

SERNEKE®

INTERIM REPORT
JANUARY–SEPTEMBER
2018

PROFIT IMPACTED BY PROJECT IMPAIRMENTS

JULY–SEPTEMBER 2018

- Income amounted to SEK1,359 million (1,271), an increase of 7 percent
- The operating loss amounted to SEK40 million (profit 67)
- The loss for the period amounted to SEK55 million (profit 51)
- Earnings per share after dilution amounted to a negative SEK2.42 (2.18)
- Cash flow from operating activities amounted to a negative SEK9 million (84)
- Order bookings amounted to SEK1,236 million (691)
- During the quarter, Construction was impacted negatively by project impairments of SEK70 million

JANUARY–SEPTEMBER 2018

- Income amounted to SEK4,525 million (3,873), an increase of 17 percent
- Operating profit amounted to SEK86 million (209) and the operating margin was 1.9 percent (5.4)
- Profit for the period amounted to SEK32 million (171)
- Earnings per share after dilution amounted to SEK1.38 (7.31)
- The equity/assets ratio was 36.4 percent (42.1)
- Cash flow from operating activities amounted to SEK1 million (185)
- Order bookings amounted to SEK3,692 million (4,502)
- The order backlog amounted to SEK7,303 million (7,765)

SEK million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
Income	1,359	1,271	4,525	3,873	6,257	5,605
Operating profit/loss	-40	67	86	209	296	419
Operating margin, %	-2.9	5.3	1.9	5.4	4.7	7.5
Profit/loss for the period	-55	51	32	171	184	323
Earnings per share, SEK, before dilution	-2.42	2.19	1.39	7.39	7.97	13.94
Earnings per share, SEK, after dilution	-2.42	2.18	1.38	7.31	7.91	13.81
Equity per share, SEK, after dilution	74.98	71.24	74.98	71.24	74.98	77.73
Equity/assets ratio, %	36.4	42.1	36.4	42.1	36.4	41.3
Net debt	551	-76	551	-76	551	254
Net debt/EBITDA	1.7	-0.3	1.7	-0.3	1.7	0.6
Net debt/equity ratio, %	32.0	-4.6	32.0	-4.6	32.0	13.9
Order bookings	1,236	691	3,692	4,502	5,590	6,400
Order backlog	7,303	7,765	7,303	7,765	7,303	7,965

CEO STATEMENT

The third quarter of 2018 was pervaded by:

Lower sales growth due to a certain slackness in the market

During 2018, the construction of housing, and of tenant-owned housing in particular, has slowed somewhat compared with the record number of construction projects begun in 2017. However, we are seeing continued strong demand for infrastructure projects, with significant investments in public and private premises, as well as civil engineering investments in areas including energy and infrastructure.

Impairments in construction projects

As previously announced, we have recognized impairment in projects within Serneke Construction, impacting consolidated earnings negatively by approximately SEK70 million. Bankruptcies among several subcontractors incurred significant additional expenditure in those projects.

Continued investment to build organization for the future

We have continued to equip our organization for strong growth and to achieve our long-term objectives, which has influenced operations and earnings. During the quarter, the number of employees increased by 24. Serneke is an attractive employer and we enjoy favorable opportunities to recruit personnel with appropriate skills.

We face our challenges with humility, we are responsive to the market and we are well-prepared to cope with economic fluctuations. However, our objective of reaching annual sales of SEK10 billion in 2020 stands firm and the outcome for one individual quarter will not divert us from that long-term target. Over time, our ambition is to grow by 15–20 percent, both organically and through strategic acquisitions, which is the pace required to achieve our objectives. The Group continues to grow, and, on a rolling 12-month basis, growth was 22 percent. In the third quarter, the corresponding figure was 7 percent. Order bookings for the quarter were SEK1,236 million (691).

Consolidated operating earnings for the third quarter were negative in the amount of SEK40 million (67). For the first three quarters of the year, we made an operating profit of SEK86 million and, on a rolling 12-month basis, operating profit has ended up at SEK296 million. Both of our contracting operations, Construction and Civil Engineering, continued to increase their sales in the third quarter. Business Area Construction grew by 4 percent over the quarter and has, to date this year, increased its income by 13 percent. Serneke Construction continues on its set course to prioritize appropriate orders and profitable growth. We will continue to



compete with the market leaders for major projects and continue to increasingly seek out collaborative projects.

The operating earnings for the Construction business area were negative in the amount of SEK41 million (positive 42) in the third quarter, mainly due to impairment. It has been in the final phase of two construction projects that we suffered significantly increased expenses, primarily due to revisions and additional work, caused by bankruptcies among several subcontractors.

Business Area Civil Engineering grew by 52 percent in the third quarter, while improving its profitability to 2.3 percent (2.1). There is currently substantial demand for construction contracting in Sweden, particularly in connection with major infrastructure projects. This will be positive for the business area, which, like the Group as a whole, is building up its organization to be able to compete for major projects in the future.

For Business Area Project Development, income amounted to SEK32 million (56). Accumulated over the year, income amounted to SEK183 million, an increase of 15 percent. The loss for the quarter was SEK10 million (3). Together with Midroc, we acquired a development property in Trelleborg during the quarter, with the aim of developing a completely new beach-adjacent district.

Income in Business Area Property Management rose to SEK30 million (12). The new vision for Sävde has stimulated considerable interest in the market since it was presented in early July this year.

We continue to build our organization, partly by establishing operations in new markets and increasing the number of employees, while continuing to build a strong corporate culture and an attractive employee offering.

Ola Serneke, President and CEO

GROUP DEVELOPMENT

ORDER BOOKINGS AND ORDER BACKLOG

Order bookings in the second quarter amounted to SEK1,236 million (691), an increase of 79 percent compared with the corresponding quarter of the preceding year. Market conditions remain generally favorable, although the trend is waning in some segments. The Group remains focused on collaboration agreements and, during the quarter, a few such agreements were signed, although these will not be included in order bookings until the planning stage has been completed and the projects transition to the

production phase. Stockholm, Gothenburg and Malmö and their environs continue to be the Group's most important markets, even though the Group is expanding geographically and securing significant assignments in city regions.

The Group's order backlog at the end of the third quarter amounted to SEK7,303 million (7,765).

Order bookings	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Oct-Sep	Jan-Dec
SEK million	2018	2017	2018	2017	2017/2018	2017
Construction	1,091	561	3,018	3,997	4,836	5,815
Civil Engineering	145	130	674	505	754	585
Group	1,236	691	3,692	4,502	5,590	6,400

Order backlog	Sep 30	Sept 30	Dec 31
SEK million	2018	2017	2017
Construction	6,817	7,342	7,649
Civil Engineering	486	423	316
Group	7,303	7,765	7,965



NEW ASSIGNMENTS DURING THE PERIOD JULY-SEPTEMBER 2018

Listed below are the Group's new assignments for more than SEK100 million:

Assignment	Location	Order value (SEK million)	Anticipated start of construction
Tenant-owned housing	Malmö	140	Fourth quarter 2018
Tenant-owned housing	Helsingborg	194	Third quarter 2018
Office	Södertälje	123	Third quarter 2018

INCOME AND PROFIT

The operations of the Group are organized into four business areas: Construction, Civil Engineering, Project Development and Property Management.

SEK million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
Income	1,359	1,271	4,525	3,873	6,257	5,605
Operating profit	-40	67	86	209	296	419
Net financial items	-10	-5	-29	-14	-33	-18
Earnings after financial items	-50	62	57	195	263	401
Tax	-5	-11	-25	-24	-79	-78
Profit/loss for the period	-55	51	32	171	184	323

JULY-SEPTEMBER 2018

Consolidated income amounted to SEK1,359 million (1,271), an increase of 7 percent compared with the corresponding quarter in the preceding year. Construction and Property Management have experienced a strong increase in sales of 52 and 150 percent respectively, while Project Development's sales decreased by 43 percent due to lower activity in housing projects over the summer months.

