcontractors.

ACCIDENT RATE



TYPE OF ACCIDENT AND INJURY



INCREASED FOCUS ON SOCIAL WORK

Efforts to ensure a good work environment include not only the physical work, but also social aspects. Within Serneke various efforts were conducted in 2016 on ways to communicate and ensure compliance with the new regulation on organizational and social work environment. Important efforts that the Group will continuously monitor and develop. The new regulation applies to, among other things, workloads, working hours and victimization. The objective has been to clarify the organizational work environment responsibility, and systematic work environment efforts have been developed.

THE SWEDISH WORK ENVIRONMENT AUTHORITY'S INSPECTIONS OF MAJOR CONSTRUCTION COMPANIES

Since 2015, the Swedish Work Environment Authority has conducted a major inspection project aimed at reducing accidents and illness in the construction industry. Part of the project has been to inspect the large construction companies with at least 250 employees. In 2016, the Swedish Work Environment Authority conducted a number of inspections in various parts of Serneke. Overall, five general areas for improvement were identified. The areas include clearer distribution of work environment duties, plans of action for situations involving violence and threats and procedures for the translation of instructions when doing contracting work with those who have a native language other than Swedish.

A STIMULATING WORKPLACE

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

Competition among talented, experienced and dedicated employees is high. Serneke's ability to identify, develop, attract and retain the right employees with the right skills and attitude is crucial to the Group's continued success. The competence and performance of employees is critical for setting objectives and continuing to develop as a company. We strive to offer market-based terms of employment and benefits, good opportunities to develop skills, as well as a stimulating, safe and healthy work environment. In addition to external recruitment, we work purposefully to enable a high level of internal mobility.

CONTINUED STRONG GROWTH IN 2016

The number of employees in the Group at the end of 2016 was approximately 850. In recent years, recruitment rates have been high, and in 2016 alone the organization grew by about 150 new employees. Reinforcements have been made in all areas of the Group, both in the business areas and centrally. The large proportion of white-collar workers, about 50 percent of the average number of full-time employees, enables us to create value and competitive advantages in the planning phase of each project.

COMPETENCE DEVELOPMENT

Continuous professional development is offered for both blue-collar workers and white-collar workers. 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 skill profile. A number of courses from our training catalog apply to the profile. The courses are divided into three stages. The first stage is mandatory, the second recommended and the third is an advanced stage. The performance reviews determine the objectives for skills development. This can involve filling in the gaps that exist but also facilitating the next career step.

OBJECTIVES AND PERFORMANCE REVIEWS

Structured reviews of objectives and performance are conducted once a year. These address the past, present and future. The areas discussed include job satisfaction, psycho-social work environment, the balance of work and leisure, work duties, development, relationships, and necessary conditions for being able to do a good job. Monitoring and follow-up of previous objectives is conducted, and new ones are determined.

EQUALITY AND DIVERSITY

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

brand in relation to both customers and employees. The proportion of women in the organization is still relatively low, but over the past three years it has increased from 10 to 13 percent.

HEALTH PROMOTION

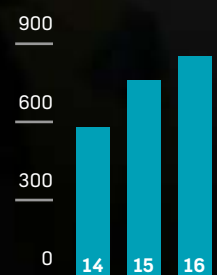
In addition to health care allowance, a variety of exercise opportunities are provided. Our head offices have a gym that all Group employees have access to. In addition, the internal sports club Serneke IF arranges ski trips, running, yoga and cycling.

REGULAR EMPLOYEE SURVEYS

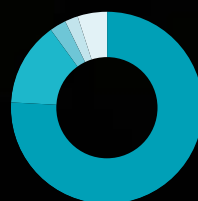
Serneke puts great effort into measuring and monitoring employee attitudes and the initiatives undertaken within the Group. Regular employee surveys are an important part of this work. The study focuses on five main areas: working conditions, job satisfaction, teamwork, leadership and core values. The aim is to identify potential areas for improvement and to maintain that which makes the Group a high-performance organization.

The latest survey shows continued positive engagement among employees. The employees are happy with their colleagues and the good atmosphere in the workplace, there is strong confidence in Serneke's management and 95 percent of employees would recommend Serneke as an employer to friends and acquaintances. The difference in opinion between men and women is limited. Areas for improvement include experience feedback, follow-up and monitoring, and communication.

NUMBER OF EMPLOYEES

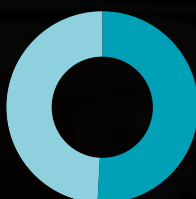


PERCENTAGE OF EMPLOYEES BY BUSINESS*



- Construction, 76%
- Civil Engineering, 14%
- Project Development, 3%
- Property Management, 2%
- Other units, 5%

PROPORTION OF BLUE-COLLAR WORKERS TO WHITE-COLLAR WORKERS*, %



- Blue-collar workers, 51%
- White-collar workers, 49%

PERCENTAGE OF WOMEN AND MEN*, %



- Women, 13%
- Men, 87%

* Figures relate to 2016.

SUSTAINABLE VALUE CHAIN

The environmental impact of the construction and civil engineering industry is large, not least in terms of greenhouse gas emissions. Serneke strives to continuously reduce consumption of resources and environmental impact in all business areas. The work takes place at all levels of the organization and is an integral part of all operations within the Group. Comprehensive coordination work is done at the Group level, while the business areas are responsible for developing and managing the work with each area of operation.

The environmental impact of construction and civil engineering projects comprises a direct impact from the project itself and an indirect impact as a consequence of the operation and use of the property or building.

Serneke's primary focus is on minimizing environmental impacts during construction. However, through the planning, selection and documentation of construction and materials, environmental performance is optimized for the use and demolition stages as well.

SUSTAINABLE PURCHASING

The large majority of purchases in Serneke are conducted locally in the specific projects. On a larger scale, purchasing activities and supplier relationships are regulated in accordance with the applicable Code of Conduct and adopted environmental policy. At the project level, the purchasing process is largely controlled by defined requirements, environmental as well as social, from customers and clients. These can include anything from the use of specific materials to stipulating that projects meet specific criteria, such as those of SundaHus or Basta.

Continuous evaluation and monitoring of suppliers is included in the framework of the purchasing work. Prior to procurement, a control procedure is performed

regarding VAT registration, F-tax certification, collective agreements, UE 2015 approval, insurance, credit and outstanding debts. A supplier evaluation is also performed following completion of an assignment, providing a basis for the continued purchasing work.

TRANSPORTATION AND ENERGY USE

The processes with the highest environmental impact include transportation, operation of construction equipment as well as heating and energy consumption for projects, job sites and workplaces. Active efforts are taken to continuously reduce energy consumption in all areas. Since 2013, electricity consumption in offices and projects has mainly been of electricity from wind turbines.

Regarding transportation, an extensive program has been conducted to reduce emissions of greenhouse gases and particles. One of the main features of this is a gradual transition to renewable and fossil fuels. Continuous efforts are made to optimize flows and reduce the amount of transportation to and from job sites and workplaces – to reduce emissions and wear on roads. The work is conducted in close cooperation with customers and subcontractors. Where appropriate, Serneke also adheres to the specific rules and requirements of each client.

To reduce problems related to dust when transporting and handling concrete, for example, dust-binding agents, mainly salt or water, are used.

RESOURCE EFFICIENCY AND WASTE MANAGEMENT

In addition to transportation and energy use, waste management in construction is one of Serneke's highest priorities among sustainability issues. The construction and civil engineering sector accounts for about one-third of all waste generated in

Sweden and about a quarter of the hazardous waste.

When it comes to waste management, we work on the basis of the so-called "waste hierarchy". The order of priority entails first and foremost preventing waste material, followed by reusing, recycling, and, finally, depositing in landfills. The hierarchy applies on the condition that it is environmentally appropriate and economically feasible. The projects also manage hazardous waste in the form of oil traces, spray cans, batteries and fluorescent lamps. In these cases, special rules regarding sorting and handling apply.

The different business areas entail different types of waste materials. In Business Area Construction, waste consists mainly of combustible and unsorted material, while in Business Area Civil Engineering, it is mainly of excavation and filling material, wood and metal. There has been major focus in recent years on reducing and streamlining the processing of excavated materials from an environmental-economic perspective. In addition, exchange of information within the organization has increased, resulting in better use of materials. Not least in terms of an increase in the use of excavated material being used for other projects, instead of going to landfills. Within Serneke, an internal purchase and sales function makes it possible to reuse leftover excavated material, products and materials in other projects.

An important aspect of the efforts to reduce waste is to increase the accuracy of calculating how much material will be needed. In this regard, Serneke works with several different types of systems and models to minimize the proportion of waste and excess material.



The Borgen neighborhood in Halmstad.

ENVIRONMENTAL CERTIFICATION

We have extensive experience and are well-versed in working with different types of environmental certifications, and Serneke also works actively with environmental certification of external and proprietary projects. Within the organization there is qualified expertise in the certification systems BREEAM, LEED, Svanen (Nordic Swan Ecolabel) och Miljöbyggnad.

The purpose of certifications is to facilitate the systematic work with environmental and sustainability issues all the way from planning to operation.

INTERNAL ENVIRONMENTAL EDUCATION

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

MAJOR FOCUS ON ETHICS AND ANTI-CORRUPTION

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

Serneke respects the laws and regulations of the jurisdiction where we operate. We have zero tolerance for all forms of corruption, including all types of bribery and corruption. The corporate Code of Conduct describes the basic principles of how managers and employees throughout the organization are to conduct their daily work and contact with suppliers, competitors and other third parties. It also clearly defines policies on gifts, drugs and alcohol, and potential conflicts of interest. Serneke is characterized by extensive delegation of responsibility and authority.

The Group gives employees freedom with their responsibility and encourages quick and proactive leadership. The culture encourages commitment, accountability and ethics in relationships and a positive interaction with society as a whole.

Through clear governance and monitoring of the projects throughout the whole development chain, we prevent risks and ensure that the ethical guidelines are followed.

INDUSTRY AGREEMENT ON BRIBERY

In December 2015, several major players in the Swedish construction industry signed an agreement to combat bribery and corruption in the publicly-funded construction and property sector. Apart from several nationwide construction

companies, the Swedish Construction Federation, Swedish Construction Clients 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 representation and sponsorship. Serneke wholeheartedly supports the agreement.

A STRONG COMMUNITY INVOLVEMENT

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

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

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

PARTNERSHIPS WITH SOCIAL OVERTONES

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

and who will, upon completion of the apprenticeship period, be granted the opportunity for permanent employment. Moreover, the youths will be given the opportunity to get access to their own apartment after completing the training.

SUPPORT FOR BERÄTTARMINISTERIET

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



WE ARE PASSIONATE ABOUT SPORTS!

Sports, Health, Youth issues and integration are areas Serneke is passionate about. We work with these issues by being involved in Swedish sports associations. We see great value in what sports contribute and want to actively assist in the work of the associations. We believe that sports create opportunities for the well-being and good health of young people and people in general. Sports also provide a meeting place for people of any age or background. They break barriers and develop community that is difficult to achieve anywhere else. The associations that we are involved in include Frölunda Indians, IFK Göteborg, Alingsås Handbollsklubb, IK Stern, Värmdö IF etc.

INCOME, SEK MILLION

3,229

OPERATING PROFIT,
SEK MILLION

86

OPERATING MARGIN, %

2.7

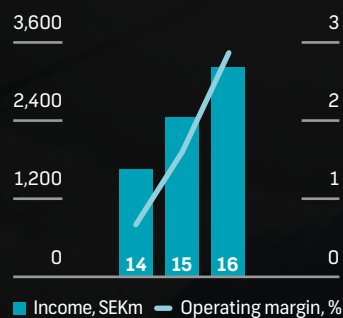
ORDER BOOKINGS, SEK MILLION

5,029

ORDER BACKLOG, SEK MILLION

6,753

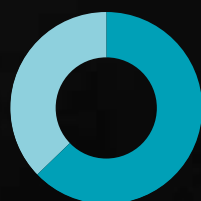
INCOME AND OPERATING MARGIN



INCOME AND PROFIT

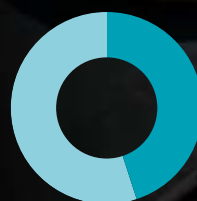
Income in Business Area Construction over the year amounted to SEK 3,229 million (2,466), an increase of 31 percent. The operating profit amounted to SEK 86 million, an increase of 79 percent compared with the previous year. The operating margin was 2.7 percent, compared with 1.9 percent in the previous year. The improved operating profit was explained by higher volumes and higher project margins. The total order backlog amounted to SEK 6,753 million at December 31, 2016.

BACKLOG, DEC 31, 2016 BY CUSTOMER SEGMENT



■ Housing, 63%
■ Offices, retail and industrial, 37%

ORDER BACKLOG, DEC 31, 2016 BY CUSTOMER CATEGORY



■ Public sector, 45%
■ Private sector, 55%

BUSINESS AREA CONSTRUCTION

STRONG GROWTH AND INCREASED PROFITABILITY

Business Area Construction in 2016 strengthened its positions in all geographic markets. Order bookings were strong during the year, largely driven by high demand in the housing sector.

The Business Area Construction provides comprehensive services in the construction sector with a focus on larger and more complex construction contracting. The operations mainly comprise housing construction and contracts for commercial properties.

The Business Area Construction operates in all segments of the construction industry: new construction, renovation and expansion. The business area's customers mainly comprise municipal and private property companies, state-owned companies, major project development companies, industrial companies, central government, municipalities and county councils, developers of commercial centers, and Business Area Project Development. The focus is mainly on large, complex projects, and the proportion of projects with order values exceeding SEK 100 million was 85 percent at the end of 2016.

STRONG GROWTH IN THE ORDER BACKLOG

During the year, positions in all geographic markets were strengthened. In Gothenburg, Serneke has a market-leading position. In Stockholm and Malmö, Serneke has quickly established itself as one of the ten largest construction companies.

In all geographic markets, order backlog increased significantly during the year. One of the main driving forces was the high demand for projects in the residential construction sector. The largest new projects included construction of nearly 177 Swan-eco-labeled rental apartments in the center of Trollhättan for AB Eidar, 142 rental apartments in Upplands Bro for AB Upplands-Brohus and 152 apartments in

central Växjö for two private tenant-owner's associations. To other prominent projects included rebuilding and renovation of the Galleria Trädgården shopping center in Varberg and the renovation of the Stockholm City Museum. At the end of the year, Serneke was also contracted for the construction of Kongahälla shopping center outside Kungälv. In terms of order value, this project is the largest so far in Serneke's history.

CONTINUED EXPANSION IN THE STOCKHOLM REGION

Great efforts were made over the year towards the continued establishment and expansion of Stockholm. Key elements of this have been to fully integrate Serneke Bygg Öst AB (formerly Värmdö Byggentreprenader AB) into the Group. A common working approach has been introduced whereby processes and procedures are reviewed and rectified. These efforts contributed to the higher quality in the projects and greater internal efficiency.

STRENGTHENED ORGANIZATION

The organization was strengthened during the year through a relatively large number of recruitments, mainly of white-collar workers. The ability to attract and recruit qualified white-collar workers is of strategic importance and in line with the stated ambition to focus on planning, management and control throughout the construction process. During the year, we also introduced a new region-based structure, where local regional managers now have responsibility for the development of their respective organizations.



“ 2016 was a good year. The order book increased substantially, by 38 percent, while we also significantly improved performance. We have continued to expand in Stockholm and have strengthened our organization by a relatively large number of new recruits. Overall, development over the year contributed to the Company having a strong platform for continued growth.

DANIEL ÅSTENIUS,
BUSINESS AREA MANAGER, CONSTRUCTION

FOCUS 2017

Developments during the year have contributed to the Business Area Construction having a strong platform for further growth. The focus in 2017 will be in part on continued growth, and to strengthen profitability. The objective is to maintain the strong position in Gothenburg and at the same time continue to strengthen the position in Region East and Region South.

INCOME, SEK MILLION

455

OPERATING PROFIT,
SEK MILLION

-36

OPERATING MARGIN, %

-7.9

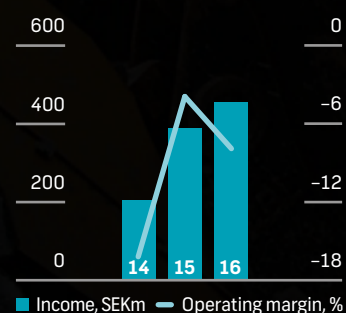
ORDER BOOKINGS, SEK MILLION

510

ORDER BACKLOG, SEK MILLION

288

INCOME AND OPERATING MARGIN



INCOME AND PROFIT

Income over the year amounted to SEK 455 million (389), an increase of 17 percent. The operating profit amounted to negative SEK 36 million and operating margin to negative 7.9 percent. The main reason for the decline in earnings is project write-downs as well as the strong growth phase in 2015, when income increased rapidly and a larger organization adapted to the growth was built up.



BUSINESS AREA CIVIL ENGINEERING

INCREASED REVENUES AND STRONG ORDER INTAKE

In 2016, Business Area Civil Engineering was characterized by continued growth in Gothenburg and Malmö, establishment in Stockholm and an overall increased focus on major projects. In addition, a comprehensive action program to improve profitability and strengthen internal controls was launched during the year.

Business Area Civil Engineering performs all types of excavation and civil engineering work: excavation work, foundations, infrastructure, grids, power plants, port contracts and concrete contracts. Customers are mainly municipalities, the Swedish Transport Administration, customers in industry and real estate. The share of external customers amounted to 84 percent, which was a substantial increase over the previous year. The largest external customer Group in 2016 was public sector customers, which accounted for about 42 percent of the business area's sales.

CONTINUED GROWTH IN GOTHENBURG AND MALMÖ

In the past year, we strengthened the positions in the Gothenburg and Malmö regions. There have been more projects, and they have become bigger and more complex. The most prominent include preparatory excavation work for the construction of Kongahälla shopping center in Kungälv, reconstruction of Sörred junction on highway 155 in Gothenburg, civil works for the construction of a new e-commerce cluster in Ängelholm and the construction of a new ID control for the Port of Gothenburg.

ESTABLISHMENT IN STOCKHOLM

In the autumn of 2016, operations were established in Stockholm. Great efforts

have been made for recruitment, establishment of the organization and marketing. Work has been carried out according to plan, with strong interest from potential clients.

ACTION PROGRAM FOR INCREASED PROFITABILITY

In recent years, growth within Business Area Civil Engineering has been strong. The structure of the organization has resulted in higher costs, which, combined with project write-downs, negatively impacted profitability. During the second quarter of 2016, a comprehensive action program was initiated with the overall objective to improve profitability and strengthen internal controls. The program is comprehensive in scope, affecting the entire business area. Key elements have been to review the processes, procedures, objectives and focus. Positive effects are expected to be achieved during 2017.

FOCUS 2017

The focus in 2017 will be on strengthening profitability by further adapting the organization to the growth of recent years. Another objective is to, in a controlled manner, continue to grow in the market for larger projects, primarily in the infrastructure sector. In terms of geographical markets, particular focus will be on continuing establishment of the operations in Stockholm.



“ Our focus going forward is on improving profitability and internal control. We are building up our Civil Engineering operations and implemented a major action program over the year to ensure good profitability. The business area's main focus is to now derive effects from this and to show well-controlled, profitable growth in 2017.

FREDRIK JONSSON, BUSINESS AREA MANAGER, CIVIL ENGINEERING

CONSTRUCTION AND CIVIL ENGINEERING

CONSTRUCTION PROJECTS IN CLOSE COOPERATION WITH CUSTOMERS

Construction and civil engineering assignments are termed contracting projects. These projects are complex and often extend over long periods of time, entailing a need for efficient processes, and close collaboration between the customer and contracting company.

Contracting assignments usually take the shape of turnkey or traditional contracts. In the case of a turnkey contract, the contractor is responsible for both project planning and execution. With a traditional contract, the client has done the project planning for the contractor.

HONESTY, OPENNESS AND TRANSPARENCY

The majority, about 90 percent, of Serneke's construction projects in 2016 consisted of turnkey contracts. To create the conditions for an efficient process that ensures projects are delivered on time, cost-effectively and with the right level quality, Serneke has an established form of cooperation whereby developers, contractors, consultants and other key players in the current project jointly solve a task based on a common understanding of objectives, organization, plan and budget.

By a collaboration characterized by honesty, openness and – in the partnership projects, greater transparency and joint planning – the best conditions are created

for project optimization. They create further good conditions for long-term customer relationships in which common experience and close collaboration reduce costs and risks while increasing the level of quality.

FLEXIBLE PROCESS FOR UNIQUE PROJECTS

Contracting assignments vary in size, type, form of procurement and complexity, which places high demands on efficient and adaptable processes. The Company has developed a comprehensive process with a common approach designed to manage unique assignments tailored to the customer's needs and requirements.

Tenders and market analysis

The tender process begins with a market analysis to identify potential assignments suited to the organization. A costing process then ensues to evaluate any tender documents. The process then proceeds with costing and calculations, bids being requested from subcontractors, quantifi-

cation (estimating how much material is needed) and identification of risks and opportunities. After that, tender evaluation is performed to assure the quality of the costing. When the costing process is completed, the tender is submitted to the client.

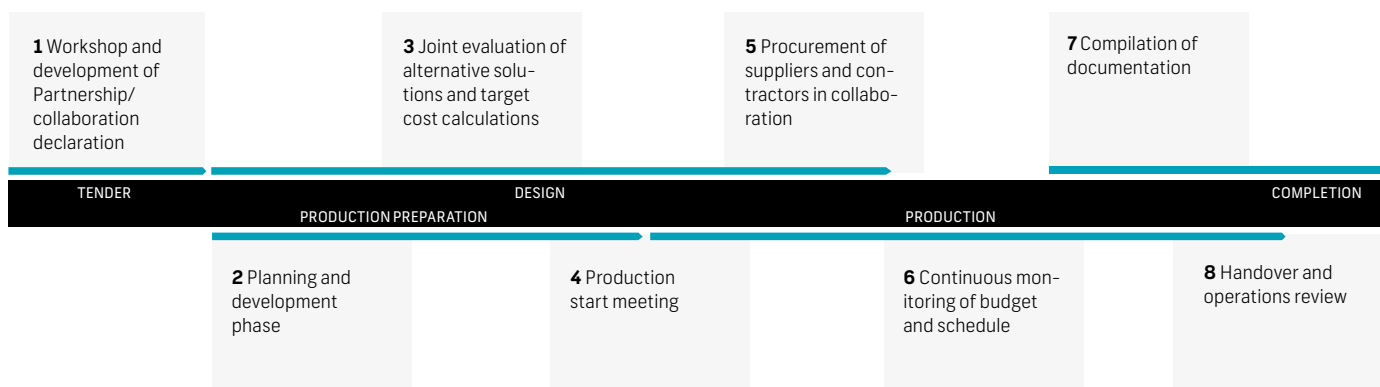
Planning, design, production and completion

Serneke's core competencies include being able to lead and coordinate not only its own organization, but also suppliers, subcontractors and clients, as well as optimizing the purchase of materials. To ensure that projects are delivered on time, cost efficiently and with the appropriate level of quality, Serneke has developed an efficient process involving close cooperation between all stakeholders.