Operating earnings decreased to a negative SEK40 million (profit 67). This was impacted negatively by the previously announced project impairments of SEK70 million attributable to projects in Construction. The operating loss from the Contracting operations was SEK36 million (profit 45). Of the operating loss, changes in the value of investment properties accounted for a negative SEK2 million (positive 11), and earnings in associated companies and joint ventures accounted for a negative SEK3 million (positive 3).

Net financial items were negative in the amount of SEK10 million (5). The Group reported an estimated tax expense of SEK5 million (11), mainly explained by changes regarding temporary differences attributable to properties.

The loss after tax amounted to SEK55 million (profit 51) and earnings per share after dilution for the quarter were a negative SEK2.42 (positive 2.18).

JANUARY-SEPTEMBER 2018

Consolidated income amounted to SEK4,525 million (3,873), an increase of 17 percent. Operating profit amounted to SEK86 million (209). The contracting operations generated operating profit of SEK44 million (124).

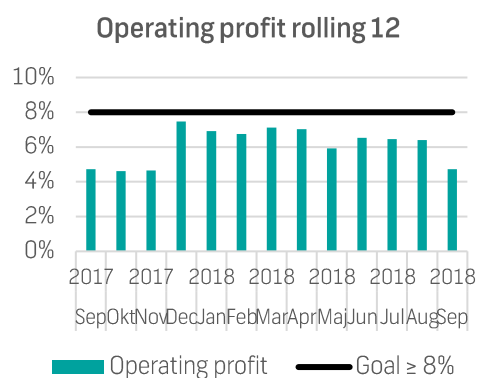
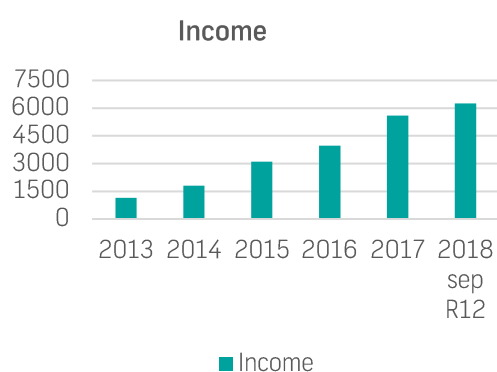
During the period, changes in the value of investment properties affected operating profit positively by SEK41 million (29). The share in the profit of associates and joint ventures amounted to a negative SEK11 million (positive 52). The share in profit was burdened by intra-Group eliminations attributable to the Karlstad project as a result of increased activity in the project. Last year, the sale of the Mälardalen University project also generated SEK38 million towards the share in profit.

Net financial items were negative in the amount of SEK29 million (14) and the Group's estimated tax amounted to SEK25 million (24). Profit after tax amounted to SEK32 million (171) and earnings per share after dilution were SEK1.38 (7.31).

THE GROUP'S GROWTH AND PROFITABILITY TARGETS

Serneke's long-term growth target is to reach income of SEK10 billion by 2020, primarily through organic growth supplemented with selective acquisitions.

The Group's long-term profitability target is an operating margin amounting to 8 percent.



SALES

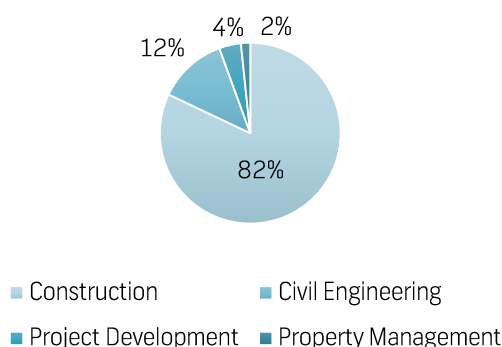
	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
SEK million						
Construction	1,153	1,113	3,850	3,408	5,361	4,919
Civil Engineering	213	140	582	415	790	623
Project Development	32	56	183	159	236	212
Property Management	30	12	78	33	96	51
Eliminations and Group-wide	-69	-50	-168	-142	-226	-200
Total	1,359	1,271	4,525	3,873	6,257	5,605

OPERATING PROFIT

	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
SEK million						
Construction	-41	42	36	127	92	183
Civil Engineering	5	3	8	-3	12	1
Project Development	-10	3	-7	50	8	65
Property Management	3	17	35	31	217	213
Group-wide	3	2	14	4	-33	-43
Total	-40	67	86	209	296	419
Net financial items	-10	-5	-29	-14	-33	-18
Profit after financial items	-50	62	57	195	263	401

* Group-wide: Other operations are reported under Group-wide – and consist of key companies, Group functions and elimination of intra-Group profit.

Sales by segment Jan-Sep



Seasonal variations

To a certain extent, Serneke's operations are subject to seasonal effects. The contracting operations (Business Areas Construction and Civil Engineering) normally experience lower activity in the first quarter of the year

due to fewer production days and, to a greater extent than normal, the weather during the winter months. Earnings are also affected by where public holidays fall, as this affects the number of production days.

FINANCIAL POSITION

SEK million	Sep 30 2018	Sept 30 2017	Dec 31 2017
Total assets	4,723	3,968	4,404
Total equity	1,721	1,669	1,821
Net debt	551	-76	254
Net debt/EBITDA	1.7	-0.3	0.6
Cash and cash equivalents	464	651	431
Equity/assets ratio, %	36.4	42.1	41.3

The consolidated balance sheet total amounted to SEK4,723 million (4,404) as at September 30, and the equity/assets ratio was 36.4 percent (41.3). At the end of the period, consolidated cash and cash equivalents, including unutilized credit facilities, amounted to SEK689 million (631).

Shareholders' equity has decreased by SEK100 million since December 31, 2017, amounting to SEK1,721 million (1,821) as at September 30. The foremost changes pertain to profit for the year, which contributed

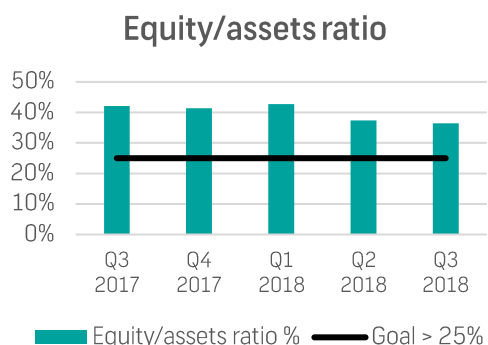
by SEK32 million, while dividends and share repurchases affected shareholders' equity negatively by SEK93 million and SEK45 million respectively.

On September 30, net borrowing amounted to SEK551 million (254). Net debt in relation to EBITDA was 1.7 percent (0.6) and the change in net debt is primarily an increase in interest-bearing liabilities attributable to bond loans of SEK 400 million. Unutilized committed credit facilities amounted to SEK225 million (200) at the end of the period.

GROUP CAPITAL STRUCTURE

One of the Group's financial targets is for the equity/assets ratio to exceed 25 percent.

The liquidity reserve shall amount to the equivalent of 5 percent of income in the past 12-month period.



CASH FLOW

JULY– SEPTEMBER 2018

Cash flow from operating activities amounted to a negative SEK 9 million (positive 84). The change is mostly attributable to project reductions in the third quarter as well as an increased amount of capital being tied up. Cash flow from investments was negative in the amount of SEK 86 million (94) and consisted mainly of investments in associated companies and joint ventures, as well as the settlement of the additional purchase consideration with Swedavia by SEK 55 million. Cash flow from financing activities was negative in the amount of SEK 3 million (positive 103), pertaining mainly to debt amortization. Cash flow for the period amounted to a negative SEK 98 million (positive 93).

JANUARY–SEPTEMBER 2018

Cash flow from operating activities amounted to SEK1 million (185). The change is primarily attributable to non-cash items in tenant-owner housing projects, project impairments in the third quarter and an increased amount of capital being tied up. Cash flow from investments was negative in the amount of SEK 184 million (151), pertaining mainly to investments in investment properties, the settlement of the additional purchase consideration with Swedavia and investments in property, plant and equipment. Cash flow from financing activities amounted to SEK 216 million (46) and mainly involved new loans in the form of bonds, premature redemption of previous bonds, dividends paid and share repurchases attributable to share saving programs. Cash flow for the period amounted to SEK 33 million (80).

EMPLOYEES

The average number of employees was 1,096 individuals during the period July–September 2018, compared with 970 people in the corresponding period the previous year.

BUSINESS AREA CONSTRUCTION

All of the Group's construction-related operations are conducted within Business Area Construction. The business area performs works for both external customers, as well as with Business Areas Project Development and Property Management.

	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Oct-Sep	Jan-Dec
SEK million	2018	2017	2018	2017	2017/2018	2017
Income	1,153	1,113	3,850	3,408	5,361	4,919
Operating profit	-41	42	36	127	92	183
Operating margin, %	-3.6	3.8	0.9	3.7	1.7	3.7
Order bookings	1,091	561	3,018	3,997	4,836	5,815
Order backlog	6,817	7,342	6,817	7,342	6,817	7,649
Average number of employees	771	711	755	684	750	696

JULY-SEPTEMBER 2018

Income amounted to SEK 1,153 million (1,113), an increase of 4 percent. This is a lower rate of growth than Construction has generated in previous quarters and is an effect of a smaller order backlog.

The operating loss amounted to SEK 41 million (42), which was adversely affected by previously announced project impairments of SEK 70 million. Accordingly, the operating margin for the quarter ended up at a negative 3.6 percent (positive 3.8).

Order bookings amounted to SEK 1,091 million (561), an increase of 94 percent. New assignments during the quarter mainly involved housing and offices.

JANUARY-SEPTEMBER 2018

Income amounted to SEK 3,850 million (3,408), an increase of 13 percent. Operating profit amounted to SEK 36 million (127).

Order bookings during the period amounted to SEK 3,018 million (3,997) and, at the end of the period, the total order backlog amounted to SEK 6,817 million (7,342).

FINANCIAL TARGET

The long-term target in Business Area Construction is an operating margin of 5 percent. The operating margin for the quarter was a negative 3.6 percent.



Serneke and Midroc have signed a letter of intent with the Municipality of Trelleborg regarding the development of a new district in central Trelleborg. Västra Sjöstaden, the project's working name, is part of Kuststad 2025, Trelleborg's major urban development project.

BUSINESS AREA CIVIL ENGINEERING

All of the Group's civil engineering and infrastructure-related operations are conducted within Business Area Civil Engineering. The business area operates in local markets with both national and regional infrastructure projects and maintenance services. The business area performs works for both external customers, as well as the Group's other business areas.

SEK million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
Income	213	140	582	415	790	623
Operating profit	5	3	8	-3	12	1
Operating margin, %	2.3	2.1	1.4	-0.7	1.5	0.2
Order bookings	145	130	674	505	754	585
Order backlog	486	423	486	423	486	316
Average number of employees	181	152	169	138	164	141

JULY-SEPTEMBER 2018

Income amounted to SEK 213 million (140), an increase of 52 percent. The increase in sales is explained by more units having joined the business area and generating income, and there having been a high level of activity in major projects over the summer months.

Operating profit improved to SEK 5 million (3) and the operating margin was 2.3 percent (2.1).

Order bookings amounted to SEK 145 million (130), an increase of 12 percent. Business Area Civil Engineering sees continued favorable demand for infrastructure projects and is continuing with its strategic plan to gradually compete for major projects. New assignments in the second quarter of the year were mainly in groundwork and industry.

JANUARY-SEPTEMBER 2018

Income amounted to SEK 582 million (415), an increase of 40 percent. Operating profit amounted to SEK 8 million (negative 3) and the operating margin was 1.4 percent (negative 0.7).

Order bookings amounted to SEK 674 million (505), an increase of 33 percent, and, at the end of the period, the total order backlog amounted to SEK 486 million (423).

FINANCIAL TARGET

The long-term target in Business Area Civil Engineering is an operating margin of 5 percent. The operating margin for the quarter was 2.3 percent.

BUSINESS AREA PROJECT DEVELOPMENT

Business Area Project Development includes Serneke's development of housing and commercial properties. Project development is performed through wholly owned projects or in collaboration with third parties through associates and joint ventures.

SEK million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
Income	32	56	183	159	236	212
Share in profit of associates and joint ventures	-4	-1	-10	38	-10	38
Operating profit	-10	3	-7	50	8	65
Operating margin, %	-31.3	5.4	-3.8	31.4	3.4	30.7
Average number of employees	53	35	49	31	47	34

JULY-SEPTEMBER 2018

Income amounted to SEK32 million (56). The lower income is explained by the fact that there was a slacker pace of development in housing projects over the quarter.

The share in the earnings of associates and joint ventures was negative in the amount of SEK4 million (1) and pertains to eliminations of inter-company profits of a negative SEK2 million and participations in losses of SEK2 million.

The operating loss amounted to SEK10 million (profit 3).

During the quarter no tenant-owner housing projects commenced.

Project development portfolio

The total book value of the project development portfolio amounted to SEK325 million as at September 30, 2018 and is reported as project and development properties in the balance sheet. Holding in the Karlstaden project are reported as a joint venture under participations in associated companies and joint ventures in the balance sheet at a value of SEK374 million as at September 30, 2018.

JANUARY-SEPTEMBER 2018

Income amounted to SEK183 million (159), an increase of 15 percent. The operating loss amounted to SEK7 million (profit 50). Last year, the sale of the Mälardalen University project generated SEK61 million towards profit.

There are five tenant-owner housing projects, of which three commenced during the year.

The share in the earnings of associates and joint ventures was negative in the amount of SEK10 million (38) and pertains to eliminations of inter-company profits of a negative SEK8 million and participations in losses of SEK2 million. Last year included a capital gain of SEK38 million attributable to the sale of the Mälardalen University project through a joint venture.

FINANCIAL TARGET

Project Development aims for a return on capital employed of 20 percent. On September 30, 2018, the return on capital employed, based on rolling 12-months earnings, amounted to 4.5 percent.

JV Karlastaden

Serneke is a partner in a joint venture with NREP, in which the parties each own 50 percent. Serneke recognizes its holdings as a participation in joint ventures in the consolidated balance sheet.

The Karlastaden project is progressing as planned and a year-long underpinning process was completed in the third quarter, enabling the project to enter its next phase.

The Group's share of JV Karlastaden

	Sep 30	Sept 30	Dec 31
SEK million	2018	2017	2017
Ownership share %	50	50	50
Share of equity	374	340	356
Share in profit	-1	-1	-1

Income statement JV	Jul-Sep	Jan-Sep	Jan-Dec
SEK million	2018	2018	2017
Income	0	0	2
Profit for the year	-3	-3	-2

Balance sheet JV	Sep 30	Sept 30	Dec 31
SEK million	2018	2017	2017
ASSETS			
Properties	1,162	533	688
Other assets	10	70	95
Total assets	1172	603	783
EQUITY AND LIABILITIES			
Shareholders' equity	177	53	106
Interest-bearing liabilities	770	467	523
Other liabilities	225	83	154
Total equity and liabilities	1172	603	783



Serneke Construction has signed an agreement with Scania Industrial Maintenance to construct a new office building for 425 people in Södertälje. The contract also includes an option to construct another office building of an equivalent size.