PURCHASE

In 2016, purchase of materials and services amounted to an average of two-thirds of the production costs. Serneke's purchasing strategy combines assign-

EXAMPLES OF COLLABORATIVE PROJECTS AND PARTNERSHIP



ment-related contracts and long-term comprehensive contracts with retained freedom to sign contracts locally on the spot market. Purchasing is managed locally at the project level, supported by a central purchasing organization, resulting in a high degree of flexibility and economies of scale on products purchased in bulk.

For each project, a purchaser is appointed, tied directly to the production operation. Detailed knowledge of the projects and experience of similar projects is essential for optimal procurement of contracts and purchasing of goods. Together with the site manager and supported by Serneke's central purchasing organization, the purchaser performs the purchasing for the assignment. The purchasing process is characterized by cost-consciousness, quick decision-making and good communication with all expenses being consistently assessed.

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

10 Start-up of the guarantee and management phase

AFTERMARKET

9 Final Meeting for follow-up and experience feedback

11 Guarantee Inspection, analysis and evaluation



INCOME, SEK MILLION

373

OPERATING PROFIT,
SEK MILLION

334

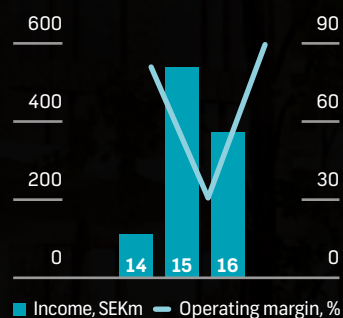
OPERATING MARGIN, %

89.5

VALUE OF PROJECT PORTFOLIO,
SEK MILLION

1,661

INCOME AND OPERATING MARGIN

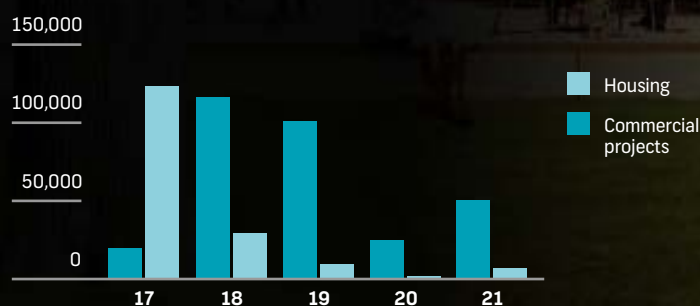


INCOME AND PROFIT

Order intake decreased by 31 percent to SEK 373 million (540). Operating profit was SEK 334 million (166), corresponding to an increase of 101 percent over 2015, an improvement mainly due to the sale of 50 percent of the Karlstadsten project. The project portfolio has been externally valued at SEK 1,661 million, of which SEK 161 million is the value of building rights in its own balance sheet; those that are contracted but not taken possession of are estimated at about SEK 648 million and those owned through joint ventures and associated companies at about SEK 852 million. Book value at December 31, 2016 was SEK 408 million and refers to SEK 242 million in its own balance sheet and SEK 166 million through joint ventures.

DIVISION OF THE PROJECT PORTFOLIO, 2017-2021

Expected production start of current portfolio (gross floor area, m²)



Cirkustomten

BUSINESS AREA PROJECT DEVELOPMENT

RESIDENTIAL AND PROPERTY DEVELOPMENT

The Business Area Project Development is responsible for acquisitions and development of projects and development properties. The business consists mainly of the acquisition of developed or undeveloped land, which is refined into commercial and residential properties.

The development of project and the development properties is done in-house or together with partners such as municipalities, landowners, architects, real estate agents, end-users and other stakeholders. Customers are mainly private individuals, tenant-owner's associations and private and municipal housing companies, but also property companies or companies that need commercial space.

A GROWING PROJECT PORTFOLIO

The portfolio consists of land for development of residential and commercial properties in attractive locations with a focus on metropolitan regions in Sweden. At the end of 2016, net book value of the project portfolio amounted to SEK 408 million, of which SEK 242 million was in its own balance sheet and SEK 166 million through joint ventures. Of the total project development portfolio of approximately 483,212 square meters of gross floor area, options on development rights (agreed development rights of which the Company has yet to take possession) accounted for 24 percent. The options can be exercised when the detailed development plan for the relevant property enters legal force or a building permit is granted.

NREP NEW PARTNER IN KARLASTADEN

The major projects include Karlastaden, which will become a new central district at Lindholmen in Gothenburg. The district will house eight blocks, 10 buildings with 2,000 dwellings and 70,000 square meters of commercial space. The area will also be the site of the Nordic region's tallest residential building, Karlatornet. Sales of homes in the Karlatornet began in June, 2016. Interest

has been great, and of a total of 341 apartments included in the initial stages of sales, 271 were booked at year-end.

During the year, 50 percent of the project Karlastaden was sold to the private equity firm NREP. The disposal is based on the upcoming detailed development plan and made with an expected total underlying building rights value of approximately SEK 1.5 billion. Serneke and NREP have formed a joint venture company that will develop the residential and commercial property in the new district.

ACQUISITION OF BUILDING RIGHTS IN SOLLENTUNA

In July, an agreement was signed with the NNC Fastighetsutveckling AB and Mediastrategerna AB to acquire 96 residential building rights totaling approximately 8,400 square meters of gross floor area around Väsjön in Sollentuna. The project entails an increased presence in Region East, and is therefore an important part of Serneke's growth strategy. Work on the detailed development plan is underway and is expected to enter legal force in 2017.

DEVELOPMENT OF CIRKUSTOMTEN IN CENTRAL GOTHENBURG

During the year, Serneke won the land-use competition held by the City of Gothenburg for the development of the project Cirkustomten in central Gothenburg. The vision for the property is to build 20,000 square meters of housing comprising 250 apartments and 2,000 square meters of hotel space, 3,800 square meters of business space and 11,100 square meters of garage space. Final design and exterior will be discussed in the upcoming planning process.



“ We have a project portfolio with exciting projects in several locations. During the year, we have built an organization and strengthened the Group-wide efforts to materialize the values of both residential and commercial projects.

PATRIK LINDSTRÖM,
BUSINESS AREA MANAGER,
PROJECT DEVELOPMENT

FOCUS 2017

Much will happen in the project Karlastaden in 2017, and our organization is prepared for major interest in apartments and commercial space. We have launched a new housing website and we are already seeing that many people use it to keep up-to-date on developments.

PROJECT DEVELOPMENT

CAPACITY FOR LARGE AND COMPLEX PROJECTS

Serneke has experience in large and complex projects. Knowledge and resources from the internal contracting operations enable control over the entire chain and implementation characterized by high quality and good cost control.

Serneke's offering covers the entire value chain, from market monitoring, land acquisition, project planning, design production to the sale of the property. Where appropriate, this includes management.

MARKET MONITORING AND LAND ACQUISITION

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

DESIGN AND PLANNING

At the start of a project a responsible project developer is appointed, whose assignment is to develop and implement the project. The planning process takes place in dialogue with both the customer and the municipality to ensure that all of the municipality's requirements and restrictions are met while the customer's wishes are taken into account. The contracting segment is also brought in to contribute experience and views on various construction solutions. This creates the conditions for simple and cost-effective solutions that benefit everyone involved.

Design, project costing, budget, detailed development plan and schedule are established in the planning phase. After the drawings and plans have been confirmed, contracts are signed with external partners.

SALES AND MARKETING

Customers of proprietary housing projects are normally individuals who acquire property rights or tenant-owned homes. Sales to private individuals were conducted mainly through real estate agents, digital channels, advertising and mailing. For commercial projects, the customers are usually public or private property owners or tenants.

PRODUCTION AND AFTERMARKET

When the project preparations have been completed and a predetermined percentage of homes has been sold through binding agreement or a predetermined percentage of leases has been signed, production commences.

Cooperation between the different business areas in planning and project implementation creates the conditions for superior efficiency and utilization of skills. When the building is complete, the project is handed over to the client.

After completion of the project, a project review is performed, in which the project is analyzed and evaluated.





REGIONENS HUS

REGIONENS HUS IN SKÖVDE

Serneke, along with Abako Architects, will build one of Skövde's most attractive sites.

Today there are about 350 people working on regional issues throughout Skövde, and with the new Regionens Hus, they will now be gathered in one place. The building will comprise workplaces, receptions, conference rooms and common areas.

In December 2015, a contract was signed with Hemsö, which now owns the property. Construction is expected to take place in 2017 and the building is scheduled for completion in the fall 2018.

Regionens Hus

INCOME, SEK MILLION

15

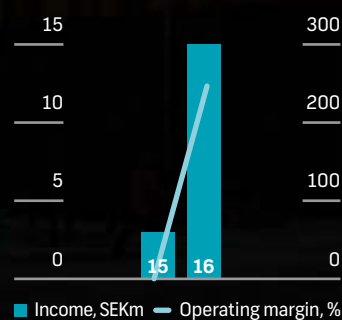
OPERATING PROFIT,
SEK MILLION

37

OPERATING MARGIN, %

246.7

INCOME AND OPERATING MARGIN



INCOME AND PROFIT

Income in Business Area Property Management over the year amounted to SEK 15 million (3). The increase in income was primarily due to additional rental income from S ve flygplats. Earnings from property management for the year amounted to negative SEK 9 million (negative 5). The operating profit was SEK 37 million (0), of which changes in value amounted to SEK 42 million (0).



BUSINESS AREA PROPERTY MANAGEMENT

GROWING INVESTMENT PROPERTY PORTFOLIO

Business Area Property Management was established in 2015 and is the newest of Serneke's business areas. The operations consist of the acquisition, development and management of properties in order to generate rental income and long-term appreciation.

Serneke's property portfolio consists of investment properties and operating properties. Investment properties are properties that are managed with the purpose of generating rental income, capital appreciation or a combination of both. Operating properties are those properties that are used on an ongoing basis in the Group's contracting operations and that are intended to be held long-term. Managing properties used for internal operations and purposes enables good control over hiring, investments and expansions.

ACQUISITION OF SÄVE FLYGPLATS

In 2016, Säve flygplats was acquired including all land and all the buildings. The area comprises a total of approximately 2 million square meters, of which buildings consist of offices, retail and warehouse space of approximately 20,000 square meters. The vision for the area is to develop the area into a logistics center, experience center and an area for research and development in the automotive industry. The large paved surfaces and unused land areas allow for the potential to make room for many different types of businesses that require large areas. The largest current tenants are CEVT (China Euro Vehicle Technology AB), the Swedish National Police, the Swedish Maritime Administration, Region Västra Götaland and the flight school Svensk Pilotutbildning AB. There is great interest from the market for the establishment of different types of activities at Säve flygplats.

SCANDINAVIA'S BIGGEST MULTI-SPORTS FACILITY

The most prominent holdings in the portfolio include jointly owned Prioritet Serneke Arena. The facility is the Nordic region's largest multi-sports facility, containing an indoor ski facility, full-sized soccer pitch, schools, restaurant, gym and offices. Construction of the facility began in the autumn of 2012 and the arena opened in July 2015. The average occupancy rate per December 31, 2016 was 98 percent. Serneke is now in discussions with several municipalities to apply our concept for multi-sports facilities that are in combination with housing, hotels and schools.

FOCUS FORWARD

The ambition for the future is to develop the property portfolio through selective acquisitions of properties that are deemed to be in line with the chosen strategic direction. Through an active and committed management, the objective is to achieve a balanced mix of risk, opportunities, capital and returns. The focus is on properties in Serneke's pronounced geographic growth areas, namely the country's three largest cities. Potential acquisition targets can be either properties developed in the Group with stable cash flows and the potential for long-term appreciation, or properties with long-term development like Säve flygplats. Major focus is also on the strategic land and property acquisitions over time that are deemed to have a potential for future development because of their location or other conditions.



“Serneke will be an active player in the property segments in locations that are growing and have a positive development. We work with the acquisition of properties with long-term development potential and create growth by investing and developing as well as rationalizing and streamlining property management. Based on our expertise and insight into the development of society, we will develop concepts in the form of, for example, accommodation and buildings for activities. “We will not sit on the sidelines as society develops but will instead be down on the court, and through teamwork will be a contributor to the good of society.”

KRISTER JOHANSSON
BUSINESS AREA MANAGER,
PROPERTY MANAGEMENT



PREMISES FOR SUSTAINABLE DEVELOPMENT

ASTONE'S THROW FROM AVENYN and Götaplatsen in central Gothenburg, Serneke will develop the attractive Cirkustomten project

The project is developed together with the architectural firm Semrén & Månsson and Skandia Real Estate, the latter of which becomes the owner and long-term property manager of the rented apartments. Two high brick buildings will be located on Södra vägen, protecting the nearby park and the lush terraces and housing estates that are an extension of the park, from the traffic noise.

The vision for the property is to build 20,000 square meters of housing comprising 250 apartments and 2,000 square meters of hotel space, 3,800 square meters of business space and 11,100 square meters of garage space.

Premises will accommodate companies that are socially responsible. These will integrate people who have difficulty entering the labor market, while simultaneously conducting resource-saving operations in line with a sustainable social development.



THE SHARE

THE SHARE

Serneke Group AB has two share series, Series A and B. On November 24, 2016 the Company's Series B shares were introduced on the Nasdaq Stockholm exchange, Mid Cap list, by which Series B shares became available to the public. The offer comprised a total 5,786,818 shares, of which 5,681,818 were newly issued Series B shares. The subscription price for the offer was SEK 110 per share. The offer's value amounted to approximately SEK 625 million and Serneke received approximately SEK 598 million in equity after transaction costs and tax effects.

TRADE

The number of shareholders on December 31, 2016 was more than 5,000. The share price at closing on December 30, 2016 amounted to SEK 105.00, representing a total market capitalization for Serneke of approximately SEK 2,385 million. During the period November 24 – December 30, 2016, an average of 173,736 shares a day were traded on the Nasdaq Stockholm exchange. The highest share price during the year was SEK 117.25 and the lowest was SEK 91.75.

DIVIDEND POLICY

Serneke's long-term dividend policy is to distribute 30–50 percent of net profit after tax for the previous financial year. In line with the Company's strategy, growth will be prioritized above dividends over the next few years, and future dividend decisions will be made taking the Company's development and growth potential into account.

In accordance with this policy, the Board proposes that the 2017 Annual General Meeting resolve that no dividend be paid for the year in 2016.

INCENTIVE PROGRAMS

Serneke's permanent employees have had the opportunity to subscribe to convertibles in Serneke Group AB (publ). At the General Meeting of April 13, 2015, the Company decided to issue convertibles with a nominal value of SEK 49.5 million. The convertibles are valid up to and including April 28, 2017, carry 4.0 percent annual interest and have a conversion price of SEK 49.50. During the term of the convertibles, holders are entitled to request conversion into new Series B shares. Upon conversion, a maximum of

1,000,000 Series B shares may be added and share capital may increase by a maximum of SEK 100,000.

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

Group companies do not apply any bonus programs for employees, although collectively agreed wages are partly performance-based.

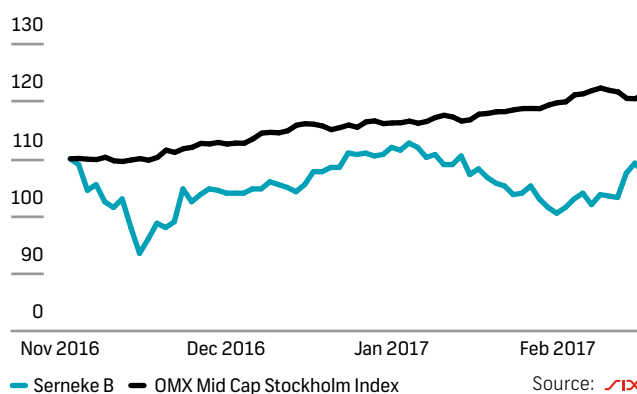
1) The calculation adopts the same market value for both classes of shares.

KEY PERFORMANCE INDICATORS PER SHARE

SEK (unless otherwise stated)	2016	2015
Profit/loss before dilution	22.40	8.49
Profit/loss after dilution	21.22	8.11
Weighted average number of shares before dilution	17,590,630	16,141,542
Weighted average number of shares after dilution	18,567,901	16,891,542
Cash flow from operations, before dilution	2.56	2.23
Cash flow from operations, after dilution	2.42	2.13
Shareholders' equity, before dilution	83.51	28.06
Shareholders' equity, after dilution	79.12	26.82
Provision at December 31	105.00	—
Dividend, SEK ¹⁾	0.00	0.00

1) For 2016, the Board proposed to the Annual General Meeting.

SERNEKE B NOVEMBER 24, 2016–FEBRUARY 28, 2017



Source: SIX

SERNEKE'S TEN LARGEST SHAREHOLDERS, DECEMBER 31, 2016

Name	Series A shares	Series B shares	Total number of shares	Percentage shares, %	Percentage of votes, %
Ola Serneke Invest AB	3,710,000	2,229,887	5,939,887	26.1	55.4
Lommen Holding AB	540,000	3,486,424	4,026,424	17.7	12.5
Christer Larsson in Trollhättan	380,000	497,000	877,000	3.9	6.1
Ledge Ing	330,000	450,000	780,000	3.4	5.3
Vision Group i väst	250,000	536,000	786,000	3.5	4.3
AB Stratio	150,000	75,000	225,000	1.0	2.2
Ernström Finans	0	1,000,000	1,000,000	4.4	1.4
Clients funds	0	740,000	740,000	3.3	1.0
Svolder	0	698,000	698,000	3.0	1.0
Carnegie funds	0	681,818	681,818	3.0	1.0
Total, 10 largest	5,360,000	10,394,129	15,754,129	69.4	90.2
Other shareholders	0	6,960,723	6,960,723	30.6	9.8
Total	5,360,000	17,354,852	22,714,852	100.0	100.0

Source: Euroclear and Serneke

SHARE CAPITAL DEVELOPMENT

Date	Event	Change in number of shares	Series A shares	Series B shares	Total number of shares	Change in share capital	Total share capital	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	0	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	14,242,296	271,725.6	1,424,292.6	0.10
2014	New share issue	286,000		286,000	14,528,926	28,600	1,452,892.6	0.10
2015	Exchange of convertibles	1,309,586		1,309,586	15,838,512	130,958.6	1,583,851.2	0.10
2015	New share issue	727,273		727,273	16,565,785	72,727.3	1,656,578.5	0.10
2016	New share issue in conjunction with the initial public offering	5,681,818		5,681,818	22,247,603	568,181.8	2,224,760.3	0.10
2016	Exchange of convertibles	467,249		467,249	22,714,852	46,724.9	2,271,485.2	0.10

OWNERSHIP STRUCTURE, DECEMBER 31, 2016

Number of Series B shares	Number of shareholders	Number of shares	Percentage of Series B shares B, %
1-1,000	4,715	483,865	2.8
1,001-10,000	435	1,089,037	6.3
10,001-100,000	115	2,768,328	15.9
100,001-	24	13,013,622	75.0

SHARE SERIES, NUMBER OF SHARES AND NUMBER OF SHARES, DECEMBER 31, 2016

Class of shares	Shares	Votes
Series A shares	5,360,000	5,360,000.0
Series B shares	17,354,852	1,735,485.2
Total	22,714,852	7,095,485.2

Source: Euroclear and Serneke

SHARE INFORMATION

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

ANALYSTS MONITORING SERNEKE

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Johan Edberg, Pareto Securities
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BOARD OF DIRECTORS



ULF IVARSSON (born 1961)

Function: Member of the Board and Chairman of the Board since 2011. Chairman of the Remuneration Committee.

Education: Graduate Business Administrator, School of Business, Economics and Law at Gothenburg University 1993.

Experience: Partner/Chairman AB Stratio, Partner Nordic Capital 2000–2002, assignments for Nordic Capital 1993–2000, assignments for Bure Equity (including Deputy CEO) 1993–2000, assignments in corporate finance and management consulting 1986–1993 and stock market editor for Dagens industri 1984–1986.

Other assignments: Chairman of the Boards of AB Stratio, Syntegra Invest AB, Negotium Curago Göteborg AB. Member of the Boards of Minti Investment Management AB, Nisch Retail Group AB, Bafys AB Exsultat AB. Deputy member of the Board of Directors of Comitia AB och Gondolen Fashion Group AB.

Holding*: 150,000 Series A shares and 75,000 Series B shares (indirectly through AB Stratio – a company in which Ulf Ivarsson has a 50-percent holding).

MARI BROMAN (born 1951)

Function: Member of the Board since 2015. Member of the Remuneration Committee.

Education: MA in political science, Gothenburg University, 1974.

Experience: Deputy CEO, Riksbanken, 2006–2014.

Other assignments: Chairman of the Board of Marginalen Bank AB, Chairman of IQ Samhällsbyggnad AB and Board member of Forserum Safety Glass AB.

Holding: 909 Series B shares in Serneke Group AB (publ).

LUDWIG MATTSSON (born 1983)

Function: Member of the Board since 2012. Member of the Remuneration Committee.

Education: Master's degree in economics, Stockholm School of Economics, 2007.

Experience: CEO of Gavia India AB, assignments in the Gavia Group and assignments in the Lommen Group.

Other assignments: Chairman of the Board of Adapta Fastigheter AB and Deputy member of the Board of other companies in the Adapta Group. Chairman of the Board of Lommen Invest AS and member of the Boards of other companies in the Lommen Group. Member of the Board of Ativo Finans AB. CEO/Member of the Board of Gavia India AB and member of the Boards of other companies in the Gavia Group. Member of the Boards of Zocalo Sweden AB, Ånglagården Holding AB, Ånglagården Fastighetsutveckling AB, GBG Nya Arena Drift och Event AB and ASA Bay Capital Management.

Holding*: 540,000 Series A shares and 3,457,803 Series B shares in Serneke Group AB (publ) (indirectly via Lommen Holding AB, in which company Ludwig Mattsson has a holding approximately 16 percent) and a directly holding of 28,621 Series B in Serneke Group AB (publ).

OLA SERNEKE (born 1971)

Function: Member of the Board since 2004 and CEO since 2008.

Education: Master of Engineering, Chalmers University of Technology, 1998.

Experience: President and CEO of Serneke Group AB. Founder of Serneke Group AB.

Other assignments: Member of the Boards of Ånglagården Fastighetsutveckling AB and Göteborgs Nya Arena drift 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 Group and joint ventures.

Holding: 3,710,000 Series A shares and 2,230,837 Series B shares and 1,000 convertibles in Serneke Group AB (indirectly through Ola Serneke Invest).

ANDERS WENNERGREN (born 1956)

Function: Member of the Board since 2012.

Education: Graduate in Law, Lund University, 1982. Lawyer and partner in Glimstedts Advokatbyrå since 1990.

Other assignments: Member of the Boards of Fastighets AB Balder and individual assignments in the Balder Group, Morlanda-Bro AB and Sydvind Energi AB. Member of the Boards of Bassholmen AB and other companies in the Bassholmen AB Group. Member of the Board and Deputy Member of the Board of the Coryseva AB Group. Deputy Member of the Boards of Cruentus AB, Bassholmen Konsult AB and Hjuviksvägens Tomt AB. Limited partner in Malö Haman KB and Gula Magasinet KB.

Holding*: 270,000 Series B shares in Serneke Group AB (publ) (indirectly via Bassholmen AB) and 13,636 own shares.

KRISTINA WILLGÅRD (born 1965)

Function: Member of the Board since 2015. Chairman of the Audit Committee.

Education: Graduate Business Administrator, Lund University, 1989.

Experience: AddLife AB, President 2015–, Addtech AB (CFO) 2010–2015, Ericsson AB (Head of Compliance & Control and CFO) 2007–2010, Netwise (CFO and HR) 2005–2007, SWEDISH Satellite Systems AB (CFO and HR) 2003–2004 and Frontec AB now Acando AB (Group Controller and CFO) 2001–2003. In addition, previous assignments in finance and accounting in the period 1989–2001.

Other assignments: Chairman of the Board of AddLife Development AB, member of the Board of Medioplast AB and assignments as member and partner in Willgård AB.

Holding: 1,000 Series B shares in Serneke Group AB (publ).

* Own and related-parties' holdings as of December 31, 2016.

MANAGEMENT



OLA SERNEKE (born 1971)
Function: CEO.
Employed since: 2002.
 See also under "Board of Directors".

MICHAEL BERGLIN (born 1973)
Function: Deputy CEO.
Employed since: 2012.
Education: Technical college graduate, Sven Upper-secondary engineering program, Sven Erikson upper-secondary school, Borås, 1992 and structural engineering program, University of Borås, 1994.
Experience: Head of a claims department, Folksam 2000–2012 and assignments in NCC and Skanska in 1994–2000.
Other assignments: Member of the Boards of Änglagården Fastighetsutveckling AB and Göteborgs Nya Arena drift och event AB. In addition, several assignments as members of the Boards of companies within the Serneke Group, associates and joint ventures.
Holding*: 223,000 Series B shares and 42,500 convertibles in Serneke Group AB (publ).

CAMILLA HEYMAN (born 1973)
Function: CFO.
Employed since: 2016.
Education: MBA, University West, 1997.
Experience: CFO Platzter Fastigheter AB 2013–2016, Peab Sverige AB, Divisional Controller – Division Väst Bygg 2010–2013, other assignments in the Peab Group 2000–2007, Auditor PwC 1997–2000.
Other assignments: –
Holding*: 20,000 Series B shares in Serneke Group AB (publ).

ANNA GLIMDÉN (born 1968)
Function: HR Director.
Employed since: 2014.
Education: BA, Human Resources Program – Occupational and Organizational Psychology, University of Gothenburg, 1996.
Experience: HR Manager Peab Group 2004–2014, various assignments in HR during 1997–2004.
Other assignments: –
Holding*: 7,000 Series B shares in Serneke Group AB (publ).

ANDERS ANTONSSON (born 1964)
Function: Director of Investor Relations (consultant).
Education: BA, Lund University, 1988 1988.
Experience: IR Director at DDM Treasury Sweden (publ) 2015 senior consultant Grayling Sweden in 2013, Vice President – Investor Relations at Northland Resources S.A. 2011–2013, Senior Consultant at RHR Corporate Communication 2008–2011 and IR and Communications Director at Intrum Justitia 2001–2008.
Other assignments: Chairman of the Board of RHR Corporate Communication AB, member of the Board and President of circle360 communication AB and IR and Communications Manager at Nordic Waterproofing Holding A/S (as a consultant).
Holding*: –.

* Own and related-parties' holdings as of December 31, 2016.

**DANIEL ÅSTENIUS** (born 1971)

Function: Business Area Manager Construction, President of Serneke Bygg.

Employed since: 2007.

Education: Structural Engineering, Chalmers University of Technology, 1992.

Experience: Senior positions within the Group. Previous assignments as structural engineer and project manager within the Startec Group 1992–1998, and owner, President and project manager within Ledge Ing AB 1998–2007.

Other assignments: Member of the Board and President of Ledge Ing AB. Member of the Board of BI – Byggföreningen Väst (sector organization). Assignments as member of the Board and deputy member of Boards within the Serneke Group and its associates.

Holding*: 330,000 Series A shares and 450,000 Series B shares in Serneke Group AB (indirectly through Ledge Ing AB).

TONI HULTBERG (born 1963)

Function: Regional Manager in Serneke Construction.

Employed since: 2012.

Education: Construction and Civil Engineering program, Kongahälla Upper-Secondary School, 1981, Structural engineering program, University West, 1987.

Experience: Project Manager at Enaco 2012, a large number of positions within the Skanska Group, 1985–2012.

Other assignments: –

Holding: 140,000 Series B shares in Serneke Group AB (publ).

FREDRIK JONSSON (born 1976)

Function: Head of Business Area Civil Engineering, President of Serneke Anläggning.

Employed since: 2014.

Education: MSc Project Management, University of Northumbria, Newcastle, 2001 and BSc Civil Engineering, Structural Engineering, Chalmers University of Technology, 2000.

Experience: Assignments within the Bilfinger Group, including as Project Manager and Regional Manager for the period 2007–2014, as well as Production Manager at Skanska 2001–2007.

Other assignments: Assignments within the Serneke Group.

Holding: 20,000 Series B and 25,000 convertibles in Serneke Group AB (publ).

PATRIK LINDSTRÖM (born 1972)

Function: Business Area Manager Project Development, President Serneke Projektutveckling AB.

Employed since: 2014.

Education: Master of Engineering in Civil Engineering, Royal Institute of Technology, 1997 and Graduate Engineer, Construction, Royal Institute of Technology, 1994.

Experience: Assignments within the Peab Group 1999–2014, including management positions during the period 2008–2014. Trainee, Skanska AB 1997–1998.

Other assignments: Several assignments as member of the Board or President at companies within the Serneke Group, associates and joint ventures.

Holding: 10,000 Series B shares and 17,000 convertibles in Serneke Group AB).

KRISTER JOHANSSON (born 1970)

Function: Business Area Manager Serneke Property Management, President of Serneke Fastighet AB.

Employed since: 2016

Education: Upper-secondary engineering program, Property Development Masterclass Diploma.

Experience: President of Fastighetsaktiebolaget Tornstaden 2014–2016, Construction Manager Mölndalsbostäder AB 2009–2014, Technical Manager Mölndalsbostäder AB 2004–2009, Operations Manager Mölndalsbostäder AB 1998–2004, Consultant at Bengt Dahlgren AB 1994–1998.

Other assignments: Chairman Form Factory of Sweden AB, Board Member Fagered Invest AB, deputy Board Member Alera AB and assignments in the Serneke Group.

Holding*: –.

* Own and related-parties' holdings as of December 31, 2016.

BOARD OF DIRECTOR'S REPORT

The Board and Chief Executive Officer of Serneke Group AB (publ), company registration number 556669-4153 hereby present the Annual Report and Consolidated Financial Statement for the 2016 financial year. Serneke Group AB, headquartered in Gothenburg, Sweden, is the Parent Company of the Group.

OPERATIONS

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

INCOME

Consolidated income for 2016 amounted to SEK 3,978 million (3,107), an increase of 28 percent compared with the corresponding period in the preceding year. The order backlog at the beginning of the year and the good order intake during the

year has resulted in the Business Area Construction generating organic growth of 31 percent. In June, 50 percent of the Karlastaden project was disposed at a reported income of SEK 318 million, which also contributed to the higher sales income compared with the previous year.

EARNINGS

Consolidated operating income increased in 2016 by 221 percent to SEK 411 million, compared with SEK 128 million the previous year. A sharp increase in volume as well as improved margins in Business Area Construction, which landed at 2.7 percent (1.9) for the full year, leading to an improved profit of SEK 38 million, or 79 percent. Operations within Business Area Civil Engineering have had a challenging year in

which a larger organization designed for strong growth was gradually built up. In addition to the results being affected by expenses for organizational development and expansion, some projects have had lower profitability than expected.

The Group's earnings were improved by the sale of 50 percent of the Karlastaden project in Business Area Project Development, which entails a profit of SEK 444 million. The business area was affected by a write-down of SEK 50 million for two project properties as well as expenses of negative SEK 23 million, consisting of costs related to previous projects related to the development of Karlastaden before the deal with NREP. Business Area Property Management's operating income rose sharply during the year and amounted to

MULTI-YEAR, THE GROUP

SEK million	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2013
Income statement				
Income	3,978	3,107	1,800	1,143
Operating profit	411	128	82	31
Profit after net financial items	394	112	70	16
Profit for the year	394	137	68	25
Key indicators				
Growth, %	28.0	72.6	55.4	6.3
Organic growth, %	28.0	51.8	41.3	7.8
Operating margin, %	10.3	4.1	4.6	2.7
Equity/assets ratio, %	42.7	27.4	20.6	28.0

INCOME

SEK million	Jan-Dec 2016	Jan-Dec 2015
Construction	3,229	2,466
Civil Engineering	455	389
Project Development	373	540
Property Management	15	3
Group-wide	99	61
Elimination	-193	-352
Total	3,978	3,107

OPERATING PROFIT

SEK million	Jan-Dec 2016	Jan-Dec 2015
Construction	86	48
Civil Engineering	-36	-15
Project Development	334	166
Property Management	37	0
Group-wide	-10	-71
Total	411	128

SEK 37 million (0), which is mainly attributable to changes in the value of the properties.

The operating margin for the Group was 10.3 percent (4.1).

Net financial items amounted to negative SEK 17 million (negative 16), from to higher interest expenses. Tax reported for the year was SEK 0 million (25), which was mainly attributable to non-taxable gains on disposed properties and non-taxable profit from investments in associates and joint ventures. Previous years' taxes were primarily attributable to a non-taxable income attributable to disposed properties and deferred tax attributable to loss carryforwards.

Earnings for the year amounted to SEK 394 million (137).

FINANCIAL POSITION

On December 31, 2016 the equity/assets ratio was 42.7 percent (27.4). At the end of the period, the Group's cash and cash equivalents, including unutilized credit facilities, amounted to SEK 771 million (156). In the third quarter of 2016, the Group issued a debenture loan with a nominal value of SEK 300 million (–) as well as a convertible debenture loan for employees of SEK 16 million (50).

Over the period, shareholders' equity rose to SEK 1,469 million (453). Of this increase, the new share issue accounted for SEK 625 million after deducting net issue expenses of SEK 27 million reported in shareholders' equity after tax effects. Furthermore, conversion and issue of convertibles and profit for the year contributed SEK 23 million, SEK 1 million and SEK 394 million, respectively.

On December 31, 2016, net borrowing amounted to SEK 37 million (223). Net debt was affected positively by the issue proceeds of SEK 598 million in connection with the IPO in the fourth quarter. The net debt/equity ratio was a negative 2.5 percent (positive 49.2) and the average interest rate was 4.49 percent (2.76). Unutilized committed credit facilities amounted to SEK 200 million (136) at year-end. The

bank overdraft with Nordea carries a covenant, which means that the Group shall have an equity/assets ratio of 25 percent.

Serneke's Series B shares were listed on the Nasdaq Stockholm exchange on November 24, 2016 and a new share issue was carried out in conjunction with the listing. The new share issue raised SEK 625 million gross – SEK 598 million after issue costs recorded against equity of net SEK 27 million after tax effects. The new share issue entailed the issue of 5,681,818 Series B shares.

Capital expenditures

Investments in machinery and equipment in January–December 2016 amounted to SEK 8 million (4).

Cash flow

The cash flow from current operations totaled SEK 45 million (36). Cash flow before changes in working capital was negative in the amount of SEK 11 million (negative 91) and changes in working capital made a positive contribution of SEK 56 million (positive 127).

Cash flow from investing activities for the period was negative in the amount of SEK 201 million (negative 4). The main explanation for the change is the purchase consideration for S ve flygplats which amounted to SEK 175 million, the settlement of a promissory note in connection with acquisitions for SEK 10 million and various other investments of SEK 16 million.

Cash flow from financing activities for the period amounted to SEK 716 million (negative 105). The net of new borrowings and loan amortizations amounted to SEK 118 million (negative 91) and the new share issue raised a net SEK 598 million (36).

Cash flow for the period amounted to SEK 560 million (negative 73).

ORDER BOOKINGS AND ORDER BACKLOG

Order bookings for January–December 2016 rose by 9 percent to SEK 5,539 million (5,094), and were largely driven by a

continued strong housing market. At the end of 2016, the order backlog was SEK 7,041 million, compared with SEK 5,125 million at year-end 2015, an increase of 37 percent. The order backlog rose steadily over the year and is now at the highest level in the Group's history.

ACQUISITIONS AND DISPOSALS

S ve flygplats

In May 2016, Serneke acquired S ve flygplats from Swedavia. The area covers a total of 2 million square meters of land with buildings of about 20,000 square meters of floor space consisting of office, retail and warehouse buildings. The transaction was carried out as a corporate acquisition, with the underlying property value amounting to approximately SEK 175 million. In addition to the purchase price, Serneke will pay the seller an additional payment of up to SEK 200 million if a number of specified share purchase agreement conditions are met.

The development of S ve flygplats is underway with Serneke as an active owner and manager. The area's large unutilized land area offers exciting opportunities, and the Company is analyzing different arrangements in cooperation with several different players to find opportunities to activate the potential of the area. Public aviation and emergency call-center operations will remain key elements in the future of S ve flygplats and development is envisaged to lean toward operations that complement and interact with these. During the period, Serneke signed a new lease agreement to lease approximately 4,500 square meters of premises with a new external tenant. The new contract has also contributed to higher market valuation of the property.

Acquisition of properties at S ve flygplats

On November 1, 2016, Serneke acquired the Nolvik 9:1 and  sby 9:1 properties, which are situated directly adjacent to Serneke's properties located at S ve flygplats just north of Gothenburg. The properties comprise approximately 33,000

square meters of land area, of which fully leased buildings cover 3,455 square meters, with tenants including the Swedish Maritime Administration and Svensk Pilotutbildning, as well as hotel and restaurant operations and associated parking spaces. One of the properties is a newly constructed parking facility with a total of 720 parking spaces. The transaction was carried out as a corporate acquisition, with the underlying property value amounting to approximately SEK 86 million.

Acquisition of properties in Väsjön

On June 10, 2016, Serneke acquired all of the shares in Törnskogen Exploaterings Ekonomisk Förening, with 96 residential development rights, totaling approximately 8,400 square meters of gross area in Väsjön, Sollentuna. Acquisitions were made for a total SEK 67 million. 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. It is considered highly likely that the detailed development plan will enter legal force, which is why the properties are considered to have been transferred.

The sale of 50 percent of the project Karlastaden

In June 2016, Serneke disposed 50 percent of the Karlastaden project and, therefore, became partner in a joint venture with private equity firm NREP, with an ownership of 50 percent each. Ownership is governed by a shareholder agreement that gives the partners equal decision-making power, that is, neither of the owners has a controlling influence. Serneke recognizes its holdings as a participation in joint ventures in the consolidated balance sheet.

Compensation received for shares sold*	318
Less disposed net assets	-92
Transaction costs	-8
Capital gains from shares sold	218
Fair value remaining holdings **	318
Book value remaining holdings	-92
Revaluation remaining holdings	226

Results relating to the transaction 444

The transaction is based on the upcoming detailed development plan and was implemented with an expected value of approximately SEK 1,500 million for the development rights. SEK 318 million has been recognized as income and SEK 218 million as profit on the sale of shares. In addition, a revaluation has been made of the remaining joint venture at fair value, affecting the share in the profit of joint ventures positively by SEK 226 million. Total profit for the joint venture transaction amounted to SEK 444 million. The Group's remaining joint venture share was valued at the equivalent value of the external sales value of the shares, SEK 318 million. The Group also reported a prepaid income from the transaction of SEK 360 million. This income pertains to projects to generate construction-ready development rights, a process that is expected to continue for about five years.

Karlastaden will contain some 2,000 homes and 70,000 square meters of commercial space. The area will also be the site of the Nordic region's tallest residential building, Karlatornet. Estimated construction is scheduled to start in the second half of 2017 and the estimated-project value is about SEK 13 billion over about five years. Via the joint venture company, sale of building rights will begin in 2017. Sales of homes in Karlatornet have been in progress since June 2016. Interest in the homes is considerable and

some 10,000 applications expressing interest have been registered. Of the 341 apartments released for sale, 271 had been reserved by December 31, 2016.

OUTLOOK

The market for all four of Serneke's business areas continues to develop well. The need for new housing and a continuing strong urbanization trend are also driving the development of commercial properties and investments in public services. Several major infrastructure projects are in the pipeline, which directly and indirectly create business opportunities for the Serneke Group. With a strong foothold in the country's three major metropolitan regions, the Group is well-positioned to continue to grow organically and through acquisitions.

ENVIRONMENTAL IMPACT

Serneke takes environmental issues very seriously and Serneke Bygg AB, Serneke Öst AB and Serneke Anläggning AB are certified in accordance with ISO 14001:2004. No significant injunctions or similar from the authorities are in effect. Group companies Gårdsten Projektutveckling AB and Serneke Bygg AB have been named in a report of a suspected environmental offense. The background is that Serneke Bygg AB has performed development on land owned by Gårdsten Projektutveckling AB and the City of Gothenburg. Adjacent to the development site is a former landfill for older, unknown waste, mainly construction waste, deposited in several stages since the area was settled. In connection with the development, a larger area has been utilized than stated in the detailed development plan, meaning that land categorized as natural land has been utilized for development and that the limits of the plan have not been adhered to with regard to the boundary between park land and natural

* Remuneration is subject to the detailed development plan entering legal force and may change if the estimated BTA were to differ from the final BTA.

** The fair value of the remaining holdings have been estimated at the equivalent value of the sold shares.

land. Having consulted specialists in environmental law, the Company believes that any corporate fine is likely to amount to between SEK 100,000 and SEK 300,000.

EMPLOYEES

The number of employees at year-end was about 850, compared with 705 at the same time last year.

The Group's future development is contingent on retaining existing dedicated and skilled employees and attracting new ones. Serneke has, therefore, declared a strategic objective to be recognized as the most attractive employer in the industry. Through continuous dialogue and responsiveness, Serneke wants to create personal development opportunities in a challenging environment. The continuous need for recruitment arising from continuous growth is a great challenge but also provides good opportunities for motivated employees to develop within the organization. With stimulating projects and a belief in the ability of our employees, Serneke wants to provide a corporate culture of great personal responsibility and participation.

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

CONVERTIBLES

The Annual General Meeting April 13, 2015 resolved to issue convertibles with a nominal value of SEK 49.5 million. The convertibles are valid up to and including April 28, 2017, carry 4.0 percent annual interest and have a conversion price of SEK 49.50. During the term of the convertibles, holders are entitled to request conversion into new Series B shares. Upon conversion, a maximum of 1,000,000 Series B shares may be added and share capital may increase by a maximum of SEK 100,000.

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

At December 31, 2016, a total of 467,249 convertibles were converted to B shares and 665,101 convertibles remained.

OTHER SIGNIFICANT EVENTS DURING THE YEAR

Serneke issued a debenture loan

In September 2016, Serneke issued an unsecured debenture loan with a nominal value of SEK 300 million. The debenture loan carries a variable interest rate corresponding to the three-month STIBOR rate plus 6.25 percent, and has a total framework of SEK 500 million. The proceeds are used for general corporate purposes, including the financing of acquisitions and projects. The debenture loan was listed on the Nasdaq Stockholm exchange in October 2016.

Serneke is listed on the Nasdaq Stockholm exchange

Serneke shares began trading on the Nasdaq Stockholm exchange on November 24, 2016 at an introductory price of SEK 110 per share. It was resolved to implement a new share issue in connection with Serneke's IPO, and this was fully subscribed with 5,681,818 new Series B shares being issued. In connection with the issue, Serneke received gross proceeds of SEK 625 million. Net proceeds amounted to SEK 598 million after issue costs of SEK 27 million and the tax effect.

REMUNERATION TO SENIOR EXECUTIVES

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

The Board of Directors at the Annual General Meeting in 2017 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 (58) and operating profit was negative SEK 9 million (negative 10). The Parent Company's earnings were charged with costs for the IPO which took place in November, 2016.

THE WORK OF THE BOARD OF DIRECTORS

A specific description of the Board's work is presented in the Corporate Governance Report on pages 64–70.

PROPOSED DISTRIBUTION OF EARNINGS

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

Retained earnings	–45,757,992
Share premium reserve	774,058,653
Profit for the year	–48,226,894
Total	680,073,767

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

Carried forward: 680,073,767

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 could affect the business positively and give the opportunity to create increased value, or negatively by risks, which could have a negative impact on Serneke's operations and earnings.

In Serneke's operations, there are several different types of risk, both 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 management and developed procedures and processes. Serneke's financial risks such as interest rate, liquidity, financing and credit risks are managed centrally in order to minimize and control risk exposure.

Furthermore, the Board is responsible for ensuring that accurate information is provided to the Company's stakeholders, that

the Company complies with laws and regulations and that the Company develops and implements internal policies and ethical guidelines. A risk analysis for the Group are 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. Compliance policies 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.	The desire to be active in regions that have a sustainable 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.	Focus 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
Political risks	<p>Political decisions, such as amended tax regulations, conditions of tenure, changed regulations on housing construction, infrastructure investments and municipal planning, could change the conditions of the market and, accordingly, of Serneke's operations. Worthy of specific mention are possible regulatory changes regarding interest deductions, amortization requirements and possible debt ceilings for private individuals, all of which could change the conditions of the market and, accordingly, of Serneke's business.</p> <p>In individual projects, there is a risk that political decisions, and amendments to previous political decisions (that previously approved infrastructure investments are postponed, for example), entail a deterioration in the terms of the project, which could have a negative impact on Serneke's operations, performance and financial position.</p>	Extent of the offering and expertise. The business is diversified within several disciplines, such as both residential and commercial projects, and through various leasing forms.
Weather and climate	To a certain extent, the construction sector is dependent on the weather. Unusual weather conditions, such as continuous rain during the early autumn, or an extremely cold winter, can disrupt operations and adversely affect operations, performance and financial position.	Detailed plans adapted to elevated water levels. Moisture protection descriptions are prepared for all projects.
OPERATIONAL RISKS		
Risks related to development rights	The risk that a certain geographic area does not develop as expected.	The projects are carried out in attractive areas in urban areas and growth regions.
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. 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.
Difficult-to-sell project properties	The risk that a specific geographical area does not develop as expected, resulting in reduced profitability of the project and unwanted tying up of capital, and capital depreciation.	The selective tender policy is to avoid taking on projects with low margins and high risk.
Price development during the project's production time	The risk that the property market developed negatively during the project, which can make the property difficult to sell.	Always aiming for sales prior to or in conjunction with the start of production. Established process with clear analytical and decision-making structure that takes into account market outlets before an investment is made.
Pollution, work environment and environmental risks	Serneke's construction and civil engineering operations have an impact for which Serneke is responsible. In connection with property acquisitions within the framework of the project development operations, there is also a risk of the acquired property having previously been contaminated. Depending on the scale of any pollution, this could have a negative impact on Serneke's brand, operations, performance and financial position. Serneke's operations also include risks related to the work environment. Accidents or serious incidents can incur liability and negative publicity, which could have a negative effect on Serneke's operations, performance and financial position.	Measures related to pollution, occupational health and environmental risks normally handled as part of ongoing operations.
Risks related to the development of projects and properties	In addition to the contractor risk (where applicable), the development of projects and properties, both residential and commercial, under the Company's own auspices and with partners, also entails development, sales and value risk. The realization of such risks could result in additional capital being tied up, but also losses.	Serneke has competent employees supported by ongoing training and the most current industry experience. An important element is the Group's collective experience from similar projects and the solutions developed for special situations.