BUSINESS AREA PROPERTY MANAGEMENT

Business Area Property Management manages and develops properties for long-term capital appreciation. Management is conducted of commercial properties. The business area is working to acquire properties with development potential and generate growth by investing, developing, streamlining and rationalizing property management. Investment properties are managed through wholly owned companies or in collaboration with third parties through associates.

SEK million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
Income	30	12	78	33	96	51
Earnings from property management	1	2	-15	-3	-19	-7
Changes in value of properties	-2	11	41	19	250	228
Share in profit of associates and joint ventures	4	4	9	15	-14	-8
Operating profit	3	17	35	31	217	213
Average number of employees	19	14	17	14	17	14

JULY-SEPTEMBER 2018

Income amounted to SEK 30 million (12), an increase of 150 percent generated from the increased property portfolio and hotel revenues.

Property management earnings amounted to SEK 1 million (2).

Changes in the value of the investment properties were negative in the amount of SEK 2 million (positive 11). The share in profit of associated companies amounted to SEK 4 million (4), primarily attributable to property management earnings in the associate Änglagården Holding AB, which manages Prioritet Serneke Arena.

JANUARY-SEPTEMBER 2018

Income amounted to SEK 78 million (33), an increase of 136 percent.

Property management earnings were negative in the amount of SEK 15 million (3) including a non-recurring expense of SEK 4 million.

Changes in the value of the investment properties amounted to SEK 41 million (19) and related primarily to the properties at Säve flygplats. The share in profit of associated companies amounted to SEK 9 million (15), primarily attributable to property management earnings in Änglagården Holding AB.

As at September 30, the total book value of the investment properties amounted to SEK 1,032 million, compared with SEK 895 million at the beginning of the year.

FINANCIAL TARGET

Property Management aims for a return on equity of 20 percent. On September 30, 2018, the return on shareholders' equity, based on rolling 12-months earnings, amounted to 58.3 percent.

Änglagården Holding

Business Area Property Management owns 40 percent of Änglagården Holding AB, which, in turn, owns Prioritet Serneke Arena. Other shareholders are Prioritet Finans, which holds 50 percent, and Lommen Holding, which holds 10 percent.

The Group's share of Änglagården Holding AB SEK million	Sep 30 2018	Sept 30 2017	Dec 31 2017
Ownership as a percentage	40	40	40
Share in associated companies*	92	106	83
Share in profit	9	15	-8
Of which:			
Earnings from property management	10	15	20
Change in value of property	-1	-	-28

*) The Group's participation in the associate Änglagården Holding is calculated based on shareholders' equity less the preferential dividend right of SEK 32 million (55) which applies to the other shareholders. The closing value is subsequently reduced by an internal profit of SEK 19 million (19).

Income statement Änglagården Holding AB SEK million	Jul-Sep 2018	Jan-Sep 2018	Jan-Dec 2017
Income	16	47	81
Profit for the year	10	22	-20

Balance Sheet Änglagården Holding AB SEK million	Sep 30 2018	Sept 30 2017	Dec 31 2017
ASSETS			
Properties	797	889	799
Other assets	160	195	207
Total assets	957	1,084	1,006
EQUITY AND LIABILITIES			
Shareholders' equity	309	367	310
Interest-bearing liabilities	452	472	478
Other liabilities	196	245	218
Total equity and liabilities	957	1,084	1,006

Other investment properties

Within the business area, some smaller properties are managed where rental of warehouses, garages and industrial premises is conducted for municipal activities and private activities via subsidiaries.

PARENT COMPANY

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

Income for July–September amounted to SEK38 million (28) and consisted primarily of intra-group services. Operating profit for the same period amounted to SEK4 million (3).

Income for January–September amounted to SEK113 million (84) and operating profit amounted to SEK44 million (3), mainly due to the removal of provisions attributable to a dispute concerning the acquisition of Värmdö Byggentreprenader AB.

The Parent Company is indirectly affected by the risks described in the section Significant risks and uncertainty factors.

RELATED-PARTY TRANSACTIONS

The nature and extent of transactions by related parties can be found in Note 34 of the 2017 Annual Report. Material related-party transactions have taken place with property company Adapta AB, Ola Serneke Invest AB, JV Karlastaden and associate Änglagården. Transactions with related parties have been made on market terms.

Transactions with Adapta AB are considered to constitute related-party transactions since the principal owner, Ludwig Mattsson, is a member of the Board of Serneke Group. The transactions consisted mainly of construction income and rental of Serneke's headquarters, and sales amounted to SEK399 million and purchases to SEK9 million as at September 30, 2018. Transactions with Ola Serneke Invest AB are considered to be related party transactions, as Ola Serneke is the principal owner, CEO and a member of the Board of Serneke Group AB. The transactions as of September 30, 2018 consist of the acquisition of an investment property at an underlying property value of SEK26 million. The acquisition was conducted as a company acquisition and also includes an additional purchase consideration of SEK10 million, subject to a new detailed development plan for the area gaining legal force. Serneke deems this to be likely and has therefore recognized a provision for the additional purchase consideration. Transactions with JV Karlastaden consist mainly of project income, and sales amounted to SEK240 million as at September 30, 2018. Transactions

with associate Änglagården consist mainly of contracted personnel and rental of the venue name and, at September 30, 2018, this income amounted to SEK2 million and purchases to SEK1 million.

SIGNIFICANT RISKS AND UNCERTAINTIES

Serneke's operations entail several types of risks, both operational and financial. Operational risks are related to the daily operations and can apply to tenders or project development, assessment of profits, risks linked to production or the price trend. Operational risks are managed by the internal business management that has been developed within the Group. Identifying and managing Serneke's risks is crucial to the Group's profitability. 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.

For further information on risks, as well as critical estimates and assessments, see the Board of Directors' Report and Notes 3 and 4 in the 2017 Annual Report. The descriptions in the Annual Report remain relevant. The Annual Report is published at www.serneke.group.

OTHER SIGNIFICANT EVENTS DURING THE REPORT PERIOD

Additional purchase consideration for Säve

In May 2016, Säve flygplats was acquired from Swedavia. In addition to the purchase consideration of SEK175 million, Serneke was to pay the seller an additional purchase consideration of up to SEK200 million if a number of conditions specified in the share purchase agreement are met. The parties have agreed to settle prematurely the additional purchase consideration, entailing Serneke paying SEK55 million to Swedavia. The payment was made during the quarter, which had a negative effect of SEK55 million on the cash balance. This had no effect on profit for the quarter, since Serneke had a debt of the corresponding amount.

THE SERNEKE SHARE (SRNKE)

Serneke Group AB has two share series, Series A and B. On September 30, 2018, Serneke had approximately 5,800 shareholders and the closing price on September 30, 2018 was SEK 83.4.