Risk	Description of the risk	Management
FINANCIAL RISKS (SEE NOTE 4 FINANCIAL RISK MANAGEMENT)		
Interest risk	In addition to shareholders' equity, Serneke's operations are financed through borrowing from credit institutions. 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 key rate, which comprises 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. Most of the loans have variable interest rates, which means that financial expenses are affected by changes in market interest rates. 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. The coming month's liquidity requirements are updated weekly, while medium-term planning is conducted at the end of each month.
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.
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 counter-party risk	Uncertainty in the external environment and in the financial markets may mean that customers, suppliers and subcontractors encounter difficulties with their financing. This could also cause planned investments to be delayed, as well as difficulties in meeting existing commitments. Serneke may suffer losses that have a negative effect on its operations, financial position and performance.	Financial policy governs the handling. 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	Description of the risk	Management
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 probability of various factors, such as changes to detailed development plans and outstanding commitments, which could have a highly significant impact on the Group's performance and financial position. Outstanding commitments may also be difficult to identify by their nature and extent. A sale may be conditional on a future detailed development plan being accepted. In the event that the detailed development plan is not 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 in Construction and Civil Engineering are monitored monthly by management and forecast updates are made four times a year. Negative forecast changes are monitored carefully to avoid similar problems in the future.
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.

CORPORATE GOVERNANCE

Serneke is one of Sweden's fastest growing construction and project development groups, with a comprehensive offering in construction, civil engineering, project development and property management.

The Group builds, develops and manages housing, commercial buildings, industrial facilities, public buildings, roads and civil engineering projects, and other infrastructure. The Company's customers mainly include the government, municipalities, property companies, industrial and trading companies, as well companies owned by local and central government authorities. In 2016, the Group had sales of SEK 3,978 million. The number of employees amounted to approximately 850 as of December 31, 2016.

SHAREHOLDERS

The Serneke Group consists of 58 companies. * The Parent Company is the Swedish limited liability company Serneke Group AB, the Series B shares of which are listed on the Nasdaq Stockholm exchange in the Mid Cap segment since November 24, 2016.

Share capital in Serneke is represented by Series A and B shares. Each Series A share entitles the shareholder to one vote and each Series B share to one-tenth (0.1) of a vote. All shares carry equal rights to the Company's assets and profits. As of December 31, 2016, the number of shareholders was more than 5,000.

For further information on the ownership structure, trading and share performance, see pages 50–52 of the Annual Report. The larger primary shareholders in Serneke exercise an active ownership role. The Board and Group control a total of 77.0 percent of the votes and 52.5 percent of the capital in the Company. The Articles contain no reservations about voting restrictions.

CORPORATE GOVERNANCE

The governance of Serneke is in accordance with the Swedish Companies Act, the

Nasdaq Stockholm exchange rules for issuers and the Swedish Code of Corporate Governance (the Code) and other applicable Swedish and foreign laws and regulations.

This Corporate Governance Report has been prepared as part of Serneke's application of the Code.

ARTICLES OF ASSOCIATION

The legal name of the Company according to the articles of association is Serneke Group and the company is public (publ). The Board of Directors shall be domiciled in the City of Gothenburg, in the County of Västra Götaland, Sweden. The Company shall conduct contracting work in construction and civil engineering, and provide complementary products and services, manage and own properties, own and manage shareholdings, as well as conducting related operations.

ANNUAL GENERAL MEETING

The right of shareholders to make decisions in Serneke's affairs is exercised through the highest decision-making body, the Annual General Meeting, or Extraordinary General Meeting. The meeting resolves on matters such as amendments to the Articles of Association, election of the Board of Directors and auditors, adoption of the income statement and balance sheet, discharge from liability of the Board and 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 the Official Swedish Gazette and on the Company's website. An announcement that an invitation has been issued shall be published simultaneously in Swedish financial daily Dagens industri.

Right to participate in General Meetings

To participate in a General Meeting, shareholders must notify Serneke no later than on the date specified in the invitation to attend. This day may not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and not fall earlier than the fifth weekday prior to the meeting.

Shareholder initiatives

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 2016

The Annual General Meeting 2016 was held on 28 April 2016 at the Company's headquarters in Gothenburg. Overall, 73.3 percent of the total number of shares and 84.4 percent of the total number of votes were present. The accounts for 2015 were adopted and the Board Members and the CEO were discharged from liability. A decision was also taken on the election of directors and auditors and fees to Board Members and auditors. The meeting also resolved, in accordance with the Board's proposal, to authorize the Board to resolve to issue new shares of Series B to a settlement of up to SEK 700 million in conjunction with the company's forthcoming IPO.

Extraordinary General Meetings 2016

Two additional meetings were held in 2016, February 4 and June 29. At the General Meeting on February 4, the Board of Serneke Group AB shall consist of six members without deputies. On June 29, the Meeting resolved, in accordance with the Board's proposal, to raise a convertible debenture loan through the issue of up to 416,666 convertibles for a maximum total of SEK 49,999,920, each with the right to convert to ordinary shares of Series B in the Company. The offer was

* Subsidiaries, associated companies and joint ventures.

WORK OF THE BOARD IN 2016

● DECEMBER

Board

- Budget and business objectives
- Corporate governance
- Monitoring and evaluation of the Board's work
- Audit Status ongoing audit

Remuneration Committee

- Evaluation of the work of the CEO and management team as well as planning for future needs

● SEPTEMBER/OCTOBER

Board

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

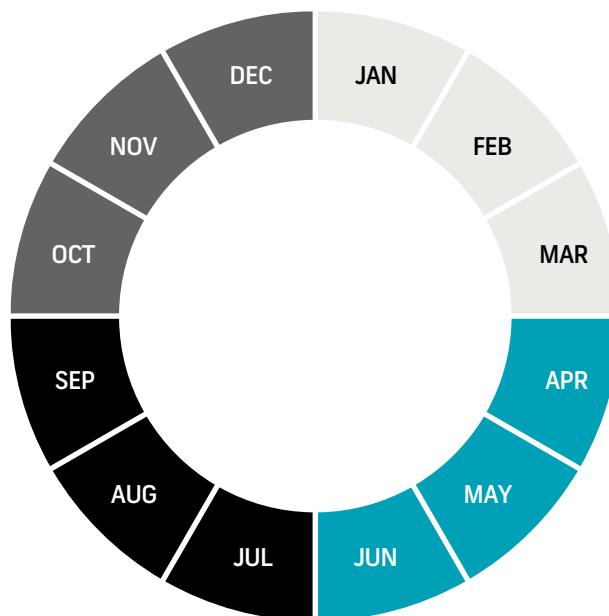
Audit Committee

- Audit Planning annual
- Evaluation of internal controls and risk management

● JULY

Board

- Interim Report second quarter



● FEBRUARY

Board

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

Audit Committee

- Audit Status financial audit
- Evaluation auditors

● APRIL/MAY

Board

- Interim Report first quarter
- Audit Plan
- Evaluation of the incentive program and the need for new programs to be presented at the Annual General Meeting

Statutory Meeting

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

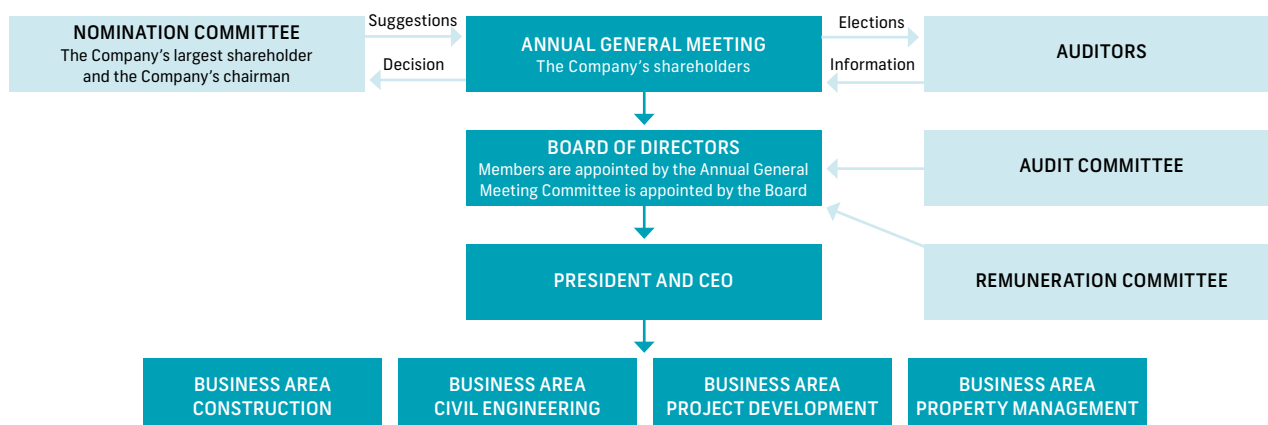
Remuneration Committee

- Overall wages and conditions policy for the Group
- Remuneration to senior executives, including the proposed guidelines for Annual General Meeting decisions

Audit Committee

- Audit Plan

SERNEKE'S GOVERNANCE STRUCTURE



only to permanent employees within Serneke Group. Term to maturity is from August 26, 2016 until August 26, 2019.

Annual General Meeting 2017

The Annual General Meeting of Serneke Group AB will be held on May 3, 2017 at the Company's headquarters in Gothenburg. For information on the Annual General Meeting, see page 117.

Nomination Committee

The Annual General Meeting has adopted principles for appointment of the Nomination Committee. According to these principles, the Nomination Committee shall be formed after the Chairman of the Board identifies, immediately after the last business day of September, the three largest shareholders in terms of votes in the Company, each of whom is then entitled to appoint a member to the Nomination Committee. If one of the three largest shareholders in terms of votes declines to exercise the right to appoint a member to the Nomination Committee, then the next largest shareholder is to be given the opportunity to appoint a member. These three owner representatives, together with Chairman of the Board, form the Company's Nomination Committee. Ahead of the 2017 Annual General Meeting, the Nomination Committee consists of the following members:

- Carl Sandberg (Chairman of the Nomination Committee), appointed by Ola Serneke Invest AB and represented 60.4 percent of the vote at October 31, 2016, and 55.4 percent at December 31, 2016
- Ludwig Mattsson, appointed by Lommen Holding AB and represented 13.4 percent of the vote at October 31, 2016, and 12.5 percent at 31 December 2016
- Christer Larsson, appointed by Christer Larsson in Trollhättan AB and represented 6.6 percent of the vote at October 31, 2016, and 6.1 percent at 31 December 2016.
- and Ulf Ivarsson, Chairman of Serneke Group AB.

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. Moreover, the Nomination Committee submits proposals for election of auditors, fees to auditors, election of the Nomination Committee, or decisions on principles for appointing the Nomination Committee, and instructions for the Nomination Committee.

Ahead of the Annual General Meeting, the Nomination Committee held six formal meetings and also communicated with each other by telephone and e-mail. The Nomination Committee's proposal is available on the corporate website www.serneke.group.

BOARD OF DIRECTORS

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

Composition of the Board of Directors

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

Board Members are presented on page 53.

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 does not participate in the operational work within the Company, nor is he included in Group Management.

Board work

The Board follows written procedures that are reviewed annually and adopted at the constituent meeting. These rules of procedure regulate the Board's work, tasks, decision-making within the Company, Board meeting procedure, the Chairman's responsibilities and an appropriate division of tasks between the Board and the CEO.

BOARD MEMBERS

Name	Elected, year	Independent of the Company	Independent of major shareholders	Fees agreed upon at Annual General Meeting	Attendance in 2016		
					Audit Committee	Remuneration Committee	Board Meeting
Ulf Ivarsson	2011	Yes	Yes	450,000	4/4	4/4	15/15
Ola Serneke	2004	No	No	—	not a member	not a member	15/15
Mari Broman	2015	Yes	Yes	200,000	4/4	2/4	15/15
Ludwig Mattsson	2012	Yes	No	200,000	4/4	4/4	15/15
Anders Wennergren	2012	Yes	Yes	200,000	4/4	not a member	15/15
Kristina Willgård	2015	Yes	Yes	200,000 +75,000	4/4	not a member	15/15

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 dialogue concerning the management of Serneke.

The Board meets according to an annual schedule and must hold at least six regular meetings between Annual General Meetings. In addition to these meetings, further meetings can be arranged to address issues that cannot be postponed to any of the regular meetings. During the 2016 financial year, the Board has held 15 meetings, for 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.

AUDIT COMMITTEE

The Board of Directors, excluding the CEO, forms the Audit Committee with Kristina Willgård as Chairman. The Audit Committee's main task is to monitor Serneke's financial 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 accounts and consolidated accounts 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 nomina-

tion 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 four formal meetings in 2016. In these meetings, the auditor's review of the financial statements and the Company's internal controls has been reported and discussed.

REMUNERATION COMMITTEE

The Remuneration Committee consists of Ulf Ivarsson (chairman), Mari Broman and Ludwig Mattsson. The CEO presents matters not involving remunerations to the CEO.

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

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

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

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

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

CHIEF EXECUTIVE OFFICER AND MANAGEMENT

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

In addition to the CEO, Serneke has nine senior executives, see pages 54–55.

ADDITIONAL INFORMATION REGARDING THE BOARD OF DIRECTORS

According to the Code, Chairman of the Board Ulf Ivarsson and Board Members Mari Broman, Anders Wennergren and Kristina Willgård are independent of Serneke, Company management and its principal owners. Board member Ludwig Mattsson represents more than 10 percent of the vote and is regarded as dependent in relation to major shareholders. Ola Serneke, CEO of Serneke Group AB holds more than 10 percent of the votes and therefore is dependent in relation to major shareholders and the company.

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

There are also no conflicts of interest, through which Board Members or members of Group Management's private interests could conflict with the Company's interests. Board member Ludwig Mattsson has a 16 percent shareholding in Lommen Holding AB. Among other holdings, Lommen Holding AB owns the Adapta Group, which buys contracting services from Serneke, and holds 10 percent in Änglagården Holding AB, a company in which Serneke holds 40 percent.

Related party transactions

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

Transactions with Adapta are considered to constitute related party transactions since the principal owner, Ludwig Mattsson, is a member of the Board of Serneke Group. The transactions consist mainly of construction income and rental of Serneke's headquarters. Transactions with Ola Serneke Invest AB are considered to be related party transactions since Ola Serneke is the principal owner, CEO and a member of the Board of Serneke Group AB. The transactions consist primarily of disposals of tangible fixed assets. Transactions with Glimstedt constitute related party transactions, as a major shareholder, Anders Wennergren, is a director of Serneke Group AB. These transactions consist primarily of consulting fees.

In connection with the listing of Serneke's shares in November 2016, Ola Serneke Invest AB, AB Stratio, Lommen Holding AB and Bassholmen AB, shareholding directors, and certain employees of Serneke, including its executive officers, and certain other shareholders of the company have undertaken, with some reservation, not to sell their holdings for a certain time following initiation of trading on the Nasdaq Stockholm exchange. This

so-called "lock-up period" is 720 days for Ola Serneke Invest AB. For the other major shareholders, shareholding Board Members and certain employees of Serneke, including its senior executives, the lock-up period is 360 days.

No company in the Group has entered into agreements that give Board Members or members of management entitlement to benefits after each respective assignment is completed. Members of executive management are entitled to salary during the notice period, see also Note 10.

SWEDISH CODE OF CORPORATE GOVERNANCE

Serneke follows the Swedish Code of Corporate Governance as of November 2016, when the company's shares were listed on the Nasdaq Stockholm exchange. The Code is intended as an element of self-regulation in the Swedish business community. It is based on the principle of "comply or explain", which allows for deviation from one or more particular rules in the Code if the reason is justified and explained.

Deviations from the Code

Serneke Group AB, listed its Series B shares on the Nasdaq Stockholm exchange on November 24 and meets the criteria of the Code.

INTERNAL CONTROL

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

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

of essential activities and events.

Among other things, the Board shall ensure that Serneke has good internal control and formalized routines ensuring that the established principles for financial reporting and internal control are adhered to and that there are effective systems for monitoring and controlling the Company's operations and the risks with which the Company and its operations are associated.

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

Control environment

The Board of Directors bears the overall responsibility for internal control regarding financial reporting. To create and maintain a functioning control environment, the Board has adopted a number of policies and governance documents that regulate the financial reporting. These primarily comprise the Board's agenda, instructions for the CEO and instructions for financial reporting. The Board has also adopted specific authorization rules and a financial policy.

The Company also has a financial manual containing principles, guidelines and process descriptions for accounting and financial reporting.

This manual is updated regularly to reflect changes in legal requirements, listing requirements and/or accounting

standards. The handbook 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 and associates, control and documentation of IT risks and the loss or misappropriation of assets on the sale of subsidiaries and properties. The Company has established procedures to prevent and detect irregularities and fraud that could materially affect the company's financial position.

Control activities

Control activities mitigate the risks identified and ensure accurate and reliable financial reporting. The Board is responsible for internal control and monitoring of

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.

Information and communication

The Company maintains information and communication channels intended to promote the accuracy of financial reporting and facilitate reporting and feedback from operations to the Board and management, for example through governance documents, including internal policies, guidelines and instructions regarding the financial reporting, being available and familiar to the employees concerned. The Company also has established policies and instructions in order to inform employees and other stakeholders in Serneke of the applicable laws regarding the Company's information and the specific requirements for individuals who are active in a listed company in situations such as the handling of inside information. In connection with this, Serneke established procedures for handling and limiting the spread of information that is not published, so-called deferred publication. The Board has adopted a communications policy and insider policy regulating the Group's disclosure of information.

Investor Relations function

The IR function's main tasks is to support the CEO, Deputy CEO and management in relation to the capital markets, to prepare quarterly and annual reports, analyst meetings, general meetings of shareholders and capital market meetings.

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.

INCENTIVE PROGRAMS

Permanent Group employees have had the opportunity to subscribe to convertibles in Serneke Group AB (publ). See section "Share capital and ownership relations" –

"Convertibles program" in this section.

Group companies do not apply any bonus programs for employees, although collectively agreed wages are partly performance-based.

REMUNERATION TO BOARD OF DIRECTORS AND GROUP MANAGEMENT

Remuneration to the Board of Directors

The 2016 Annual General Meeting resolved that fees totaling SEK 1,325,000 would be paid to the Board, with the Chairman receiving SEK 450,000, each of the other members of the Board not employed by the Company receiving SEK 200,000 and the Chairman of the Audit Committee receiving SEK 75,000.

Remuneration to senior executives

In 2016, a total of SEK 12.0 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 15.2 million in 2016, of which SEK 2.3 million constituted remuneration to the CEO.

Principles for remuneration to senior executives

The Annual General Meeting of April 28, 2016 adopted the following guidelines for remuneration and other terms of employment for senior executives. In this context, "senior executives" refers to the CEO and other senior managers in the Serneke Group. These remuneration guidelines also apply to members of the Board to the extent these receive compensation for services rendered to the Serneke Group beyond their roles as members of the Board. Serneke shall apply remuneration levels and other terms of employment necessary to be able to recruit and retain senior executives with the expertise and capacity to achieve the established targets,

and that are designed to promote long-term generation of value by the Company.

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

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

The 2016 Annual General Meeting elected the accounting firm Deloitte AB as the Company's auditor, with authorized public accountant Harald Jagner as the principal auditor, for the period extending until the end of the next Annual General Meeting. Harald Jagner is a member of FAR.

The 2016 Annual General Meeting resolved that remuneration of the auditor would be paid as invoiced.

For information on remuneration to auditors, see Note 8.