Serneke's ten largest shareholders, September 30, 2018

Name	Shares of Series A	Shares of Series B	Total number of shares	Proportion of Shares, %	Proportion of votes, %
Ola Serneke Invest AB	3,710,000	2,342,399	6,052,399	26.58%	55.54%
Lommen Holding AB	540,000	3,457,803	3,997,803	17.55%	12.47%
Christer Larsson i Trollhättan AB	380,000	497,000	877,000	3.85%	6.05%
Ledge Ing AB	330,000	450,000	780,000	3.42%	5.28%
Vision Group i väst AB	250,000	536,000	786,000	3.45%	4.28%
AB Stratio	150,000	0	150,000	0.66%	2.11%
Svolder Aktiebolag	0	1,203,941	1,203,941	5.29%	1.70%
Cliens fonder	0	922,000	922,000	4.05%	1.30%
Carnegie Fonder	0	731,099	731,099	3.21%	1.03%
JP MEL – Stockholm Branch	0	539,360	539,360	2.37%	0.76%
Total, 10 largest	5,360,000	10,679,602	16,039,602	70.43%	90.52%
Other shareholders	0	6,734,231	6,734,231	29.57%	9.48%
Total shares outstanding	5,360,000	17,413,833	22,773,833	100%	100%
Repurchased shares	0	474,619	474,619		
Total shares registered	5,360,000	17,888,452	23,248,452		

Source: Euroclear and Serneke

Share class, number of shares and votes, September 30, 2018

Share class	Shares	Votes
Series A shares	5,360,000	5,360,000.0
Series B shares	17,413,833	1,741,383.3
Total	22,773,833	7,101,383.3

FINANCIAL CALENDAR

Year-end Report 2018	Feb 6, 2019
Interim Report January–March	April 17, 2019
Annual General Meeting	May 8, 2019
Interim Report January–June	July 17, 2019

The Board of Directors and the CEO certify that this Interim Report provides a fair overview of the Parent Company and Group's operations, position and performance and describes significant risks and uncertainties facing Serneke.

Gothenburg, October 24, 2018
Serneke Group AB (publ)

Board

Kent Sander
Chairman

Mari Broman
Member

Ludwig Mattsson
Member

Ola Serneke
CEO

Anna-Karin Celsing
Member

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This information is such that Serneke Group AB (publ) is obliged to publish pursuant to the EU Market Abuse Regulation. The information was submitted for publication on October 24, 2018, at 8:00 a.m.

REVIEW REPORT

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

INTRODUCTION

We have reviewed the interim report for SERNEKE Group AB (publ) for the period January 1 – September 30, 2018. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Gothenburg, October 24, 2018
Deloitte AB

Signature on the original document

Harald Jagner
Authorized Public Accountant

QUARTERLY DATA AND MULTI-YEAR REVIEW

	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
SEK million	2018	2018	2018	2017	2017	2017	2017	2016
Income								
Construction	1,153	1,437	1,260	1,511	1,113	1,292	1,003	1,089
Civil Engineering	213	190	179	208	140	152	123	162
Project Development	32	89	62	53	56	53	50	37
Property Management	30	27	21	18	12	9	12	8
Eliminations and Group-wide	-69	-62	-37	-58	-50	-42	-50	-30
Total	1,359	1,681	1,485	1,732	1,271	1,464	1,138	1,266
Operating profit								
Construction	-41	42	35	56	42	44	41	40
Civil Engineering	5	2	1	4	3	-2	-4	-9
Project Development	-10	-6	9	15	3	47	0	5
Property Management	3	42	-10	182	17	3	11	10
Group-wide	3	-6	17	-47	2	3	-1	-12
Total	-40	74	52	210	67	95	47	34
Operating margin, %	-2.9	4.4	3.5	12.1	5.3	6.5	4.1	2.7
Profit after net financial items	-50	58	49	206	62	93	40	29
Profit/loss for the period	-55	48	39	152	51	87	33	26
Balance sheet								
Fixed assets	1,998	1,944	1,725	1,682	1,353	1,274	1,212	1,160
Current assets	2,725	2,798	2,627	2,722	2,615	2,514	2,393	2,277
Total assets	4,723	4,742	4,352	4,404	3,968	3,788	3,605	3,437
Shareholders' equity	1,721	1,770	1,860	1,821	1,669	1,621	1,530	1,469
Non-current liabilities	1,317	1,387	972	980	920	738	725	764
Current liabilities	1,685	1,585	1,520	1,603	1,379	1,429	1,350	1,204
Total equity and liabilities	4,723	4,742	4,352	4,404	3,968	3,788	3,605	3,437
Orders								
Order bookings	1,236	1,328	1,128	1,898	691	1,742	2,069	1,650
Order backlog	7,303	7,398	7,671	7,965	7,765	8,308	7,995	7,041
Employees								
Average number of employees	1,096	1,051	1,022	1,001	970	919	878	847

KEY INDICATORS

IFRS-based key indicators

	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
SEK million						
Income	1,359	1,271	4,525	3,873	6,257	5,605
Earnings per share, SEK, before dilution	-2.42	2.19	1.39	7.39	7.97	13.94
Earnings per share, SEK, after dilution	-2.42	2.18	1.38	7.31	7.91	13.81
Weighted average number of shares before dilution	22,773,833	23,248,452	23,017,143	23,143,041	23,074,970	23,169,394
Weighted average number of shares after dilution	22,953,836	23,396,120	23,197,146	23,385,342	23,254,973	23,396,120

Other key indicators

	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
SEK million						
Operating profit	-40	67	86	209	296	419
Growth, %	6.9	58.5	16.8	42.8	21.8	40.9
Order bookings	1,236	691	3,692	4,502	5,590	6,400
Order backlog	7,303	7,765	7,303	7,765	7,303	7,965
Organic growth, %	6.9	55.7	16.8	41.2	21.2	39.1
Operating margin, %	-2.9	5.3	1.9	5.4	4.7	7.5
Cash flow before financing	-95	-10	-183	34	-489	-272
Cash flow from operations per share, before dilution	-0.40	3.61	0.04	7.99	-5.94	2.03
Cash flow from operations per share, after dilution	-0.39	3.59	0.04	7.91	-5.89	2.01
Equity per share, SEK, before dilution	75.57	71.79	75.57	71.79	75.57	78.33
Equity per share, SEK, after dilution	74.98	71.24	74.98	71.24	74.98	77.73
Working capital	1,040	1,236	1,040	1,236	1,040	1,119
Capital employed	2,776	2,242	2,776	2,242	2,776	2,516
Return on capital employed, %	13.9	15.4	13.9	15.4	13.9	21.6
Return on equity after taxes, %	10.9	15.8	10.9	15.8	10.9	19.6
Equity/assets ratio, %	36.4	42.1	36.4	42.1	36.4	41.3
Net debt	551	-76	551	-76	551	254
Net debt/equity ratio, %	32.0	-4.6	32.0	-4.6	32.0	13.9
Net debt/EBITDA	1.7	-0.3	1.7	-0.3	1.7	0.6

SUMMARY FINANCIAL STATEMENTS

SUMMARY OF CONSOLIDATED INCOME STATEMENT

SEK million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
Income	1,359	1,271	4,525	3,873	6,257	5,605
Production and administration expenses	-1,368	-1,193	-4,379	-3,665	-6,013	-5,299
Gross profit	-9	78	146	208	244	306
Sales and administration expenses	-26	-25	-90	-80	-161	-151
Change in value of investment properties	-2	11	41	29	250	238
Share in profit of associates and joint ventures	-3	3	-11	52	-37	26
Operating profit	-40	67	86	209	296	419
Net financial items	-10	-5	-29	-14	-33	-18
Profit after financial items	-50	62	57	195	263	401
Tax	-5	-11	-25	-24	-79	-78
Profit/loss for the period	-55	51	32	171	184	323
Attributable to:						
Parent Company shareholders	-55	51	32	171	184	323
Non-controlling interests	0	0	0	0	0	0
Earnings per share before dilution, SEK	-2.42	2.19	1.39	7.39	7.97	13.94
Earnings per share after dilution, SEK	-2.42	2.18	1.38	7.31	7.91	13.81
Average number of shares before dilution	22,773,833	23,248,452	23,017,143	23,143,041	23,074,970	23,169,394
Average number of shares after dilution	22,953,836	23,396,120	23,197,146	23,385,342	23,254,973	23,396,120

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
Profit/loss for the period	-55	51	32	171	184	323
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income	-55	51	32	171	184	323