MULTI-YEAR SUMMARY

SEK million	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2012
Income statement					
Income	3,978	3,107	1,800	1,143	1,075
Operating profit	411	128	82	31	48
Profit after net financial items	394	112	70	16	41
Profit for the year	394	137	68	25	41
Balance sheet					
Fixed assets	1,160	408	204	148	55
Current assets	2,277	1,244	1,156	488	410
Total assets	3,437	1,652	1,360	636	465
Shareholders' equity	1,469	453	280	177	101
Non-current liabilities	764	398	196	60	81
Current liabilities	1,204	801	884	399	283
Total equity and liabilities	3,437	1,652	1,360	636	465
Orders*					
Order bookings	5,539	5,094	—	—	—
Order backlog	7,041	5,125	—	—	—
Employees					
Average number of employees	779	618	479	369	336
Key indicators					
Growth, %	28.0	72.6	57.5	6.3	19.8
Organic growth, %	28.0	51.8	41.3	7.8	19.8
Operating margin, %	10.3	4.1	4.6	2.7	4.5
Earnings per share, SEK, before dilution	22.40	8.49	4.73	1.94	3.53
Earnings per share, SEK, after dilution	21.22	8.11	4.37	1.76	3.17
Cash flow before financing	-156	32	4	-68	-58
Cash flow from operations per share, before dilution	2.56	2.23	3.83	1.82	-5.07
Cash flow from operations per share, after dilution	2.42	2.13	3.53	1.66	-5.07
Working capital	1,073	443	272	89	128
Capital employed	1,985	670	695	354	274
Return on capital employed, %	31.8	19.0	16.2	10.8	22.7
Return on equity after taxes, %	41.0	37.4	29.7	18.1	51.8
Equity per share, SEK, before dilution	83.51	28.06	19.48	13.83	9.00
Equity per share, SEK, after dilution	79.12	26.82	17.98	12.55	7.89
Equity/assets ratio, %	42.7	27.4	20.6	28.0	21.8
Net debt	-37	223	313	168	123.6
Net debt/equity ratio, %	-2.5	49.2	111.8	94.9	123.6
Average number of shares before dilution	17,590,630	16,141,542	14,375,892	12,884,298	11,525,670
Average number of shares after dilution	18,567,901	16,891,542	15,576,345	14,193,884	12,835,256

* Order backlog and order intake reported accordingly from January 2015

** 2012 figures are not comparable due to the reclassification of properties from 2013

FINANCIAL DEFINITIONS

KEY INDICATORS	DEFINITION	PURPOSE																					
Income	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, income and gains on disposals of land and development rights are recognized at the point in time at which the material risks and benefits are transferred to the buyer, which normally coincides with the transfer of ownership, as well as other revenue, such as rental income. In the Parent Company, income corresponds to invoiced income of Group-wide services and rental income.	In Serneke's view, the key indicator allows investors, who so wish, to assess the Company's earnings capacity.																					
Growth	Income for the period less income for the previous period divided by income for the previous period.	In Serneke's view, the key indicator allows investors, who so wish, to assess the Company's capacity to increase its earnings.																					
Organic growth	Income for the period, adjusted for acquired growth, less income for the previous period, adjusted for acquired growth, divided by income for the previous period, adjusted for acquired growth.	In Serneke's view, the key indicator allows investors, who so wish, to assess the Company's capacity to increase its earnings without acquiring operating companies.																					
<table> <tr> <th>Calculation of organic growth</th><th>Jan-Dec 2016</th><th>Jan-Dec 2015</th></tr> <tr> <td>Income current period</td><td>3,978</td><td>3,107</td></tr> <tr> <td>Income corresponding period previous period</td><td>3,107</td><td>1,800</td></tr> <tr> <td>Income change</td><td>871</td><td>1,307</td></tr> <tr> <td>Adjustment for structural effect</td><td>0</td><td>-630</td></tr> <tr> <td>Total organic growth</td><td>871</td><td>677</td></tr> <tr> <td>Total organic growth (%)</td><td>28.0</td><td>51.8</td></tr> </table>			Calculation of organic growth	Jan-Dec 2016	Jan-Dec 2015	Income current period	3,978	3,107	Income corresponding period previous period	3,107	1,800	Income change	871	1,307	Adjustment for structural effect	0	-630	Total organic growth	871	677	Total organic growth (%)	28.0	51.8
Calculation of organic growth	Jan-Dec 2016	Jan-Dec 2015																					
Income current period	3,978	3,107																					
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Income change	871	1,307																					
Adjustment for structural effect	0	-630																					
Total organic growth	871	677																					
Total organic growth (%)	28.0	51.8																					
Order bookings	The value of new projects and changes in existing projects during the period.	In Serneke's view, the key indicator allows investors, who so wish, to assess the Group's sales by Business Area Construction and Business Area Civil Engineering for the current period.																					
Order backlog	The value of the Company's undelivered orders at the end of the period.	In Serneke's view, the key indicator allows investors, who so wish, to assess the Company's income through Business Area Construction and Business Area Civil Engineering in future periods.																					
Operating margin	Operating profit divided by income.	In the Company's view, the key indicator allows investors, who so wish, to assess the company's profitability.																					

KEY INDICATORS	DEFINITION	PURPOSE																								
Working capital	Current assets less current liabilities.	In Serneke's view, the key indicator allows investors, who so wish, to assess the Group's tied-up capital in relation to its competitors.																								
Capital employed	Consolidated total assets less deferred tax assets less non-interest-bearing liabilities including deferred tax liabilities. For the business areas, the net of Group-internal receivables and liabilities is also deducted.	In Serneke's view, the key indicator allows investors, who so wish, to assess the total capital placed at the Group's disposal by shareholders and creditors.																								
<table> <tr> <th>Calculation of capital employed</th><th>Dec 31, 2016</th><th>Dec 31, 2015</th></tr> <tr> <td>Total assets</td><td>3,437</td><td>1,652</td></tr> <tr> <td>Other deferred tax assets</td><td>-48</td><td>-37</td></tr> <tr> <td>Less non-interest-bearing liabilities including deferred tax liabilities</td><td>-1,404</td><td>-945</td></tr> <tr> <td>Capital employed</td><td>1,985</td><td>670</td></tr> </table>			Calculation of capital employed	Dec 31, 2016	Dec 31, 2015	Total assets	3,437	1,652	Other deferred tax assets	-48	-37	Less non-interest-bearing liabilities including deferred tax liabilities	-1,404	-945	Capital employed	1,985	670									
Calculation of capital employed	Dec 31, 2016	Dec 31, 2015																								
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Less non-interest-bearing liabilities including deferred tax liabilities	-1,404	-945																								
Capital employed	1,985	670																								
Return on capital employed	Profit after net financial items plus financial expenses divided by average capital employed for the period. Accumulated interim periods are based on rolling 12-month earnings.	In Serneke's view, the key indicator allows investors, who so wish, to assess the Company's capacity to generate a return on the total capital placed at the Company's disposal by shareholders and creditors.																								
<table> <tr> <th>Calculation of average capital employed</th><th>Dec 31, 2016</th><th>Dec 31, 2015</th></tr> <tr> <td>December 31, 2016 (1985) + December 31, 2015 (670) / 2</td><td>1,328</td><td></td></tr> <tr> <td>December 31, 2015 (670) + December 31, 2014 (695) / 2</td><td></td><td>683</td></tr> </table> <table> <tr> <th>Calculation of return on capital employed</th><th>Dec 31, 2016</th><th>Dec 31, 2015</th></tr> <tr> <td>Profit after net financial items</td><td>394</td><td>112</td></tr> <tr> <td>Plus financial expenses</td><td>28</td><td>18</td></tr> <tr> <td>Average capital employed</td><td>1,328</td><td>683</td></tr> <tr> <td>Return on capital employed, %</td><td>31.8</td><td>19.0</td></tr> </table>			Calculation of average capital employed	Dec 31, 2016	Dec 31, 2015	December 31, 2016 (1985) + December 31, 2015 (670) / 2	1,328		December 31, 2015 (670) + December 31, 2014 (695) / 2		683	Calculation of return on capital employed	Dec 31, 2016	Dec 31, 2015	Profit after net financial items	394	112	Plus financial expenses	28	18	Average capital employed	1,328	683	Return on capital employed, %	31.8	19.0
Calculation of average capital employed	Dec 31, 2016	Dec 31, 2015																								
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Plus financial expenses	28	18																								
Average capital employed	1,328	683																								
Return on capital employed, %	31.8	19.0																								

KEY INDICATORS	DEFINITION	PURPOSE																												
Return on equity	For accumulated interim periods, profit for the period as a percentage of shareholders' equity is based on rolling 12-month earnings.	In Serneke's view, the key indicator allows investors, who so wish, to assess the Company's capacity to generate a return on the capital share-holders have placed at the Company's disposal.																												
<table><tr><th colspan="2">Calculation of average shareholders' equity</th><th>Dec 31, 2016</th><th>Dec 31, 2015</th></tr><tr><td colspan="2">December 31, 2016 (1469) + December 31, 2015 (453) / 2</td><td>961</td><td></td></tr><tr><td colspan="2">December 31, 2015 (453) + December 31, 2014 (280) / 2</td><td></td><td>367</td></tr><tr><th colspan="2">Calculation of return on shareholders' equity</th><th>Dec 31, 2016</th><th>Dec 31, 2015</th></tr><tr><td colspan="2">Profit/loss for the period</td><td>394</td><td>137</td></tr><tr><td colspan="2">Average shareholders' equity</td><td>961</td><td>367</td></tr><tr><td colspan="2">Return on equity %</td><td>41.0%</td><td>37.4%</td></tr></table>			Calculation of average shareholders' equity		Dec 31, 2016	Dec 31, 2015	December 31, 2016 (1469) + December 31, 2015 (453) / 2		961		December 31, 2015 (453) + December 31, 2014 (280) / 2			367	Calculation of return on shareholders' equity		Dec 31, 2016	Dec 31, 2015	Profit/loss for the period		394	137	Average shareholders' equity		961	367	Return on equity %		41.0%	37.4%
Calculation of average shareholders' equity		Dec 31, 2016	Dec 31, 2015																											
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Profit/loss for the period		394	137																											
Average shareholders' equity		961	367																											
Return on equity %		41.0%	37.4%																											
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	Total equity according to the balance sheet divided by the number of shares outstanding on the closing date.	In Serneke's view, the key indicator gives investors a better understanding of the historical return per share adjusted for changes in the number of shares during the period.																												
Cash flow from operations per share	Cash flow from operating activities divided by the average number of shares during the period.	It is Serneke'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	Profit for the period divided by the average number of shares during the period.	In Serneke's view, the key indicator gives investors a better understanding of profit per share.																												

FINANCIAL REPORTING

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CONSOLIDATED INCOME STATEMENT

SEK million	Note	2016	2015
Income	5, 6	3,978	3,107
Production and administration expenses		-3,738	-2,931
Gross profit		240	176
Sales and administration expenses		-97	-68
Change in value of investment properties		42	—
Revaluation of joint ventures	19	226	—
Share in profit of associates and joint ventures	19	0	20
Operating profit	7, 8, 9, 10	411	128
Financial income	11	11	2
Financial expenses	12	-28	-18
Net financial items		-17	-16
Earnings after financial items		394	112
Taxes	14	0	25
Profit for the year		394	137
Attributable to:			
Parent Company shareholders		394	137
Non-controlling interests		0	0
Earnings per share			
Earnings per share before dilution, SEK		22.40	8.49
Earnings per share after dilution, SEK		21.22	8.11
Weighted average number of ordinary shares before dilution, number of shares		17,590,630	16,141,542
Weighted average number of ordinary shares after dilution, number of shares		18,567,901	16,891,542

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Note	2016	2015
Profit for the year		394	137
Other comprehensive income			
Items that may be reclassified to profit/loss:			
Translation differences for the year		0	0
Total comprehensive income		394	137
Attributable to:			
Parent Company shareholders		394	137
Non-controlling interests		0	0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK million	Note	December 31, 2016	December 31, 2015
ASSETS			
Fixed assets			
Intangible fixed assets	15	23	23
Investment properties	16	329	13
Other tangible fixed assets	17	75	74
Deferred tax assets	28	48	37
Investments in associates and joint ventures	19	424	94
Non-current interest-bearing receivables	20	30	21
Other non-current receivables	20	231	146
Total non-current assets		1,160	408
Current assets			
Project and development properties	21	242	629
Inventories	22	2	4
Accounts receivable	23	589	352
Accrued but not invoiced income	24	252	197
Prepaid expenses and accrued income	25	19	12
Other current receivables	26	602	39
Cash and bank balances		571	11
Total current assets		2,277	1,244
Total assets		3,437	1,652

SEK million	Note	December 31, 2016	December 31, 2015
EQUITY AND LIABILITIES			
Shareholders' equity	27		
share capital		2	2
Other paid-in capital		777	155
Translation reserve		-1	-1
Retained earnings including profit/loss for the year		691	297
Equity attributable to Parent Company shareholders		1,469	453
Non-controlling interests		—	—
Total equity		1,469	453
Non-current liabilities			
Non-current interest-bearing liabilities	28	436	107
Other non-current liabilities		208	190
Other provisions	30	120	101
Total long-term liabilities		764	398
Current liabilities			
Current interest-bearing liabilities	28	128	147
Accounts payable		541	349
Current tax liabilities		10	13
Other current liabilities		146	67
Invoiced but not accrued income	24	172	165
Accrued expenses and prepaid income	31	207	60
Total current liabilities		1,204	801
Total equity and liabilities		3,437	1,652

Information on the Group's pledged assets and contingent liabilities, follows from Note 32.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Share capital	Other paid-in capital	Translation reserve	Retained earnings including profit/loss for the year	Total equity attributable to Parent Company shareholders	Non-controlling interests	Total shareholders' equity
Opening balance at January 1, 2015	2	119	-1	160	280	0	280
Total comprehensive income							
Profit for the year				137	137		137
Other comprehensive income							
Translation differences			0		0		0
Total other comprehensive income, after tax			0	0	0	0	0
Total comprehensive income	0	0	0	137	137	0	137
Transactions with shareholders:							
New share issue	0	36			36		36
Conversion, convertible debenture loans							
Acquisition of minority interests in subsidiaries		0		0	0	0	0
Total transactions with shareholders	0	36	0	0	36	0	36
Closing balance at December 31, 2015	2	155	-1	297	453	0	453
Opening balance at January 1, 2016	2	155	-1	297	453	0	453
Total comprehensive income							
Profit for the year				394	394	0	394
Other comprehensive income							
Translation differences			0				0
Total other comprehensive income, after tax			0	0	0		0
Total comprehensive income	0	0	0	394	394		394
Transactions with shareholders:							
New share issue	0	598			598		598
Conversion, convertible debenture loans	0	23			23		23
Equity component of convertible debenture loan		1			1		1
Total transactions with shareholders	0	622	0	0	622		622
Closing balance at December 31, 2016	2	777	-1	691	1,469		1,469

CONSOLIDATED STATEMENT OF CASH FLOW

SEK million	Note	2016	2015
Cash flow from operating activities			
Operating profit		411	128
Adjustment for non-cash items	33	-397	-203
Interest received		—	2
Interest paid		-19	-18
Income taxes paid		-6	0
		-11	-91
Decrease (+)/increase (-) in project and development properties		233	78
Decrease (+)/increase (-) in inventories		2	1
Decrease (+)/increase (-) in accounts receivable		-237	-78
Decrease (+)/increase (-) in receivables		-103	-28
Decrease (+)/increase (-) in accrued but not invoiced		-55	7
Decrease (-)/increase (+) in accounts payable		192	77
Decrease (-)/increase (+) in current liabilities		17	67
Decrease (+)/increase (-) in invoiced but not accrued income		7	3
Cash flow from operating activities		45	36
Investment activities			
Acquisition of fixed assets		-175	-10
Sale of fixed assets		—	4
Acquisitions of businesses		-10	0
Disposal/reduction of financial assets		-16	2
Cash flow from investment activities		-201	-4
Financing activities			
New share issue		598	36
Borrowings		547	39
Convertible debenture loans raised		16	50
Repayment of borrowings		-427	-130
Change in bank overdraft		-18	-100
Cash flow from financing activities		716	-105
Cash flow for the year		560	-73
Cash and equivalents at the beginning of the year		11	84
Cash and equivalents at year-end		571	11

PROFIT AND LOSS STATEMENTS, PARENT COMPANY

SEK million	Note	2016	2015
Income	6	88	58
Sales and administration expenses	7	-97	-68
Operating profit	8, 9, 10	-9	-10
Financial income	11	2	1
Financial expenses	12	-11	-3
Net financial items		-9	-2
Appropriations	13	-39	-44
Profit after financial items and appropriations		-57	-56
Tax on profit for the year	14	9	30
Profit for the year		-48	-26

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

SEK million	Note	2016	2015
Profit for the year		-48	-26
Other comprehensive income		—	—
Total comprehensive income		-48	-26

BALANCE SHEET, PARENT COMPANY

SEK million	Note	December 31, 2016	December 31, 2015
ASSETS			
Fixed assets			
Tangible fixed assets			
Equipment, tools, fixtures and fittings	17	6	9
Total tangible fixed assets		6	9
Financial assets			
Participations in Group companies	18	75	28
Deferred tax assets	29	54	37
Other non-current receivables		1	1
Total financial fixed assets		130	66
Total non-current assets		136	75
Current assets			
Project and development properties	21	3	3
Current receivables			
Accounts receivable	23	0	0
Receivables from Group companies		715	441
Other current receivables		0	0
Prepaid expenses and accrued income	25	6	6
Total current receivables		721	447
Cash and bank balances		476	3
Total current assets		1,200	453
TOTAL ASSETS		1,336	528

SEK million	Note	December 31, 2016	December 31, 2015
EQUITY AND LIABILITIES			
Shareholders' equity	27		
<i>Restricted equity</i>			
Share capital		2	2
Statutory reserve		1	—
		3	2
<i>Non-restricted equity</i>			
Share premium reserve		774	154
Accumulated profit		-46	-20
Profit for the year		-48	-26
		680	108
Total equity		683	110
Non-current liabilities	28		
Convertible debentures		15	50
Non-current interest-bearing liabilities		297	7
Total long-term liabilities		312	57
Current liabilities			
Current interest-bearing liabilities	28	27	2
Accounts payable		15	4
Liabilities to Group companies		282	348
Current tax liabilities		0	0
Other current liabilities		2	1
Accrued expenses and prepaid income	31	15	6
Total current liabilities		341	361
TOTAL EQUITY AND LIABILITIES		1,336	528

Information about the Parent Company's pledged assets and contingent liabilities are shown in Note 32.

STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY

SEK million	Restricted equity		Non-restricted equity		Total equity
	share capital	Statutory reserve	Share premium reserve	Profit or loss including profit	
Opening balance at January 1, 2015	2		118	-20	100
Profit for the year				-26	-26
Total comprehensive income				-26	-26
Transactions with shareholders					
New share issue	0		36		36
Conversion, convertible debenture loans					
Total transactions with shareholders	0		36		36
Closing balance at December 31, 2015	2		154	-46	110
Opening balance at January 1, 2016	2		154	-46	110
Profit for the year				-48	-48
Total comprehensive income				-48	-48
Transactions with shareholders					
New share issue	0		598		598
Conversion, convertible debenture loans	0		22		22
Equity component of convertible debenture loan		1			1
Total transactions with shareholders	0		620		621
Closing balance at December 31, 2016	2	1	774	-94	683

PARENT COMPANY STATEMENT OF CASH FLOWS

SEK million	Note	2016	2015
Cash flow from operating activities			
Operating profit		-9	-10
Adjustment for non-cash items	33	2	2
Interest received		2	1
Interest paid		-11	-3
Income taxes paid		0	0
		-16	-10
Decrease (+)/increase (-) in receivables		-280	-151
Decrease (-)/increase (+) in accounts payable		11	2
Decrease (-)/increase (+) in current liabilities		-143	150
		-412	1
Cash flow from operating activities		-428	-9
Investing activities			
Acquisitions of tangible fixed assets		-1	-5
Disposal of tangible fixed assets		0	0
Cash flow from investment activity		-1	-5
Financing activities			
New share issue		598	36
Borrowings		309	50
Repayment of borrowings		-5	0
Change in overdraft facilities		—	-76
Cash flow from financing activities		902	10
Cash flow for the year		473	-4
Cash and equivalents at the beginning of the year		3	7
Cash and equivalents at year-end		476	3

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

The Parent Company in the largest Group of which Serneke is a part is Ola Serneke Invest AB, company registration number 556659-5764, headquartered 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 Annual Accounts Act and Recommendation RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board.

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

New and amended IFRS standards and interpretations 2016

The new and amended standards and interpretations that became effective for the financial year 2016 have had no material impact on the consolidated financial statements.

Interpretations

IFRS Interpretations Committee (IFRIC) has not published any new interpretations that have come into effect for the financial year 2016.

New and amended standards and interpretations that have yet to enter into force

The new and amended standards and interpretations that have been published but that have not yet entered into force for the financial year beginning January 1, 2017, have not yet been applied by the Group. To follow is a description of the new and amended standards and interpretations that are expected to impact on the Group's financial statements in the period in which they are applied for the first time.

IFRS 15 Revenue from Contracts with Customers was published on May 28, 2014, and replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 provides a model for revenue recognition for almost all income generated through agreements with customers, with the exception of leases, financial instruments and insurance contracts. The core principle for revenue recognition in accordance with IFRS 15 is that a company must recognize revenue in a way that reflects the transfer of the promised good or service to the customer, in the amount that the company expects to be entitled to receive in exchange for the good or service. Revenue is then recognized once the customer gains control of the good or service. IFRS 15 includes a substantial amount of guidance for specific areas and there are extensive disclosure requirements. IFRS 15 is applicable for the financial year beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 Financial Instruments was published on July 24, 2014, and replaces IAS 39 Financial Instruments: Recognition and measurement. The standard includes new requirements for classifying and measuring financial instruments, for derecognition, impairment and general rules for hedge accounting. The standard is mandatory for periods beginning January 1, 2018.

IFRS 16 Leases was published on January 13, 2016, and replaces IAS 17 Leases. IFRS 16 introduces a 'right of use model' and for the lessee it means that essentially all leases are recognized in the balance sheet, eliminating the need to classify them as operating or finance leases. The exception is leases with a term of 12 months or less, and leases that amount to a low value. Amortization of the asset and interest expenses for the liability are recognized in the income statement. The standard includes more extensive disclosure requirements compared with the current standard. IFRS 16 does not involve any major differences for the lessor, compared with IFRS 17. IFRS 16 is applicable for the financial year beginning on January 1, 2019, with earlier application permitted provided that IFRS 15 is applied at the same time. The standard has not yet been approved by the EU.

The Company's management is of the opinion that the application of IFRS 9, IFRS 15 and IFRS 16 may impact the carrying amounts in the financial statements with regard to the Group's financial assets and liabilities. Company management have yet to conduct a detailed analysis of the effects of applying these three standards and are therefore not yet able to quantify the effects.

Company management consider that other new and amended standards and interpretations that have yet to enter into force will not have any material impact on the Group's financial statements when they are applied for the first time.

Consolidated accounts

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 18.

Subsidiaries are included in the consolidated financial statements from the date of acquisition and are deconsolidated 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:

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

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

The fair value of the remaining shareholdings in the previous subsidiary at the point at which the controlling interest is lost is regarded as the fair value on initial recognition of a financial asset, in accordance with IAS 39 Financial Instruments: Recognition and Measurement, or, where applicable, the acquisition cost on initial recognition of an investment in an associate or joint arrangement.

Segment reporting

An operating segment is 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.

Fixed assets held for sale

Fixed assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. In order to satisfy this requirement, it must be highly probable that a sale will occur and the asset (or disposal group) will be available for immediate sale in its present condition. Fixed assets (or disposal groups) classified as held for sale are recognized at the lower of their carrying amount and fair value, less selling expenses.

Foreign currency

Items included in the financial reports for the different units in the Group are recognized in the currency used in the primary business environment where each unit primarily pursues its operations (functional currency). In the consolidated financial statements, all amounts are translated into Swedish krona (SEK), which is the functional and reporting currency of the Parent Company.

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

Exchange rate differences are recognized in the income statement for the period in which they arise, with the exception of transactions 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 SEK (Swedish

krona) according to the exchange rate prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the period, unless the exchange rate has fluctuated considerably during the period, in which case the exchange rate on the transaction date is used instead. Any translation differences arising are recognized in other comprehensive income and transferred to the Group's translation reserve. 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

Business combinations are recognized in accordance with the acquisition method.

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

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

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

Investments in associates 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 where the Parent Company directly or indirectly owns shares representing 20–50 percent of the votes.

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

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

When the Group's share of the losses in an associate/joint venture correspond to or exceed its holding in the associate/joint venture (including any long-term holdings that, in spirit, comprise part of the Group's holding in the associate/joint venture), the Group does not 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 in profit of associates' in the income statement.

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

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

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

Income

Construction income

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

When the outcome of a construction contract recognized in accordance with IAS 11 can be reliably estimated, the income and expenses attributable to the contract are recognized as income and expenses, taking into account the contract's stage of completion at the end of the reporting period. The stage of completion is calculated as the relationship between contract expenses incurred for work completed at the end of the reporting period, and estimated total contract expenses. Revaluation of the project's completion forecasts entail corrections of previously recognized revenue. If it is probable that the total contract expenses will exceed the total contract income, the anticipated loss should be immediately recognized as a cost in its entirety. Changes to the extent of the contract, claims and incentive payments are included in the contract income to the extent that it is likely that the adjustments will result in income and can be reliably measured.

If the outcome of a construction contract cannot be reliably calculated, revenue recognition should only be carried out using amounts that correspond to the resulting contract expenses that will likely be reimbursed by the client, and contract expenses should be recognized as expenses in the period in which they arise.

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

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

Sale of properties and development rights

On disposal of properties or development rights directly or indirectly through a sale of shares, the underlying property or development right's value is recognized in the Group as income.

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

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

Rental income

Income that is recognized includes rental income, which is recognized on a straight-line basis. As lessor, the Group only has leases that are classified as operating leases. In cases where the rental contract allows a reduced rent for a certain period of time, which is compensated for by higher rent during another period, this is allocated across the term of the contract.

Dividend income

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

Interest income

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

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

Leases – the Group as lessee

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

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

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

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

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

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

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

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

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

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

Current and deferred tax for the period

Current and deferred tax is recognized as an expense or income in the income statement, except when the tax is attributable to transactions recognized in other comprehensive income or directly in equity. In such cases, the tax should also be recognized in other comprehensive

income or directly in equity. For current and deferred tax arising on recognition of a business combination, the tax effect should be recognized in the acquisition calculation.

Tangible fixed assets

Tangible fixed assets are recognized at acquisition cost, less accumulated depreciation and any impairment losses.

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

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

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

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

The carrying amount of a tangible fixed asset is derecognized from the statement of financial position on retirement or disposal, or when no future economic benefits are expected from use or retirement/disposal of the asset. The 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.

Investment properties

Properties acquired for more long-term strategic development within the Property Management business area are classified as investment properties when the Group's intention with the holding is to manage it for the purpose of generating rental income and earnings from property management, or an increase in value, or a combination of the two. These properties are initially recognized at acquisition cost for each acquisition, but the properties are subsequently measured at market value in accordance with IAS 40. Any impairment needs are fully reserved when identified. See Note 16 for further information.

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

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

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

Operating properties

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

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

Impairment of tangible fixed assets

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

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

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

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

Financial instruments

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

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

Financial assets and financial liabilities that on subsequent recognition are not measured at fair value via profit or loss are recognized on initial recognition at fair value plus/less transaction expenses. Financial assets and financial liabilities that on subsequent recognition are measured at fair value via profit or loss are recognized on initial recognition at fair value. On subsequent recognition, financial instruments are measured at amortized cost or at fair value, depending on their initial categorization in accordance with IAS 39.

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

Financial assets

- Fair value via profit or loss
- Changes in loans and accounts receivable
- Investments held to maturity
- Financial assets available for sale

Financial liabilities

- Fair value via profit or loss
- Other financial liabilities measured at amortized cost

Fair values of financial instruments

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

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

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

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

Amortized cost

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

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

Offsetting of financial assets and liabilities

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

Cash and cash equivalents

Cash and cash equivalents includes cash funds and bank balances, as well as other current liquid investments that can be easily converted into cash and are subject to a negligible risk in terms of changes in value. In order to be classified as cash and cash equivalents, the term may not exceed three months from the acquisition date. Cash funds and bank balances are categorized as 'Loans and receivables', which means measurement at amortized cost. Since bank deposits are payable on demand, amortized cost corresponds to a nominal amount. Current investments are categorized as 'Held-for-trading' and are measured at fair value, with changes in value recognized in the income statement.

Accounts receivable

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

Accounts payable

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

Liabilities to credit institutions and other borrowings

Interest-bearing bank loans, bank overdrafts and other loans are categorized as 'Other financial liabilities' and measured at amortized cost,

according to the effective interest method. Any differences between the loan amount received (net of transaction expenses) and repayment or amortization of loans is recognized over the term of the loan, in accordance with the Group's accounting policy for borrowing expenses (see above).

Convertible debentures

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

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

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

Project and development properties

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

These project and development properties are measured at the lower of acquisition cost and net realizable value. Net realizable value is the estimated selling price less estimated expenses for completion and the expenses estimated as necessary for effectuating the sale.

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

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

Inventories

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

Appropriations

Provisions are recognized when the Group has an existing commitment (legal or informal) resulting from past events, it is likely that an outflow of resources will be required in order to settle such commitment and a reliable estimate of the amount can be made.

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

Where part of the amount, or the entire amount required to settle a provision is expected to be reimbursed by a third party, the reimburse-

ment 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.

Related party transactions

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

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

Accounting policies for the Parent Company

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

Classification and presentation

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

Subsidiaries

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 appropriation.

Financial instruments

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

Pensions

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

Changes in accounting policies

The amendments to RFR 2 Accounting for Legal Entities that have entered into force for the financial year 2016 have not affected the Parent Company's financial reports.

Changes in RFR 2 that have not yet entered into force

The Parent Company has not yet begun to apply the changes in RFR 2 Accounting for Legal Entities, which will enter into force January 1, 2017 or later.

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

Company management have yet to conduct a detailed analysis of the effects of applying these amendments and are therefore not yet able to quantify the effects. Management believes that other amendments to RFR 2, which have not yet entered into force, are not expected to have any material impact on the Parent Company's financial statements when applied for the first time.

NOTE 3 Key estimates and assessments

Significant sources of uncertainty in estimates

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

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

- On the disposal of properties and development rights, different assessments and estimates may be made regarding the likelihood of various factors, such as changes to detailed development plans and outstanding commitments, which could have a highly significant impact on the Group's performance and financial position. Outstanding commitments may also be hard 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, that the Group had assessed as very likely to do so, this could have a significant impact on performance and financial position.
- In the valuation of investment properties, assessments and estimates may have a significant impact on the Group's recognized earnings and financial position. Valuation of investment properties requires a number of different assessments, such as yield requirements, etc.
- Valuation of Group-owned investment properties and investment properties owned through associates and joint ventures could have a significant impact on the Group's earnings and financial position. Assessments concerning Group-owned investment properties affect the 'Investment property' item in the balance sheet and in the income statement, the item 'Change in value of investment properties' is recognized. Assessments concerning management properties owned through associates and joint ventures affect the 'Investments in associates and joint ventures' item in the balance sheet and in the Income statement, the effect is recognized in the line 'Share of profit of associates and joint ventures'.
- The Group's project and development properties are not measured at market value in the consolidated balance sheet. Nevertheless, assessments and estimates have a significant impact on the Group's market value. Valuation of these properties requires a number of different assessments – see above.

- The reported earnings of ongoing construction projects are determined under the percentage-of-completion method based on the project's completion. A fundamental condition in order to assess the percentage-of-completion method is for project income and project expenses to be reliably determined. The assessment of project income and project expenses is based on a number of estimates and assumptions that rely on project managers' experience and knowledge of project management. There is a risk that the final outcome of a project may differ from the gradually accumulated results.
- Within the framework for Serneke's ordinary operations, Serneke is from time to time involved in various legal disputes. In these cases, an assessment of the commitments and responsibilities as well as the probability of the outcome is determined. The assessment is based on information and knowledge that exists in the current situation. The assessment is in any case difficult, and the final outcome may be different than predicted, which may have significant impact on the reporting and monitoring.
- Deferred tax on losses is booked in cases where they are established and expected to be used against future profits. Assessment exists whether or not future earnings can be utilized.
- Provisions for future expenses due to guarantee undertakings are recognized at the estimated amount required to settle the obligation at the balance sheet date. The estimate is based on calculations, management's assessment and experience from previous transactions.
- Goodwill is valued to the lowest of acquisition costs and recovery value. Several assumptions on estimates of future conditions are taken into account when calculating the discounted cash flow as the basis for the estimated recoverable amount. Impairment testing of goodwill in accordance with IAS 36 is presented under Note 15.
- In 2016, Serneke, via Karlavagnstornet Holding AB, sold 50 percent of the shares in Karlavagnsplatsen Holding AB till NSF II Sweden AB (NREP).

The purchase price for the transferred shares in Karlavagnsplatsen Holding AB amounted to half of the underlying value of building rights that the parties preliminarily considered to amount to approximately SEK 1.5 billion. Market value is based on the assumption that the development rights above ground will amount to a certain number of square meters multiplied by a pre-determined price per square meter. The purchase consideration will be adjusted in the event that the potential number of square meters in accordance with the development rights diverges from the above assumption. In addition, the purchase consideration may be adjusted in the event that the development rights are resold at a price lower than that agreed between the parties in determining the purchase considera-

tion. Serneke has made a number of commitments to the buyer including that Serneke shall ensure that property-owning companies are provided with certain agreed sites, plots and premises. Serneke shall also be responsible for all property registration expenses, including any stamp duty and for certain other obligations and services involved in advancing the project, including decontamination, demolition and development measures.

The transaction is subject to approval of the detailed development plan with certain conditions. If the property-owning companies in the project have not, within four years of the agreement date, acquired the agreed sites and land areas or if the detailed development plan for the area has gained legal force within the said period, the buyer may under certain circumstances be relieved of its obligation to pay the purchase consideration exceeding the initial purchase consideration that was paid on the date of transfer. In the event that the detailed development plan for the relevant area ultimately gaining legal force fails to meet the agreed requirements, the Buyer is also entitled to cancel the contract, meaning that all transactions are to be reverted, with the effect, among other things, that Karlavagnstornet Holding AB shall refund received purchase considerations and ensure that NSF II Sweden AB is compensated for all outlays, down to the smallest amount, is compensated for investments made and that all loans from NSF II Sweden AB to Karlavagnsplatsen Holding be repaid. The current requirement of the detailed development plan is that a major part of the development rights above ground can be used for housing.

In order to reflect the implications of the transaction, Serneke has allocated the purchase price between both the sale of shares and the sale of future services. Serneke has assessed that it is very likely that the detailed development plan will be approved, which has entailed that the income from the sale of the shares has been recognized in 2016. Profit from the sale of shares is recognized in the income statement at the time of disposal. Income from sales of services is recognized in the income statement over time in accordance with the percentage-of-completion method.

- IFRS lacks rules for how contingent considerations are to be recognized upon the acquisition of assets. For recognition of contingent considerations, Serneke has used a method that is based on similar rules for contingent considerations in accordance with IFRS 3 Business Combinations. This entails that the contingent considerations are initially measured at fair value and included as part of the acquisition cost of the asset. The equivalent amount is reported as a liability. Adjustments in a liability's carrying amount in subsequent accounting instances are recognized as a corresponding adjustment of an asset's acquisition cost.

NOTE 4 Financial risk management and financial instruments

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

Liquidity and financing risk

Liquidity risk refers to the risk that Serneke experiences difficulty in meeting its payment obligations as a result of inadequate liquidity. The Group's goal is to have a liquidity reserve of 5 percent of sales in the twelve months. The Group works continually to improve its liquidity situation. Work on streamlining collection of accounts receivable is under way and has a high priority in the Group.

Long-term liquidity planning is updated monthly and short-term liquidity planning is done on a weekly basis for the coming month. At year-end, there was available liquidity as detailed below. See also Note 28.

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

The bank overdraft with Nordea of SEK 200 million carries a covenant, which means that the Group shall have an equity/assets ratio of 25 percent. In the most recent report on December 31, 2016, the equity/assets ratio was 42.7 percent (27.4).

GROUP	Available liquidity	
	Dec 31, 2016	Dec 31, 2015
Cash and bank balances	571	11
Unused bank overdraft	200	145
Total	771	156

MATURITY ANALYSIS OF FINANCIAL LIABILITIES, UNDISCOUNTED CASH FLOWS, INCLUDING INTEREST

GROUP 2016 SEK million	Currency	Average interest rate on the balance sheet date, %	Nominal amount original currency	Amount SEK, including interest	Maturing September, 2017	Maturity 2018–2019	Maturing 2020 or later
Bank loans	SEK	1.93	184	191	85	97	9
Financial lease liabilities	SEK	1.25	44	45	20	25	
Convertible debentures	SEK	3.12	41	43	27	16	
Debenture	SEK	6.25	300	352	19	333	
Total interest-bearing financial liabilities			569	631	151	471	9
Accounts payable	SEK	—	541	541	541		
Other liabilities	SEK	—	224	224	224		
Total non-interest-bearing financial liabilities			765	765	765	0	0
Total financial liabilities			1,334	1,396	916	471	9

GROUP 2015 SEK million	Currency	Average inter- est rate on the balance sheet date, %	Nominal amount original currency	Amount SEK, including interest	Maturing September ,2016	Maturity 2017–2018	Maturing 2019 or later
Bank loans	SEK	2.84	137	141	105	13	23
Financial lease liabilities	SEK	2.27	37	38	13	25	
Convertible debentures	SEK	4.00	50	54		54	
Bank overdraft	SEK	2.15	20	20	20		
Other interest-bearing liabilities	SEK	4.00	10	10	10		
Total interest-bearing financial liabilities			254	264	149	92	23
Other non-current borrowings	SEK	—	190	190		190	
Accounts payable	SEK	—	349	349	349		
Other liabilities	SEK	—	170	170	139	31	
Total non-interest-bearing financial liabilities			709	709	488	221	0
Total financial liabilities			963	973	637	313	23

Further information is provided under Note 28.

Interest risk

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

A sensitivity analysis for interest risks can be found under Note 28.

Currency risk

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

Credit and counterparty risk

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

Credit risk in accounts receivable

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

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

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

Accounts receivable are spread across a large number of customers and no single customer accounts for a significant portion of total accounts receivable. Neither are accounts receivable concentrated to a specific geographical area. The Group therefore deems the concentration risks to be limited. See Note 23 for an aging analysis of outstanding accounts receivable and provisions for and settled doubtful accounts receivable. The credit standing of receivables not yet due is deemed to be good.

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

Categorization of financial instruments

In accordance with IAS 39 Financial Instruments, financial instruments are measured at amortized cost or at fair value, depending on their category. The items that have been subject to measurement at fair value are financial assets available for sale and additional considerations.

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

CATEGORIZATION OF FINANCIAL INSTRUMENTS

GROUP	Financial assets and liabilities valued at fair value through profit or loss		Financial assets available for sale		Account and loan receivables		Other financial liabilities		Total carrying amount		Fair value	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Financial assets												
Other non-current receivables	—	—	1	1	259	166	—	—	260	167	261	167
Accounts receivable	—	—	—	—	589	352	—	—	589	352	589	352
Other current receivables	—	—	—	—	463	39	—	—	463	39	463	39
Cash and bank balances	—	—	—	—	571	11	—	—	571	11	571	11
Total financial assets	—	—	1	1	1,882	568	—	—	1,883	569	1,884	569
Financial liabilities												
Convertible debentures	—	—	—	—	—	—	41	50	41	50	41	50
Liabilities to credit institutions	—	—	—	—	—	—	184	157	184	157	184	157
Debenture	—	—	—	—	—	—	294	—	294	—	308	—
Leasing liability	—	—	—	—	—	—	44	37	44	37	44	37
Other short- and long-term liabilities	—	—	—	—	—	—	224	339	224	339	224	339
Accounts payable	—	—	—	—	—	—	541	349	541	349	541	349
Total financial liabilities	—	—	—	—	—	—	1,328	932	1,328	932	1,342	932

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

Calculation of fair value

Financial assets and financial liabilities measured at fair value in the balance sheet are classified according to one of three levels based on the information used to establish the fair value. The tables below give details of the Group and Parent Company's classification of financial assets and liabilities measured at fair value. No significant transfers have been made between the levels during the periods. See Note 16 Investment properties for information about buildings and land valued at fair value that are attributable to Level 3.

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

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

Examples of observable data within Level 2 are:

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

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

GROUP	Level 1		Level 2		Level 3		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Financial assets								
Financial assets available for sale	—	—	—	—	1	1	1	1
Total financial assets	—	—	—	—	1	1	1	1
Financial liabilities								
Other short- and long-term liabilities	—	—	—	—	31	31	31	31
<i>Of which, additional purchase considerations</i>	—	—	—	—	31	31	31	31
Total financial liabilities	—	—	—	—	31	31	31	31

In 2015, an asset acquisition took place that comprises an additional consideration in the event of future detailed development plan changes and contracts. The estimated results of the additional purchase price amounts to SEK 31 million, which is unchanged compared with the previous year. Otherwise, no changes have occurred in relation to previously reported periods.

On August 27, 2014, an agreement was signed to acquire 100 percent of the shares in Värmdö Byggtreprenader AB. According to the agreement on contingent consideration, Serneke shall pay a variable purchase price to not exceed SEK 30 million. Serneke and the seller of Värmdö Byggtreprenader AB are currently in dispute regarding the payment of an additional purchase consideration and the seller has initiated

arbitration proceedings. Serneke's view is that additional consideration should be paid, and assesses the fair value of the additional purchase price amounting to SEK 0 million (0).

In May 2016, Söve flygplats was acquired from Swedavia. In addition to the purchase price, Serneke to the seller pay the additional payment of up to SEK 175 million on a number of share purchase agreement specified conditions are met. Serneke is of the opinion that the stated requirements for the issuance of any additional purchase price will not be fulfilled and, consequently, has not reserved funds for this, and Serneke further assesses the fair value of the additional purchase price to amounts to SEK 0 million (0).

Capital structure

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

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

One of Serneke's financial targets is for the equity/assets ratio (equity divided by total assets) to exceed 25 percent. The Board believes that this level is adapted to Serneke's business and the objective is part of the Group's strategic planning. If the equity/assets ratio permanently exceeds the target, capital will be transferred to the shareholders in an appropriate form. At the end of 2016, the Group's equity/assets ratio amounted to 42.7 percent (27.4). The Group is subject to externally imposed capital requirements, which are detailed under Note 28.

NOTE 5 Segment information

Group

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

Operating segment

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

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

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

Property Management: The business area manages and develops properties for long-term capital appreciation. Commercial properties are managed.

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

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

Income and operating profit by operating segment

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

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

Assets and liabilities by operating segment

The assets and liabilities of the business areas consist of capital employed. Capital employed comprises the business areas' respective total assets reduced by deferred tax assets, less non-interest-bearing liabilities and deferred income tax liabilities. Group goodwill is attributable to the respective business area responsible.

CONSOLIDATED INCOME AND PROFIT

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

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

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

THE GROUP 2015 SEK million	Construction	Civil Engineering	Project Development	Property Management	Group-wide	Elimination	Group
External sales	2,376	248	477	2	4	—	3,107
Internal sales	90	141	63	1	57	-352	0
Total income	2,466	389	540	3	61	-352	3,107
Operating profit	48	-15	166	0	-71	0	128
Financial income	—	—	—	—	2	—	2
Financial expenses	—	—	—	—	-18	—	-18
Earnings after financial items	—	—	—	—	—	—	112
Tax	—	—	—	—	25	—	25
Profit for the year	—	—	—	—	—	—	137

During 2015, the holding in Änglagården was transferred from the Project Development business area to the newly established Property Management business area. In conjunction with this, Project Development has recognized intra-Group income of SEK 55 million.

SEK million	Construction	Civil Engineering	Project Development	Property Management	Group-wide	Elimination	Total Segment
Assets							
Goodwill	23	—	—	—	—	—	23
Deferred tax assets	—	—	—	—	37	—	37
Investment properties	—	—	—	13	—	—	13
Investments in associates and joint ventures	—	—	—	94	—	—	94
Other fixed assets	170	10	87	2	9	-37	241
Project and development properties	—	—	626	—	3	—	629
Accrued but not invoiced income	126	54	17	—	—	—	197
Other current assets	607	66	190	10	535	-990	418
Total assets	926	130	920	119	584	-1,027	1,652

OTHER SEGMENT INFORMATION SEK million	Construction	Civil Engineering	Project development	Property Management	Group-wide	Elimination	Total Segment
Depreciation	-6	-2	-3	-1	-3	—	-15
Impairment losses	—	—	—	—	—	—	—
Share profit of associates and joint ventures	—	—	—	5	15	—	20
Significant items other than depreciation, amortization and impairment not matched by payments	11	—	—	-5	—	—	6

Information regarding geographical area

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

NOTE 6 Income by major income category

	Group		Parent Company	
	2016	2015	2016	2015
Construction contracts	3,642	2,611	2	0
Income from sales of project and development properties	318	464	1	0
Rental income *	15	18	5	4
Administrative services	—	—	80	54
Other	3	14	0	0
Total	3,978	3,107	88	58

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

NOTE 7 Operating expenses by type of expense

	Group		Parent Company	
	2016	2015	2016	2015
Material	-465	-419	—	—
Subcontractors	-2,250	-1,599	—	—
Staff	-527	-395	-34	-25
Carrying amount sold property held for resale	-101	-276	—	—
Other production expenses	-327	-220	—	—
Depreciation	-17	-16	-2	-2
Impairment losses	-51	—	0	—
Other	-97	-74	-61	-41
Total	-3,835	-2,999	-97	-68

NOTE 8 The auditor's fee and cost compensation

	Group		Parent Company	
	2016	2015	2016	2015
Deloitte				
auditing assignments	3	1	2	1
auditing-related services	1	2	3	1
tax consultancy	0	0	0	0
Consultation	1	0	0	0
Total Deloitte	5	3	5	2

Deloitte was appointed as the primary auditing firm in 2013.

NOTE 9 Leasing**Operating leases – lessee**

This year's operating lease expense:

	Group		Parent Company	
	2016	2015	2016	2015
Minimum lease payments	78	16	13	8
Variable payments	2	1	2	0
Total	80	17	15	8

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

	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Within one year	22	16	13	8
1–5 years	48	41	46	33
Later than 5 years	17	34	17	34
Total	87	91	76	75

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

The lease term for the Group and Parent Company's rented premises amounts to 1–9 years. The lease may be extended at the end of the term at what the Group considers to be a fee consistent with market rates. Rental payments increase annually according to an index, based on the index figure for the month of October. The lease term for other premises varies between 3 and 7 years.

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

In 2015, the Group and Parent Company signed a new lease for its current headquarters in Gothenburg. This lease is for 10 years and the rent will be settled in accordance with index clauses. In 2016, the Group and Parent Company signed a new lease existing offices in Stockholm. The agreement runs for three years with three-months' notice, after which continuation of the lease is for six months at a time, and the rent is regulated according to the index clauses.