CONDENSED CONSOLIDATED BALANCE SHEET

SEK million	Sep 30 2018	Sept 30 2017	Dec 31 2017
Assets			
<i>Fixed assets</i>			
Intangible fixed assets	23	23	23
Investment properties	1,032	486	895
Other tangible fixed assets	101	89	95
Investments in associates/joint ventures	498	452	446
Deferred tax assets	-	23	-
Non-current interest-bearing receivables	40	21	10
Other non-current receivables	304	259	213
Total fixed assets	1,998	1,353	1,682
<i>Current assets</i>			
Project and development properties	325	319	283
Inventories	1	2	1
Accounts receivable	1,044	729	845
Accrued but not invoiced income	342	217	319
Other current receivables	549	697	843
Cash and bank balances	464	651	431
Total current assets	2,725	2,615	2,722
Total assets	4,723	3,968	4,404
Equity and liabilities			
Shareholders' equity	1,721	1,669	1,821
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	1,010	550	641
Other non-current liabilities	156	225	152
Deferred tax liability	53	-	29
Other provisions	98	145	158
Total non-current liabilities	1,317	920	980
<i>Current liabilities</i>			
Current interest-bearing liabilities	45	46	54
Current tax liabilities	5	5	8
Accounts payable	746	671	799
Invoiced but not accrued income	525	343	297
Other current liabilities	364	314	445
Total current liabilities	1,685	1,379	1,603
Total equity and liabilities	4,723	3,968	4,404

SUMMARY OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

SEK million	Sep 30 2018	Sept 30 2017	Dec 31 2017
Equity attributable to Parent Company shareholders			
Balance at beginning of period	1,821	1,469	1,469
New share issue	-	2	2
Conversion, convertible debenture loans	-	27	27
Dividend	-93	-	-
Share repurchases	-45	-	-
Non-controlling interests	4	-	-
Share-related compensation	2	-	-
Comprehensive income for the period	32	171	323
Balance at end of period	1,721	1,669	1,821

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
<i>Operating activities</i>						
Cash flow before change in working capital	-51	72	-79	143	-43	179
Change in working capital	42	12	80	42	-94	-132
Cash flow from operating activities	-9	84	1	185	-137	47
<i>Investing activities</i>						
Acquisitions of investment properties	-	-98	-27	-98	-177	-248
Acquisitions of businesses	-5	-	-5	-8	-5	-8
Increase/decrease in investing activities	-81	4	-152	-45	-170	-63
Cash flow from investing activities	-86	-94	-184	-151	-352	-319
Cash flow before financing	-95	-10	-183	34	-489	-272
<i>Financing activities</i>						
Convertible loan	-	8	-	8	0	8
Newly raised borrowings	1	98	691	116	793	218
New share issue	-	-	-	-	-	-
Amortization of liabilities	-4	-4	-336	-74	-341	-79
Share repurchases	-	-	-45	-	-45	-
Dividend	-	-	-93	-	-93	-
Increase/decrease in financing activities	0	1	-1	-4	-12	-15
Cash flow from financing activities	-3	103	216	46	302	132
Cash flow for the period	-98	93	33	80	-187	-140
Cash and cash equivalents at beginning of period	562	558	431	571	651	571
Cash and cash equivalents at end of the period	464	651	464	651	464	431

PARENT COMPANY CONDENSED INCOME STATEMENT

SEK million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
Income	38	28	113	84	146	117
Sales and administration expenses	-34	-25	-69	-81	-124	-136
Operating profit	4	3	44	3	22	-19
Net financial items	-10	-6	-35	-17	-41	-23
Profit after financial items	-6	-3	9	-14	-19	-42
Appropriations	-	-	-	-	33	33
Profit/loss before tax	-6	-3	9	-14	14	-9
Tax	1	1	-2	3	-30	-24
Profit/loss for the period	-5	-2	7	-11	-16	-33

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK million	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
Profit/loss for the period	-5	-2	7	-11	-16	-33
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income	-5	-2	7	-11	-16	-33

PARENT COMPANY CONDENSED BALANCE SHEET

SEK million	Sep 30 2018	Sept 30 2017	Dec 31 2017
Assets			
<i>Fixed assets</i>			
Tangible fixed assets	5	5	5
Investments in Group companies	154	101	127
Investments in associates and joint ventures	10	-	-
Deferred tax assets	27	56	29
Other non-current receivables	2	2	2
Total fixed assets	198	164	163
<i>Current assets</i>			
Project and development properties	3	3	3
Other current receivables	1,131	809	918
Cash and bank balances	363	521	392
Total current assets	1,497	1,333	1,313
Total assets	1,695	1,497	1,476
Equity and liabilities			
Shareholders' equity	550	701	679
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	701	320	321
Other provisions	0	-	20
Total non-current liabilities	701	320	341
<i>Current liabilities</i>			
Current interest-bearing liabilities	15	1	1
Accounts payable	10	7	14
Other current liabilities	419	468	441
Total current liabilities	444	476	456
Total equity and liabilities	1,695	1,497	1,476

NOTES

NOTE 1 – Accounting policies

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS), as well as interpretations of current International Financial Reporting Interpretations Committee (IFRIC) standards as adopted by the EU. The Parent Company's reports have been prepared in compliance with the Annual Accounts Act and the Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. ESMA's guidelines on alternative key indicators are applied in the report.

The Group has acquired and sold assets through companies with these acquisitions/disposals not being considered to be acquisitions/disposals of operations. IFRS lacks specific guidance for such transactions. The Group has therefore, in adopting an accounting policy that provides a fair picture of these transactions and reflects their implications, sought guidance in other standards addressing similar transactions, in accordance with IAS 8. Against this background, the Group has chosen to apply the relevant parts of the standard for business combinations, IFRS 3, in accounting for acquisitions and sales of assets through companies.

IFRS 16 Leasing will replace the previous IAS 17 Leases, with the lessee's accounting changing such that leasing contracts will be reported in the balance sheet, which will affect Serneke. The effects of IFRS 16 are currently being analyzed and this analysis must be completed before the final effects can be quantified.

Implementation of new accounting standards:

New standards and interpretations have not had any material impact on the consolidated accounts

IFRS 15 Revenue from Contracts with Customers

The new IFRS 15 standard was issued on May 28, 2014 and came into effect on January 1, 2018, replacing IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 15 Agreements for the Construction of Real Estate. IFRS 15 provides a model for revenue recognition for all income generated through agreements with customers, with the exception of leases, financial instruments and insurance contracts. The core principle for 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. Income is

then recognized once the customer gains control of the good or service.

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

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

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

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

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

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

Serneke has chosen to implement the standard with a forward-looking retroactive transition method. An analysis of the effects has been carried out by Serneke, indicating that the new rules give rise to no significant translation effects or reclassifications in income recognition. This

means that the application of IFRS 15 does not affect the opening balance of shareholders' equity for 2018 but is equal to the closing balance of shareholders' equity, which at December 31, 2017 amounted to SEK 1,821 million.

A breakdown of income is provided in Note 4.

IFRS 9 Financial Instruments

The new IFRS 9 standard was issued on July 24, 2014 and came into effect on January 1, 2018, replacing IAS 39 Financial Instruments: Recognition and measurement. The standard is more principle-based than rule-based and contains new requirements for the classification and valuation of financial instruments, a forward-looking impairment model and general rules for hedge accounting. The new rules for hedge accounting do not affect Serneke, since hedge accounting is not applied. As in IAS 39, the new rules for classification and valuation entail financial assets being classified in various categories, some of which are valued at amortized cost and others at fair value. Exemptions from application under IFRS 9 include participations in subsidiaries, associated companies and joint ventures, leases, entitlements under employment contracts, treasury shares, financial instruments falling under IFRS 2 and obligations under IFRS 15, except for such rights under IFRS 15 subject to impairment in accordance with IFRS 9.