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

AVERAGE NUMBER OF EMPLOYEES	2016		2015	
	Number of Employees	Of which number of men	Number of Employees	Of which number of men
Parent Company				
Sweden	42	13	35	12
Total in the Parent Company	42	13	35	12
Subsidiary				
Sweden	737	666	583	544
Total for subsidiaries	737	666	583	544
Total in Group	779	679	618	556

TOTAL SALARIES, REMUNERATION ETC.	2016		2015	
	Salaries and Other Remunerations	Social security contributions (of which Pension costs)	Salaries and Other Remunerations	Social security contributions (of which Pension costs)
Parent Company	20	8	17	7
		(2)		(2)
Subsidiaries	322	134	261	110
		(32)		(23)
Total Group	342	142	278	117
		(34)		(25)

Distribution to senior executives at balance sheet date	Parent Company		Subsidiaries	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Women:				
Board including CEO	2	2	0	0
other senior executives	2	2	0	0
Men:				
Board including CEO	4	4	11	11
other senior executives	7	5	0	0
Total	15	13	11	11

REMUNERATION TO SENIOR EXECUTIVES
Details in SEK thousand

2016	Basic salary/ Fee	Other Benefits	Pension Costs	Total
Chairman of the Board Ulf Ivarsson*	450			450
Member of the Board Anders Wennergren**	200			200
Member of the Board Ludwig Mattsson	200			200
Member of the Board Kristina Willgård***	275			275
Member of the Board Mari Broman***	200			200
Member of the Board & CEO Ola Serneke	2,329			2,329
Other senior executives****	9,679	667	2,509	12,855
Total	13,333	667	2,509	16,509
Of which remuneration from Parent Company	6,744	258		7,002

2015	Basic salary/ Fee	Other benefits	Pension costs	Total
Chairman of the Board Ulf Ivarsson*	450			450
Member of the Board Anders Wennergren**	150			150
Member of the Board Ludwig Mattsson	75			75
Board Member Kristina Willgård***	250			250
Board Member Mari Broman***	150			150
Member of the Board Christer Larsson***	0			0
Member of the Board Nils Wiberg***	75			75
Member of the Board & CEO Ola Serneke	1,958			1,958
Other senior executives****	6,658	638	1,891	9,187
Total	9,766	638	1,891	12,295
Of which remuneration from Parent Company	5,862	244	717	6,823

* Consulting fees at market rates are invoiced by the Chairman of the Board for additional consulting services in connection with Board work and are stated as consultancy expenses. For 2016, consulting expenses amounted to SEK 0 million (1).

** Fees at market rates for legal counsel are invoiced by law firm Glimstedt, of which member of the Board Anders Wennergren is a partner. For 2016, legal expenses for the law firm Glimstedt amounted to SEK 2 million (1).

*** In 2015, Nils Wiberg and Christer Larsson left the Board, and Mari Broman and Kristina Willgård were appointed to the Board. In the table above, remuneration for these individuals has only been included for the period in which they were members of the Board of Directors and in their capacity as members of the Board.

**** "Other senior executives" refers to the seven individuals in addition to the CEO who are members of Serneke's Group management. Group management has been expanded with two new members in 2016, and at the end of 2016 to 10 individuals, including the CEO.

Variable remuneration

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

Other benefits

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

Pensions

The Group only has defined-contribution pension plans.

Severance agreements

There are no agreements between the Company and the CEO regarding severance pay. The same applies for other senior executives.

NOTE 11 Financial income

	Group		Parent Company	
	2016	2015	2016	2015
Interest income	11	2	2	1
Exchange gains	0	0	0	0
Other	0	0	0	0
Total financial income	11	2	2	1

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

NOTE 12 Financial expenses

	Group		Parent Company	
	2016	2015	2016	2015
Interest expenses	-26	-17	-9	-2
Interest expense attributable to convertible debentures	-2	-1	-2	-1
Exchange rate losses	0	0	0	0
Total financial expenses	-28	-18	-11	-3

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

NOTE 13 Appropriations

	Parent Company	
	2016	2015
Group contributions received	133	149
Group contributions paid	-172	-194
Total appropriations	-39	-44

NOTE 14 Tax on profit for the year

CURRENT TAX	Group		Parent Company	
	2016	2015	2016	2015
Current tax on profit for the year	0	-10	0	0
Adjustments recognized in current year regarding prior years' current tax	-4	0	0	0
Total	-4	-10	0	0

DEFERRED TAX	Group		Parent Company	
	2016	2015	2016	2015
Deferred tax on losses	9	25	9	30
Deferred tax attributable to temporary differences	-5	10	0	0
Total	4	35	9	30
Total tax	0	25	9	30

Income tax in Sweden is calculated at 22 percent 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	
	2016	2015	2016	2015
Profit/loss before tax	394	112	-57	-56
Recognized tax for the year	0	25	9	30
Theoretical tax expense	-87	-25	13	12
Difference	87	50	-4	18
The difference is explained by				
Non-deductible tax effect of impaired assets	-6	0	0	0
Tax effect of non-deductible expenses	-1	-7	-1	0
Tax effect of non-taxable income	0	2	1	0
Tax effect of non-taxable Group contributions from subsidiaries	—	—	10	24
Tax effect of non-deductible Group contributions to subsidiaries	—	—	-14	-7
Tax effect of unmeasured losses	—	9	—	—
Tax effect of non-taxable income from disposal of associates	48	42	—	—
Tax effect of non-taxable income from disposal of associates	50	0	—	—
Tax effect of share in profit of associates	—	4	—	—
Tax effect of revaluation of associates on acquisition	0	0	—	—
Taxes attributable to previous years	-4	0	0	0
Total	87	50	-4	18

NOTE 15 Goodwill

	Group	
	Dec 31, 2016	Dec 31, 2015
Acquisition cost, opening balance	23	23
Purchase	—	—
Impairments for the year	—	—
Closing acc. cost of acquisition	23	23

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

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

Net sales and operating margin

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

Working capital requirements and investment needs

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

Long-term growth rate

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

Discount rate

Forecast cash flows and residual values are discounted to present value with a weighted cost of capital according to WACC. In calculations that have been made of value in use, a weighted discount rate before tax has been used. The unit's pre-tax discount rate was 10 percent (10) and after tax amounted to 8 percent (8).

Sensitivity analysis

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

At December 31, 2016, Serneke had carried out an internal valuation on all significant properties, based on a ten-year cash flow model. External valuations of the properties are conducted annually. This is to ascertain the reliability of the internal valuation.

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

Income

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

Operation and maintenance expenses

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

Required Yield

The required yield between 6.1 and 7.4 percent (5.7 to 8.1).

External valuation

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

Sensitivity analysis*

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

+/-1 percentage unit dividend yield: -85/+116 (-25/+54)

+/-3 percent income: +23/-23 (+23/-21)

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

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

NOTE 16 Investment properties

	Group	
	Dec 31, 2016	Dec 31, 2015
Opening carrying amount	13	6
Acquisitions for the year	267	—
Capital expenditures	7	—
Reclassification	—	7
Unrealized changes in value	42	0
Closing carrying amount	329	13

	Group	
	Dec 31, 2016	Dec 31, 2015
Rental income from investment properties	10	1
Property expenses from investment properties	-3	-1
Earnings from property management	7	0

Investment properties are recognized in the consolidated statement of financial position at fair value and changes in value are recognized in the consolidated statement of comprehensive income. This year's acquisitions that make up the major part of the investment portfolio were acquired in May and November 2016, and land constitutes a significant part of the carrying amount.

Investment properties are properties that are managed with the purpose of generating rental income, capital appreciation or a combination of both. The Group also owns investment properties through associated companies, for which changes in value resulting from fair value estimations are recognized in the associated company's share. The Group's share of the investment properties in associated companies amounted to SEK 355 million (374). Note 19 Investments in associates and joint ventures.

Valuation model

The fair value of properties is based on internal valuations. Fair value is the estimated amount that could be collected in a transaction at the point of valuation between well-informed parties that are independent of each other and who have an interest in completing the transaction.

NOTE 17 Tangible fixed assets

	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Buildings and land	13	16	—	—
Plant and machinery	1	2	—	—
Equipment, tools, fixtures and fittings	61	56	6	9
Closing accumulated cost of acquisition	75	74	6	9

BUILDINGS AND LAND	Group	
	Dec 31, 2016	Dec 31, 2015
Acquisition cost, opening balance	35	44
Reclassification	—	-9
Purchase	—	—
Disposal/retirement	—	—
Closing accumulated cost of acquisition	35	35
Opening depreciation	-19	-18
Depreciation for the year	-3	-2
Sales/scraping	—	—
Reclassification	—	1
Closing accumulated depreciation	-22	-19
Closing carrying amount	13	16

PLANT AND MACHINERY	Group	
	Dec 31, 2016	Dec 31, 2015
Acquisition cost, opening balance	16	18
Purchase	—	2
Sales/scrapping	—	-4
Closing acc. cost of acquisition	16	16
Opening depreciation	-14	-16
Sales/scrapping	0	4
Depreciation for the year	-1	-2
Closing acc. depreciation/amortization	-15	-14
Closing carrying amount	1	2

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Acquisition cost, opening balance	87	65	11	6
Purchase	32	23	4	6
Reclassification	-1	—	—	—
Disposal/retirement	-17	-1	-7	-1
Closing accumulated cost	101	87	8	11
Opening depreciation	-31	-19	-2	-1
Reclassification	—	—	—	—
Disposal/retirement	6	0	2	1
Depreciation for the year	-15	-12	-2	-2
Accumulated depreciation, closing balance	-40	-31	-2	-2
Closing carrying amount	61	56	6	9
Of which financially leased assets	40	35	2	5

NOTE 18 Participations in Group companies

	Parent Company	
	Dec 31, 2016	Dec 31, 2015
Acquisition cost, opening balance	28	28
Formation Serneke Fastighet AB	—	0
Shareholder contributions paid	47	0
Closing cost of acquisition	75	28

Company, corporate identity number	Domicile	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
		Share of equity %*	Share of equity %*	Carrying amount	Carrying amount
Serneke Bygg AB, 556621-6908	Gothenburg	100%	100%	15	15
Serneke Anläggning AB, 556782-0591	Gothenburg	100%	100%	37	12
Serneke Industri AB, 556630-8184	Gothenburg	100%	100%	1	1
Serneke Projektutveckling AB, 556688-6601	Gothenburg	100%	100%	0	0
Serneke Fastighet AB, 556982-4914	Gothenburg	100%	100%	22	0
				75	28

* Also the share of votes

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

NOTE 19 Participations in associates and joint ventures

	Group	
	Dec 31, 2016	Dec 31, 2015
Opening amount	94	76
Share in profit, after tax	0	20
Residual percentage at partial disposal of a Group company *	330	—
Sale of shares in associated companies	—	-2
Closing value	424	94

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

In 2016, 50 percent of the shares in Karlavagnsplatsen Holding AB were sold, upon which controlling interest ceased and the remaining shares were revalued at fair value. The fair value of the remaining shares has been obtained by determining what the other party has paid for the disposed shares. The consolidated income statement for the year 2016 includes capital gains from disposed shares amounting to 226 million (excluding transaction costs). The corresponding amount has been recognized partly as a revaluation gain of the remaining participations, together with the remaining net assets of SEK 92 million that have been recognized as the acquisition cost of the joint venture participation, shareholders' contribution of SEK 7 million, as well as retained equity of SEK 5 million in 2016.

COMPANY, ORGANIZATION	Domicile	Dec 31, 2016 Ownership share *	Dec 31, 2015 Ownership share *	Associated companies/ Joint ventures	Valuation Method
7H Bil AB, 556629-2362	Gothenburg	30.0%	30.0%	Associated companies	The equity method
Änglagården Holding AB, 556911-1015	Gothenburg	40.0%	40.0%	Associated companies	The equity method
Karlstaden Holding AB, 559057-5816	Gothenburg	50.0%	0.0%	Joint venture	The equity method
Fastighetskompaniet i Väst AB, 556735-7271	Gothenburg	50.0%	50.0%	Associated companies	The equity method

* Also the share of votes

Description of operations

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

SUMMARY OF FINANCIAL INFORMATION

SUMMARY BALANCE SHEET	7H Bil AB		Änglagården Holding AB		Karlstaden Holding AB		Fastighetskompaniet i Väst AB	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Total assets	71	44	1,103	1,134	352	—	0	0
Total liabilities and provisions	52	30	751	775	342	—	0	0
Total net assets	19	14	352	359	10	—	0	0
The Group's share of net assets	7	4	91	96	330	—	0	0

SUMMARY PROFIT/LOSS STATEMENT	7H Bil AB		Änglagården Holding AB		Karlstaden Holding AB		Fastighetskompaniet i Väst AB	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Income	209	192	68	26	2	—	0	0
Profit for the year	5	4	43	159	0	—	0	0
Preferential dividend right to other co-owners *			-77	-90				
The Group's share of profit **	1	1	3	28	—	—	0	0

* An agreement between the co-owners of Änglagården Holding AB: Lommen Holding, Prioritet Finans and Serneke have signed, which means a preferential dividend of SEK 2015 million for the benefit of the other co-owners before Serneke can partake of free distributable funds. In 2016, a dividend of SEK 13 million was made to the other shareholders whereon preferential rights amounted to SEK 77 million at year-end in 2016. Serneke also has a commitment in the form of an operation guarantee 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 affected profit for the year by SEK negative 14 million net (negative 3) and starting provision for continuing commitment amounts to 14 million.

** Unrealized changes in value of the associated company's investment property amounted to SEK negative 48 million (195 million), of which the Group's share after tax amounted to SEK negative 15 million. Serneke Group AB (publ) has also entered into a guarantee undertaking, which means that the co-owners in Änglagården Holding AB are jointly responsible for the correct fulfilment 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, 2016, the associate's liability to credit institutions amounts to SEK 479 million (483).

NOTE 20 Other non-current receivables

	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Opening amount	167	23	1	1
Incoming from property sales	161	76	—	—
Incoming other	9	3	—	—
Reclassification	—	67	—	—
Settlement	-76	-2	-1	—
Closing value*	261	167	0	1
<i>*of which interest-bearing</i>	30	21	—	—
<i>* including receivables from associated companies and joint ventures</i>	67	67	—	—

NOTE 21 Project and development properties

	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Opening cost	629	494	3	3
Purchase	—	15	—	—
Reclassification	—	2	—	—
Subsequent to asset acquisition *	67	226	—	—
Capital expenditures	50	168	—	—
Impairment losses	-51	0	—	—
Sales	-453	-276	—	—
Closing accumulated cost	242	629	3	3

* of which properties that Group has taken over for which the is not the legally registered owner SEK 5 million (129).

Capitalized interest

Loan interest of SEK 0 million (2) has been capitalized during the year.

NOTE 22 Inventories

	Group	
	Dec 31, 2016	Dec 31, 2015
Raw materials and supplies	2	4
Total	2	4

NOTE 23 Accounts receivable

	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Accounts receivable, gross	595	362	0	0
Provision for bad debts	-6	-10	—	—
Total accounts receivable, net of provision for bad debts	589	352	0	0

	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Provision for bad debts at start of year	-10	-14	—	—
Provision for doubtful accounts receivable for the year	-6	-2	—	—
Settled doubtful accounts receivable	10	6	—	—
Total provision for bad debts	-6	-10	0	0

GROUP	2016			2015		
	Gross	Reserve, doubtful accounts receivable	Customer Receivables	Gross	Reserve, doubtful accounts receivable	Customer Receivables
Age analysis, accounts receivable						
Not yet due	458	0	458	284	0	284
Due within 30 days	47	0	47	24	0	24
Due 31-60 days	5	0	5	25	0	25
Due 61-90 days	2	0	2	3	0	3
Due > 90 days	83	-6	77	26	-10	16
Total	595	-6	589	362	-10	352

NOTE 24 Contracting assignments

	Group	
	Dec 31, 2016	Dec 31, 2015
Contract expenses and recognized profit	2,099	4,260
Less invoiced amounts	-1,847	-4,063
Accrued but not invoiced income	252	197
Invoiced amounts	4,346	2,945
Less contract expenses and recognized profit	-4,174	-2,780
Invoiced but not accrued income	172	165

NOTE 25 Prepaid expenses and accrued income

	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Pre-paid rent	6	5	3	3
Prepaid leasing	1	2	0	0
Prepaid insurance	3	0	0	0
Accrued income	4	0	0	0
Other prepaid expenses	5	5	3	3
Total	19	12	6	6

NOTE 26 Other current debt

	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Receivables from sales of project properties	447	—	—	—
Receivable from joint ventures	140	—	—	—
Other current receivables	15	39	0	0
	602	39	0	0

NOTE 27 Equity**Share capital**

At the beginning of 2015, share capital amounted to SEK 1,583,852 and the number of shares was 15,838,512 at a quotient value of 0.1, comprising 5,360,000 Series A shares and 10,478,512 Series B shares. In 2015, Serneke Group AB conducted a new issue of 727,273 Series B shares and SEK 36,000,013 was procured. At the end of 2015, the share capital totaled SEK 1,656,579. The number of shares at the end of 2015 amounted to 16,565,785 at a quotient value of SEK 0.1, of which 0.1 were Series A shares and 11,205,785 Series B shares.

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

At the General Meeting of April 13, 2015, the Company decided to issue convertible debentures with a nominal value of SEK 49.5 SEK million. The convertibles are valid up to and including April 28, 2017, carry 4.0 percent annual interest and have a conversion price of SEK 49.50. During the term of the convertibles, holders are entitled to request conversion into new Series B shares. Upon conversion, a maximum of 1,000,000 Series B shares may be added and share capital may increase by a maximum of SEK 100,000. At the General Meeting of June 29, 2016, a decision was made to issue convertibles with a nominal value of approximately SEK 15.9 million. The convertibles are valid up to and including August 26, 2019, carry 1.6 percent annual interest and have a conversion price of SEK 120. Upon conversion, a maximum of 132,350 Series B shares may be added and share capital may increase by a maximum of SEK 13,235. During the term of the convertibles, holders are entitled, on certain occasions, to request conversion into new Series B shares. At December 31, 2016, a total of 467,249 convertibles were converted to B shares and 665,101 convertibles remained.

Total number of shares at the end of December 31, 2016 amounted to 22,714,852, of which 5,360,000 were Series A shares and 17,354,852 Series B shares.

Other capital contributions – Group

Other capital contributions comprise the share premium reserve.

NOTE 28 Borrowing

LONG-TERM	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Bank loans	101	33	0	4
Convertible debentures	15	50	15	50
Financial lease liabilities	26	24	3	3
Debenture loan	294	—	294	—
Other	208	190	0	0
Total	644	297	312	57

SHORT-TERM	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Bank overdraft facility	—	20	—	—
Bank loans	83	104	1	1
Financial lease liabilities	19	13	0	1
Convertible debentures	26	—	26	—
Other	0	10	0	0
Total	128	147	27	2

Total borrowing*	772	444	339	59
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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 184 million (217). Collateral for borrowings comprises the Group's properties, floating charges and pledged shares in subsidiaries. For further information regarding collateral, see Note 32.

Sensitivity analysis interest risk

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

	Group	
	Dec 31, 2016	Dec 31, 2015
Effect on future financial expenses +/-1%	-5 / +5	-2 / +2
Effect on future financial expenses +/-3%	-15 / +15	-6 / +6

Available credit

	Group	
	Dec 31, 2016	Dec 31, 2015
Bank overdraft facility	200	165
Utilized amount	—	-20
Available credit	200	145

Per December 31, 2016, criteria for a covenant were fulfilled regarding a bank overdraft facility the Group has signed with Nordea. Serneke has committed to an equity/assets ratio of 25 percent, and at December 31, 2016, exhibited an equity/assets ratio of 42.7 percent (27.4).

Bank loans

The bank loans mature until 2025 and, as of December 31, 2016 have an average interest rate of 1.93 percent (2.84).

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

	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
< 12 months	83	104	1	1
12–36 months	92	12	0	4
> 36 months	9	21	0	0
Total	184	137	1	5

Convertible debentures

In May 2015, a convertible debenture loan was issued, aimed at employees and shareholders. The amount issued totals SEK 49,500,000 and the loan carries an interest rate of 4.0 percent. Interest payments are due on conversion. The loan expires on the date that occurs first of April 28, 2017 or when the other party requests conversion. The conversion rate is SEK 49.50. The market interest rate for an equivalent loan without right of conversion is 4.0 percent, which is why no portion of the issued convertible is recognized in equity. In November 2016, SEK 23,128,825 was converted.

In August 2016, a new convertible debenture loan was issued aimed at employees. The amount issued totals SEK 15,882,000 and the loan carries an interest rate of 4 percent. Interest payments occur annually in August. The loan matures on 26 August 2019. Conversion may take place at fixed times over a period of 10 business days after the Interim Report is published in 2017, 2018 and 2019 as well as 1–12 August 2019. The conversion price is 120 SEK. Market rate of interest for similar loans without collateral is deemed to have an interest rate of 4 percent, and if the convertible's interest rate is lower than the estimated market interest rate, SEK 1 million of the issued convertible has been recognized into equity.

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, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Nominal amount	42	50	42	50
Liability component at issue date	-41	-50	-41	-50
Equity component	1	0	1	0
Liability, per issue date	-41	-50	-41	-50
Effective rate	0	0	0	0
Discount rate as of December 31	-41	-50	-41	-50

Financial lease liabilities

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

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

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

Liabilities finance leases:

	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Maturity date:				
Within one year	19	13	0	1
1–5 years	26	24	3	3
Total	45	37	3	4

Debenture loan

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

Other

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

NOTE 29 Deferred tax

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

	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Deferred tax assets				
Buildings and land	—	—	—	—
Investment properties	1	0	—	—
Project and development properties	6	2	—	—
Loss carryforwards	54	37	54	37
Other deferred tax assets	1	2	—	0
Total deferred tax assets	62	41	54	37
Deferred tax liabilities				
Buildings and land	3	3	—	—
Investment properties	11	0	—	—
Project and development properties	—	0	—	—
Other deferred tax liabilities	—	1	—	—
Total deferred tax liabilities	14	4	0	0
Total deferred tax assets and liabilities, net	48	37	54	37

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 30 Other provisions

	Group	
	Dec 31, 2016	Dec 31, 2015
Additional consideration	31	31
Provisions relating to access to property	5	—
Provision for commitments attributable to property sales	62	59
Provision for guarantee undertakings	22	11
Total	120	101

	Dec 31, 2016		Dec 31, 2015	
Provisions consist of;				
Long-term portion	39	35		
Short-term portion	81	66		
Total	120	101		

	Additional purchase consideration	Provisions relating to access to property	For commitments attributable to property sales	Provision for guarantee undertakings	Total
As of January 1, 2016	31	0	59	11	101
Additional provisions	—	5	3	12	20
Provisions for acquisitions	—	—	—	—	—
Reversed unused amounts	—	—	—	—	—
Utilized during the year	—	—	—	-1	-1
As of December 31, 2016	31	5	62	22	120

Additional consideration

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

Provisions relating to access to property

Concerns property that will be accessed by agreement in conjunction with the detailed development plan entering legal force, which is expected in late 2017 or early 2018. Acquisitions of project and development properties are normally recognized as assets once binding acquisition agreements have been entered into, and where future conditional changes to detailed development plans are deemed highly likely. The probability of the detailed development plan being implemented is considered to be very high, which is why the property is recognized as accessed and allocation has been made in the corresponding amount.

Sales commitment

Concerns commitments conditional upon sales of properties or development rights.

Guarantee undertakings

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

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

NOTE 31 Accrued expenses and prepaid income

	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Accrued interest expenses	2	1	2	1
Accrued personnel expenses	52	39	2	2
Prepaid rental income	5	2	0	0
Deferred income	129	—	—	—
Other accrued expenses	19	18	11	3
Total	207	60	15	6

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

CONCERNING LONG-TERM BORROWINGS	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Property mortgages	108	94	0	3
Machinery and equipment with reservation of ownership	2	2	1	2
Liens on assets	48	—	—	—
Total	158	96	1	5

CONCERNING SHORT-TERM BORROWINGS	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Property mortgages	83	49	—	—
Machinery and equipment with ownership reservation	0	0	0	0
Pledged shares in subsidiaries	459	66	—	—
Pledged lease agreements	—	8	—	—
Liens on assets	221	195	221	105
Total	763	318	221	105

CONCERNING PROPERTY SALES	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Property mortgages	—	19	—	—
Pledged promissory note	—	15	—	—
Total	—	34	—	—

Contingent liabilities

	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Guarantee obligations of benefit for Group companies	—	—	246	167
Guarantees and contracting guarantees for Group companies	—	—	30	16
Guarantee obligations in connection with property sales	184	184	184	184
Guarantee obligations for credit in tenant-owner's association	5	—	5	—
Guarantee obligations for advance payment and contribution guarantees in tenant-owner's association	4	—	4	—
Guarantee obligations for the benefit of associated companies *	50	35	50	34
Total	243	219	519	401

* 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, 2016, the associate's liability to credit institutions amounts to SEK 479 million (483).

In May 2016, Söve flygplats was acquired from Swedavia. In addition to the purchase consideration of SEK 175 million, Serneke is to pay to the seller a purchase consideration of a maximum of SEK 200 million if a number of conditions specified in the share purchase agreement are met, which, among other things, assumes that detailed planning and development of the property takes place and that a sale is made to an external party for the condition to be met. It is currently Serneke's assessment that the specified conditions for the disbursement of a possible additional purchase consideration will not be fulfilled and consequently it has not reserved funds for this.

On August 27, 2014, an agreement was signed to acquire 100 percent of the shares in Värmdö Byggentreprenader AB. According to the agreement on contingent consideration, Serneke shall pay a variable purchase price based on the company's operating profit for 2015 and cannot exceed SEK 30 million if operating profit should exceed SEK 40 million. Serneke and the seller of Värmdö Byggentreprenader AB are currently in dispute regarding the payment of an additional purchase consideration and the seller has initiated arbitration proceedings. Serneke's view is that the additional consideration should not be paid. The seller's opinion is that an additional purchase consideration of SEK 30 million should be paid.

NOTE 33 Cash flow statement

ADJUSTMENTS ITEMS NOT AFFECTING CASH FLOW	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Share in profit of associates and joint ventures	—	-20	—	—
Revaluation on acquisition of controlling interest	-226	—	—	—
Unrealized changes in value	-42	—	—	—
Capital gains	-218	-192	—	—
Appropriations	15	-6	—	—
Amortization and depreciation	68	16	2	2
Other items not affecting cash flow	6	-1	0	0
Total	-397	-203	2	2

NOTE 34 Related parties**Close associations**

The Group is under significant influence from Ola Serneke whom, via the company holds 55 percent (61) of the voting rights of the Parent Company Serneke Group AB (publ). The Parent Company of the largest Group in which Serneke Group AB (publ) is included is Ola Serneke Invest AB.

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

Until the end of December 2015, Prioritet Group AB was included in the category of having significant influence over Serneke Group AB (publ). In December 2015, Prioritet Group AB sold its holding and Nils Wiberg left his position on the Board of Serneke Group AB (publ).

Ola Serneke Invest

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

Lommen Holding

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

Adapta

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

Prioritet

Nils Wiberg's CEO, Board Member and owner of Prioritet. Transactions are included up until Prioritet sold shares in Serneke Group AB and Nils Wiberg left the Board.

Associates

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

Subsidiaries

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

Summary, related party transactions

Group	2016	2015
Transactions with Ola Serneke Invest		
Sales to Ola Serneke Invest	4	6
Purchases from Ola Serneke Invest	0	4
Receivable Serneke Invest	—	0
Liability to Ola Serneke Invest	—	1
Transactions with Lommen Holding		
Sales to Lommen Holding	—	—
Purchases from Lommen Holding	—	5
Receivable Lommen Holding	—	—
Debt to Lommen Holding	—	—
Transactions with Adapta		
Sales to Adapta	235	134
Purchases from Adapta	11	14
Receivable Adapta	36	19
Debt to Adapta	4	0
Transactions with Prioritet		
Sales to Prioritet	—	—
Purchases from Prioritet	—	2
Receivable Prioritet	—	—
Debt to Prioritet	—	—
Transactions with associates and joint ventures		
Sales	42	144
Purchase	5	—
Receivable	213	79
Liability	15	1

Remuneration to senior executives

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

NOTE 35 Events after balance sheet date

Land owned by Serneke in Poland to be part of a special economic zone

Just over ten years ago, Serneke acquired 50,000 square meters of land in Golczewo in northwestern Poland, near the German border and the port cities of Szczecin and Swinoujscie. Through a decision by the Polish government, the area, known as Sweden Industrial Center (SIC), is to be included in a special economic zone, enabling the development of an industrial center with favorable tax conditions. The plan is to build an industrial park that can support a strong construction market in Sweden. Serneke plans to produce prefabricated steel, concrete and wood elements for delivery to the Group's construction sites. In addition to production facilities, offices are also included for project planners and designers in the construction industry.

Eskilstuna Campus

Serneke has entered into an implementation agreement to construct a new campus for Mälardalen University in Eskilstuna. The project has an order value of approximately SEK 700 million, which is included in order bookings for the first quarter of 2017.

In mid-March 2017, Serneke and Pareto signed an agreement for the sale of the jointly-owned project company that owns the properties. The purchaser is the property company Hemsö. The transaction is subject to final approval by the Municipality of Eskilstuna and Mälardalen University.

Karlstaden the project comes one step closer to start of construction

The City of Gothenburg Building Committee resolved on February 7 to submit the detailed development plan for the Karlatornet tower and the Karlstaden district for review. Accordingly, one of Gothenburg's most important construction projects moves one step closer to the start of construction.

This stage in the planning process involves interested parties having the opportunity to learn about the project and provide feedback that will ultimately be summarized in a review report. The next stage in the process is that the Building Committee will decide on the detailed development plan, to then pass this on to the City Council for final approval in May.

Planning permission will be sought in parallel with the planning and approval processes and if everything progresses well with these, planning permission will be in place during the summer. A groundbreaking ceremony is planned for fall 2017.

NOTE 36 Distribution of Parent Company's profit

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

Profit/loss brought forward	-45,757,992
Share premium reserve	774,058,653
Profit for the year	-48,226,894
Total	680,073,767

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

Carried forward:	680,073,767
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APPROVAL OF THE FINANCIAL STATEMENTS

The Annual Report was approved by the Board and approved for publication April 6, 2017.

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 6, 2017

Ulf Ivarsson
Chairman

Mari Broman
Board Member

Ludwig Mattsson
Board Member

Ola Serneke
Board Member
CEO

Anders Wennergren
Board Member

Kristina Willgård
Board Member

Our audit report was submitted on April 6, 2017

Deloitte AB

Harald Jagner
Authorized Public Accountant

AUDIT REPORT

TO THE ANNUAL GENERAL MEETING IN SERNEKE GROUP AB (PUBL)
CORPORATE NUMBER 556669-4153

REPORT ON THE ANNUAL AND CONSOLIDATED ACCOUNTS Statements

We have audited the annual accounts and consolidated accounts of Serneke Group AB (publ) for the financial year January 1, 2016–31 December 2016. The Company's annual accounts are included on pages 56–112 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and present, in all material respects, a fair portrayal of the financial position of the Parent Company as of December 31, 2016 and its financial performance and its cash flows for the year in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and give, in all material respects, a fair portrayal of the financial position of the Group as of December 31, 2016 and its financial performance and its cash flows for the year in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

The Board of Directors' Report is consistent with the other parts of the Annual Report and consolidated financial statements.

We recommend that the Annual General Meeting resolve to adopt the income statement and balance sheet of the Parent Company, and the consolidated income statement and consolidated statement of financial position.

Basic statements

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our liability under these standards are described in the section Responsibility of the auditor. We are independent of the Parent Company and the Group in accordance with ethics in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements.

We believe that the audit evidence we have gathered is sufficient and appropriate as a basis for our statements.

Particularly important areas

Particularly important areas of the audit are the areas that, in our professional judgment were the most significant for the audit of the financial statements for the current period. These areas were treated as part of the audit of, and in our standpoint on, the financial statements as a whole, but we do not make separate statements on these areas.

Income – Percentage-of-completion construction contracts

Consolidated income from construction contracts in 2016 amounted to SEK 3,642 million.

Income from construction contracts is recognized as the project accrues, and the percentage-of-completion method is based on the estimated income and expenses of the assignment.

The degree of completion is mainly determined on the basis of the project costs in relation to the estimated total project costs at completion (degree of completion).

To apply the percentage-of-completion method, the Group must be able to reliably assess contract income and contract costs. This requires effective and coordinated processes and systems for management and control of construction contracts. Incorrect assessments and assumptions of contract revenue and contract costs could have a significant impact on the Group's earnings and financial position.

The Group provides information about risks and risk management of construction contracts on the page 60. Accounting policies and critical areas of assessment relating to the percentage-of-completion contracts are described in Note 2 Significant accounting policies, Note 3 Key estimates and assessments and Note 24 Construction contracts in the Annual Report.

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

- evaluation of the Group's policies for revenue recognition and enforcement of IFRS,
- review and evaluation of internal controls for application of the percentage-of-completion method and review of
- a sample of contracts through interviews with executive management and construction managers, analysis of risks and uncertainties in forecasts for a selection of projects, verification of information in forecasts of contracts as well as assessment of degree of completion and reported income.

Sale of shares in Karlastaden Holding AB

During the year, the Group sold 50 percent of its share in Karlastaden Holding AB ("Transaction"). Revenue from the Transaction has been distributed between income from the sale of a share of SEK 318 million and deferred income of SEK 360 million from future performance in order to generate construction-ready development rights. The Transaction is subject to a new detailed development plan with certain conditions being approved by the City of Gothenburg and entering legal force. As the Group believes that it is highly likely that a new detailed development plan including certain conditions will be approved and enter into legal force, income from the sale of the share is reported for 2016. Income from future performance will be recognized as the performance occurs. An incorrect assessment of whether the new detailed development plan will be approved and enter legal force and/or an incorrect assessment of the distribution of revenue from the Transaction as income from the sale of the share and income from future performance could have a significant impact on the Group's performance and financial position.

The Group provides information about the Transaction in the Board of Directors' Report, on page 56, as well as risks relating to the Transaction, on page 60. Accounting policies and areas of

critical assessment relating to the Transaction are described in Note 2 Significant accounting policies and Note 3 Key estimates and assessments in the Annual Report.

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

- examination of the Transaction regarding the underlying agreement, time of reporting, purchase consideration and any special conditions,
- interviews with executive management as well as acquisition of supporting documents such as detailed development drafts, consultation reports, assessment of the Group's assumption that there is high probability of a new detailed development plan with certain conditions being approved and entering legal force.
- examination of the distribution of revenue from the Transaction between income from the sale of shares and income from future performance through interviews with management, the acquisition of documentation and verification of information on contracts and
- review of relevant notes to the financial statements that the requisite information is provided.

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

Accounting for joint ventures

The remaining share in Karlstad Holding AB is recognized by the Group as a joint venture. The share is recognized in accordance with the equity method, and the carrying amount as of December 31, 2016 amounted to SEK 330 million. In conjunction with the sale of a 50-percent share, the remaining holding is revalued to an amount corresponding to compensation for a divested share of SEK 318 million.

For the share to be recorded as a joint venture requires that the Group has ceased to have a controlling interest and that there is joint control between the owners. Incorrect estimates and assumptions regarding whether the Group has ceased to have a controlling interest in Karlstad Holding AB and whether joint control exists between the owners, could have significant impact on the Group's performance and financial position.

The Group provides information about the sale of Karlstad Holding in the Board of Directors' Report on page 56. Accounting policies and areas of critical assessment regarding the joint venture are described in Note 2 Significant accounting policies and Note 3 Key estimates and assessments and Note 19 Shares in associates and joint ventures in the Annual Report.

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

- review of shareholder agreements and interviews with executive management to assess the criteria according to IFRS to report the share of Karlstad Holding AB as a joint venture is met,
- examination of the estimates and judgments regarding revaluation of the remaining share in conjunctions with the implementation of the Transaction,
- examination to determine that the joint venture has been carried out under the equity method and

- examination to determine that the requisite information pursuant to IFRS is provided in the notes to the financial statements.

Our valuation experts participated in the implementation of the audit procedures.

Valuation of investment properties

The Group recognizes investment properties at fair value and the real estate portfolio was, as of December 31, 2016, valued at 684 million (including investment property in associates). The properties have been valued internally, and as a quality control, all the essential properties are also valued by external parties. Valuation of investment property requires that executive management make a number of judgments and assumptions on, for example, future cash flow and determining the required yield for each property. Relatively small changes in estimates and assumptions could have a significant impact on the Group's performance and financial position.

The Group provides information on accounting policies and areas of critical assessment in respect to investment properties in Note 2 Significant accounting policies and Note 3 Key estimates and assessments and in Note 16 Investment properties in the Annual Report.

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

- evaluation of the Group's principles of classification and valuation of investment properties and compliance with IFRS,
- Review of the Group's procedures and internal controls regarding property valuations and evaluated assumptions applied,
- examination of the input data and assessments in the Group's valuations on the property level for all material properties,
- examination of the external valuations implemented compared with the Group's valuations and
- examination to determine that the requisite information pursuant to IFRS is provided in the notes of the financial statements.

Information other than financial statements and accounting

This document also contains information other than the financial statements and is presented on pages 1-55 and 117. The Board and the CEO are responsible for this other information.

Our statement regarding the financial statements does not include this information, and we make no statement of assurance regarding this other information.

In connection with our audit of the financial statements, it is our responsibility to read the information identified above and determine whether there are any significant inconsistencies with the financial statements. In this review, we also take into account the knowledge that we otherwise have obtained during the audit as well as assess whether the information in general seems to contain significant errors.

If, based on the work we have done regarding this information, it is concluded that the information contains material misstatement, we are obliged to report it. We have nothing to report in this regard.

Responsibility of the Board of Directors and the CEO

The Board and the CEO hold responsibility for the financial statements being prepared and providing a true and fair view in accordance with the Swedish Annual Accounts Act and, with regard to the consolidated financial statements, pursuant to IFRS as adopted by the EU. The Board and the CEO are also responsible for such internal control procedures as they deem necessary for the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board and CEO are responsible for the assessment of the Company's ability to continue operations. They state, as applicable, regarding circumstances that may affect the ability to continue operations and to use the assumption of continued operation. The assumption of continued operation is not applied if the Board and the CEO intend to liquidate the company, to cease trading, or have no realistic alternative but to do so.

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

Auditors' responsibility

Our responsibility is to achieve a reasonable level of assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to submit an audit report containing our statements. Reasonable assurance is a high degree of assurance, but it is not a guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement if present. Misstatements can occur due to fraud or error, and are considered to be material if they, individually or together, can reasonably be expected to influence the economic decisions taken by users based on the Annual Report and consolidated financial statements.

As part of an audit, pursuant to ISA, we use professional judgment and maintain professional skepticism throughout the audit. Furthermore:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures, including on the basis of these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our statements. The risk of not detecting a material misstatement resulting from fraud is higher than that of a material misstatement due to error because fraud may involve acts of collusion, forgery, deliberate omissions, misinformation or failure to conduct internal controls.
- we obtain an understanding of the part of the Company's internal control procedures that are important for our audit in order to design audit procedures that are appropriate under the circumstances, but not to express an opinion on the effectiveness of the internal control procedures.
- we evaluate the appropriateness of accounting policies used and the reasonableness of the Board and Managing Director of accounting estimates and related disclosures.
- We draw a conclusion on the appropriateness of the Board and the CEO preparing the financial statements based on the assumption of continued operation. We also draw a conclu-

sion, based on the acquired audit evidence, as to whether there is a material uncertainty related to such events or conditions that may lead to significant doubt about the Company's ability to continue operating. If we conclude that there is a substantial element of uncertainty, we must, in the auditor's report, draw attention to the information in the Annual Report regarding the uncertainty, or, if such information is insufficient, modify the statement of the Annual Report and consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances can result in a company being forced to cease operations.

- we evaluate the overall presentation, structure and content of the financial statements, including disclosures, and the financial statements reflect the underlying transactions and events in a way that gives a true and fair view.
- we collect sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to make a statement regarding the consolidated financial statements. We are responsible for the management, supervision and execution of the audit of the Group. We are solely responsible for our statements.

We must inform the Board of the planned audit scope and direction as well as its timing. We must inform of significant findings during the audit, including any significant deficiencies in internal control procedures, that we identified.

We must also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence and declare all relationships and circumstances that may reasonably affect our independence and, where applicable, implement corresponding countermeasures.

Of the areas that are communicated with the Board, we establish which of these areas have been the most significant for the audit of the Annual Report and consolidated financial statements, including the most important assessed risks of material misstatement, and, therefore, constitute the areas of particular importance for the audit. We describe these areas in the audit report unless laws and regulations prevent disclosure of the issue, or when, in extremely rare cases, we consider that a matter is not to be communicated in the audit report due to the negative consequences of doing so reasonably being expected to be greater than the public interest of this communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Statements

In addition to our audit of the Annual Report and consolidated financial statements, we have also audited the Board of Directors' and the CEO's management of Serneke Group AB (publ) for the financial year January 1, 2016–December 31, 2016 and the proposed appropriation of the company's profit or loss.

We recommend that the Annual General Meeting appropriate the Company's profit or loss in accordance with the proposal presented in the Board of Directors' Report and that the members of the Board and the CEO be discharged from liability for the financial year.

Basis for the statements

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility according to this is described in the section Responsibility of the auditor. We are independent of the Parent Company and the Group in accordance with ethics in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements.

We believe that the audit evidence we have gathered is sufficient and appropriate as a basis for our statements.

Responsibility of the Board of Directors and the CEO

The Board of Directors has responsibility for the proposal for appropriation 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 of the Company and the type of Group activity, scope and risks placed on the size of the Parent Company and the Group's equity and the company's consolidation requirements, liquidity and position in general.

The Board is responsible for the organization and management of its affairs. This includes regular assessment of the Company's and Group's financial position, to ensure that the Company's organization is designed so that accounting, cash management and financial affairs are controlled in a satisfactory manner. The CEO is responsible for the ongoing management of the Board's guidelines and instructions, including taking the measures necessary for the Company's accounting to be performed in accordance with law and for asset management to be conducted in a prudent manner.

Auditors' responsibility

Our objective regarding the audit of management, and therefore our statement on discharge from liability, is to obtain audit evidence to determine, to a reasonable degree of certainty, whether any member of the Board or the CEO in any material way:

- Has taken any action or been guilty of any omission, which could give rise to significant liability to the Company or
- in any significant way, acted in contravention of the Swedish Annual Accounts Act or the Articles of Association.

Our goal regarding the audit of the proposed appropriation of the Company's profit or loss, and therefore our statement on this, is to determine, to a reasonable degree of certainty, whether a proposal is in accordance with the Swedish Companies Act.

Reasonable assurance is a high degree of assurance, but it is not a guarantee that an audit performed in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that may cause significant liability to the

Company, nor that the proposed appropriation of the Company's profit is consistent with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we use professional judgment and maintain professional skepticism throughout the audit. The audit of the management and the proposed appropriation of the profit or loss is primarily based on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with risk and materiality as the starting point. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the Company's situation. We review and test decisions, bases for decisions, actions taken and circumstances relevant to the Company's management for our statement on discharge from liability. As a basis for our statement regarding the proposed appropriation of the Company's profit or loss, we have considered whether the proposal complies with the Swedish Companies Act.

AUDITOR'S REVIEW OF THE CORPORATE GOVERNANCE REPORT

The Board of Directors is responsible for the Corporate Governance Report and for ensuring that it is prepared in accordance with the Swedish Annual Accounts Act.

Our review has been conducted in accordance with FAR's statement RevU 16 Auditor's review of the Corporate Governance Report. This means that our review of the Corporate Governance Report, as required by law, has another focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing practices in Sweden. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our statements.

A Corporate Governance Report has been prepared. Information in accordance with chapter 6. § 6 in Paragraph 2–6 Annual Act and Chapter 7. § 31, second paragraph of the same Act is consistent with the financial statements and are in accordance with the Swedish Annual Accounts Act.

Gothenburg, April 6, 2017
Deloitte AB

Harald Jagner
Authorized Public Accountant

ANNUAL GENERAL MEETING

The Annual General Meeting of Serneke Group AB (publ) will be held on May 3, 2017 at 6:30 p.m. (CET) Location: Kvarnbergsgatan 2, Gothenburg, Sweden.

Shareholders wishing to take part in Serneke Group AB's Annual General Meeting must be registered in the shareholders' register maintained by Euroclear Sweden AB as of April 27, 2017, and have notified the Company of their attendance, no later than April 27, 2017, preferably before 4:00 p.m. (CET). Registration is done by mail to Serneke Group AB, Attention: Inger Svanholm, Kvarnbergsgatan 2, 411 05 Gothenburg, by telephone: +46 31 712 97 00 or by e-mail: agm@serneke.se. Upon notification, shareholders must state their name, Swedish personal identity number/corporate identity number, address, telephone number, shareholding and the names of any accompanying assistant/s (maximum of two).

In order to attend the Meeting, shareholders with nominee-registered shares must temporarily re-register their shares in

their own name with Euroclear Sweden AB. Accordingly, shareholders must inform the trustee of this request in ample time prior to April 27, 2017

Shareholders represented by proxy shall issue a written and dated power of attorney. If the proxy is issued by a legal person, a certified copy of the registration certificate or similar papers of authorization are also required. Power of attorney, registration certificates and other authorization documents must be available for the Meeting and, in order to facilitate entry to the Meeting, sent to the Company at the above address, no later than April 28, 2017. The power of attorney may not be older than one year unless indicated that it is valid for a longer period, not exceeding five years. Proxy forms for shareholders wishing to attend the Meeting by proxy will be made available on the Company's website www.serneke.group.

The notification will be made available on www.serneke.group.