Serneke has conducted an analysis of the effects of IFRS 9, which shows that the new rules do not result in any significant conversion effects. This means that the application of IFRS 9 does not affect the opening balance of shareholders' equity for 2018 but is equal to the closing balance of shareholders' equity for 2017: SEK 1,821 million. Serneke applies IFRS 9 retroactively using the practical relief rules specified in the standard, meaning that comparative figures are not recalculated, and that Serneke has chosen to apply the simplified method in calculating anticipated loan losses.

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

Classification of financial assets and financial liabilities

Financial assets

Financial assets are classified within the following valuation categories:

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

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

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

Financial liabilities

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

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

value with changes being recognized in the income statement)

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

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

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

Impairment losses

An assessment is made of expected credit losses on financial assets and a reserve is reported as a deduction against the asset. On each balance sheet date, the loss reserve shall be valued at an amount corresponding to the anticipated credit losses for remaining maturity if the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss reserve shall be valued at an amount equivalent to 12 months of expected loan losses. For accounts receivable, the loss reserve should always be valued at an amount corresponding to the remaining maturity. The valuation of anticipated loan losses should reflect an objective and probability-weighted amount, the time value of money, reasonable and verifiable data on past events, current

conditions and forecasts for future economic conditions. Serneke has chosen to apply the simplified method to calculate anticipated credit losses across their lifetime. Historical data and experience from past credit losses are used as a basis for forecasting anticipated credit losses. The new impairment rules do not affect Serneke's credit losses to any material extent, meaning that opening impairment for 2018 is equal to closing impairment for 2017.

In addition, the Interim Report has been prepared in accordance with the same accounting principles and calculation methods as in the Annual Report for 2017. For detailed information regarding accounting policies, see Serneke's 2017 Annual Report, see www.serneke.se.

NOTE 2 – Financial assets and liabilities at 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 Group only holds financial assets and liabilities valued in level 3, which is why levels 1 and 2 have been omitted in the table below. No transfers have been made between the levels during the periods. A more detailed description of the levels can be found in Note 4 of the 2017 Annual Report.

Level 1 – Valuation is made according to prices in active markets for identical instruments.

Level 2 – Financial instruments for which the fair value is established based on valuation models that are based on observable data for the asset or liability other than quoted prices included in Level 1.

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

Group SEK million	Sep 30 2018	Sept 30 2017	Dec 31 2017
Financial assets			
Available-for-sale financial assets*	2	1	2
Total financial assets	2	1	2
Financial liabilities			
Other short- and long-term liabilities	54	48	84
Of which, additional purchase considerations**	54	48	84
Total financial liabilities	54	48	84

* In the fair value calculation of available-for-sale financial assets at level 3, the market price method has been applied.

** In the fair value calculation of the additional purchase considerations at level 3, project estimates, budgets and forecasts have been applied.

For the Group's other financial assets and financial liabilities, the reported values are assessed as corresponding to FAIR VALUE. No significant changes in valuation models, assumptions or inputs were made during the period.

Note 3 Pledged assets and contingent liabilities

The Group pledges collateral for external loans. The Group's contingent liabilities arise primarily in connection with different property disposals, whereby various operational guarantees may occur, as well as performance guarantees for future contracts and tenant-owner housing projects. Serneke Group AB (publ) has also entered into a guarantee undertaking, which means that the co-owners in Prioritet Serneke Arena 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.

Pledged assets and contingent liabilities in the consolidated balance sheet:

	Sep 30 2018	Sept 30 2017	Dec 31 2017
Group			
Pledged assets	736	662	724
Contingent liabilities	680	406	547
Parent Company			
Pledged assets	200	321	320
Contingent liabilities	1,409	985	1,192

Note 4 – Breakdown of income

Jul-Sep 2018, SEK million	Construction	Civil Engineering	Project Development	Property Management	Eliminations and Group-wide	Total
Construction income	1,151	213	32	-	-69	1,327
Sale of properties and development rights	-	-	-	-	-	-
Rental income	0	-	-	15	-	15
Other income	2	0	-	15	-	17
Total income	1,153	213	32	30	-69	1,359
Date of income recognition:						
At a specific time	2	0	-	15	-	17
Over time	1,151	213	32	15	-69	1,342
Total income	1,153	213	32	30	-69	1,359

Jul-Sep 2017 SEK million	Construction	Civil Engineering	Project Development	Property Management	Eliminations and Group-wide	Total
Construction income	1,112	140	56	-	-50	1,258
Sale of properties and development rights	-	-	-	-	-	-
Rental income	0	-	-	10	-	10
Other income	1	0	-	2	-	3
Total income	1,113	140	56	12	-50	1,271
Date of income recognition:						
At a specific time	1	0	-	2	-	3
Over time	1,112	140	56	10	-50	1,268
Total income	1,113	140	56	12	-50	1,271

Jan-Sep 2018, SEK million	Construction	Civil Engineering	Project Development	Property Management	Eliminations and Group-wide	Total
Construction income	3,843	582	183	-	-168	4,440
Sale of properties and development rights	-	-	-	-	-	-
Rental income	0	-	-	40	-	40
Other income	7	0	-	38	-	45
Total income	3,850	582	183	78	-168	4,525
Date of income recognition:						
At a specific time	7	0	-	38	-	45
Over time	3,843	582	183	40	-168	4,480
Total income	3,850	582	183	78	-168	4,525

Jan-Sep 2017, SEK million	Construction	Civil Engineering	Project Development	Property Management	Eliminations and Group-wide	Total
Construction income	3,404	414	139	-	-122	3,835
Sale of properties and development rights	-	-	20	-	-20	0
Rental income	0	-	-	31	-	31
Other income	4	1	-	2	-	7
Total income	3,408	415	159	33	-142	3,873
Date of income recognition:						
At a specific time	4	1	20	2	-20	7
Over time	3,404	414	139	31	-122	3,866
Total income	3,408	415	159	33	-142	3,873

Construction income

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

On the commencement of construction of tenant-owner housing project, with a tenant-owner association as the client, in those cases where the property is already owned by Serneke, the property is transferred at its book value to the contracting project and is included in the other production costs of the project. The project agreements with the housing association meet the requirements set by IFRS 15 for reporting over time when the project is created by Serneke but is controlled by the tenant-owner housing association. Income is then based on the degree of completion and earnings and is calculated based on the same principles as above. Risks associated with commitments to the tenant-owner association in respect of unsold apartments are taken into account in the accumulated earnings.

Sale of properties and development rights

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

time at which the new owner takes possession. When contracts include property sales, development rights and construction contracting to the buyer of the planned building, an assessment is made regarding whether the property and/or development rights transactions and the construction contract are separate performance undertakings. Depending on the design and terms of the agreement, the sale can be seen as one or several performance undertakings. Sales are reported at the point in time at which control is transferred to the buyer. Control is transferred over time if the seller has no alternative use for the property sold and the seller is entitled to payment from the customer for the work performed. In such cases, income is reported applying percentage of completion. If any of the above criteria are not met, income is reported at a single point in time, on completion and transfer to the customer.

Sales of development rights can be dependent upon decisions regarding future detailed development plans. An assessment is then made as to the likelihood of the respective detailed development plan. Sales income and earnings are recognized when the probability is deemed to be very high. When sales income is recognized, all remaining commitments in the sales earnings are also taken into account. Property projects are also on occasion sold with guarantees for a certain degree of leasing and, at the time of sale, any lease guarantees are reported as a reserve in the project, which then has a positive effect on the percentage of completion as leases are signed.

Rental income

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

Other income

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

FINANCIAL DEFINITIONS

Indicator	Definition	Purpose																																																															
Income	In the Contracting operations and Project Development, income is recognized in accordance with the percentage of completion method since the construction contract is performed on the customer's land, where an asset is created over which the customer gains control in pace with the completion of the asset. These revenues are recognized in pace with construction project within the Company being completed. In the Parent Company, income corresponds to invoiced sales of Group-wide services and rental income.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's earnings capacity.																																																															
Growth	Income for the period less income for the previous period divided by income for the previous period.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's capacity to increase its earnings.																																																															
Organic growth	Income for the period, adjusted for acquired growth, less income for the previous period, adjusted for acquired growth, divided by income for the previous period, adjusted for acquired growth.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's capacity to increase its income without acquiring operating companies.																																																															
<table border="1"> <thead> <tr> <th></th> <th>Jul-Sep</th> <th>Jul-Sep</th> <th>Jan-Sep</th> <th>Jan-Sep</th> <th>Oct-Sep</th> <th>Jan-Dec</th> </tr> <tr> <th></th> <th>2018</th> <th>2017</th> <th>2018</th> <th>2017</th> <th>2017/2018</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>Calculation of organic growth</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Income current period</td> <td>1,359</td> <td>1,271</td> <td>4,525</td> <td>3,873</td> <td>6,257</td> <td>5,605</td> </tr> <tr> <td>Income corresponding period previous period</td> <td>1,271</td> <td>802</td> <td>3,873</td> <td>2,712</td> <td>5,139</td> <td>3,978</td> </tr> <tr> <td>Income change</td> <td>88</td> <td>469</td> <td>652</td> <td>1,161</td> <td>1,118</td> <td>1,627</td> </tr> <tr> <td>Adjustment for structural effect</td> <td>0</td> <td>-22</td> <td>0</td> <td>-44</td> <td>-26</td> <td>-70</td> </tr> <tr> <td>Total organic growth</td> <td>88</td> <td>447</td> <td>652</td> <td>1,117</td> <td>1,092</td> <td>1,557</td> </tr> <tr> <td>Total organic growth (%)</td> <td>6.9%</td> <td>55.7%</td> <td>16.8%</td> <td>41.2%</td> <td>21.2%</td> <td>39.1%</td> </tr> </tbody> </table>				Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Oct-Sep	Jan-Dec		2018	2017	2018	2017	2017/2018	2017	Calculation of organic growth							Income current period	1,359	1,271	4,525	3,873	6,257	5,605	Income corresponding period previous period	1,271	802	3,873	2,712	5,139	3,978	Income change	88	469	652	1,161	1,118	1,627	Adjustment for structural effect	0	-22	0	-44	-26	-70	Total organic growth	88	447	652	1,117	1,092	1,557	Total organic growth (%)	6.9%	55.7%	16.8%	41.2%	21.2%	39.1%
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Order bookings	The value of new projects and changes in existing projects during the period.	In Serneke's view, the key indicator allows investors, who so wish, to assess the Group's sales by Business Area Construction and Business Area Civil Engineering for the current period.																																																															
Order backlog	The value of the Company's undelivered orders at the end of the period excluding cooperation agreements.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's income through Business Area Construction and Business Area Civil Engineering in future periods.																																																															
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.																																																															

Indicator	Definition	Purpose																																												
Operating capital	Current assets less current liabilities.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's tied-up capital in relation to its competitors.																																												
Capital employed	Consolidated total assets less deferred tax assets less non-interest-bearing liabilities including deferred tax liabilities. For the business areas, the net of Group-internal receivables and liabilities is also deducted.	In the Company's view, the key indicator allows investors, who so wish, to assess the total capital placed at the Company's disposal by shareholders and creditors.																																												
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Return on capital employed	Profit after net financial items plus financial expenses divided by average capital employed for the period. Accumulated interim periods are based on rolling 12-month earnings.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's capacity to generate a return on the total capital placed at the Company's disposal by shareholders and creditors.																																												
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Equity per share, before/after dilution	Total equity according to the balance sheet divided by the number of shares outstanding on the closing date. The difference between before and after dilution is accounted for by the convertibles issued by the Group.	The Company believes that key indicators give investors a better understanding of historical return per share at the closing date.																																												
Cash flow from operations per share, before/after dilution	Cash flow from operating activities divided by the average number of shares during the period. The difference between before and after dilution is accounted for by the convertibles issued by the Group.	It is the Company's view that the key indicator gives investors a better understanding of the operations' cash flow in relation to the number of shares, adjusted for changes in the number of shares during the period.																																												
Earnings per share, before/after dilution	Profit for the period divided by the average number of shares during the period. The difference between before and after dilution is accounted for by the convertibles issued by the Group.	It is the Company's view that the key indicator gives investors a better understanding of profit per share.																																												

Indicator	Definition	Purpose			
Return on equity	Profit for the period as a percentage of average shareholders' equity. Accumulated interim periods are based on rolling 12-month earnings.	In the Company's view, the key indicator allows investors, who so wish, to assess the Company's capacity to generate a return on the capital shareholders have placed at the Company's disposal.			
			Sep 30	Sept 30	Dec 31
			2018	2017	2017
			Calculation of average shareholders' equity		
			30 Sep 2018 (1,721) + 30 Sep 2017 (1,669) / 2	1,695	
			30 Sep 2017 (1,669) + 30 Sep 2016 (822) / 2		1,246
			31 Dec 2017 (1,821) + 31 Dec 2016 (1,469) / 2		1,645
			Sep 30	Sept 30	Dec 31
			2018	2017	2017
			Calculation of return on shareholders' equity		
Profit/loss for the period	184	197	323		
Average shareholders' equity	1,695	1,246	1,645		
Return on equity					
	10.9%	15.8%	19.6%		
Equity/assets ratio	Shareholders' equity less minority interests as a percentage of total assets.	The equity/assets ratio shows the proportion of total assets represented by shareholders' equity and has been included to allow investors to be able to assess the Company's capital structure.			
Net debt	Interest-bearing liabilities less liquid assets less interest-bearing receivables.	Net debt is a measure deemed relevant for creditors and credit rating agencies.			
Net debt/equity ratio	Interest-bearing net debt divided by shareholders' equity.	Net debt/equity ratio is a measure deemed relevant for creditors and credit rating agencies.			
EBITDA	Operating profit excluding amortization/depreciation.	EBITDA is a measure deemed to provide investors a better understanding of the company's earnings.			
			Sep 30	Sept 30	Dec 31
			2018	2017	2017
			Calculation of EBITDA		
			Operating profit	296	243
Depreciation	22	19	20		
EBITDA					
	318	262	439		
Net debt/EBITDA	Interest-bearing liabilities less liquid assets less interest-bearing receivables divided by EBITDA.	Net debt/EBITDA is a measure deemed relevant for creditors and credit rating agencies.			

SERNEKE IN BRIEF

Serneke is a rapidly growing corporate group active in construction, civil engineering, project development and property management with more than 1,000 employees. Through novel thinking, we drive development and create more effective and more innovative solutions for responsible construction. The business has a good mix of

public and commercial assignments, providing strength over economic cycles.

Serneke's annual reports and other financial information are available under the tab Investors at www.serneke.se.

Serneke Group AB (publ)

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SE-411 05 Gothenburg

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Presentation of the Interim Report for January–September 2018

On October 24, 2018 at 9:15 a.m. (CET), Serneke Group will comment on this Interim Report in a conference call with an online presentation for investors, analysts and the media. The presentation will be in Swedish and can be followed live via webcast at <https://tv.streamfabriken.com/serneke-q3-2018>. Presentation materials for the presentation will be available on the website one hour before the webcast begins.

To participate, please dial:

From Sweden: +46 85664 2665