



A QUARTER THAT KICKED OFF A NEW BUSINESS PLAN

JULY – SEPTEMBER 2020

- Order bookings amounted to SEK 961 million (1,792)
- Income amounted to SEK 1,498 million (1,376)
- The operating loss amounted to SEK 79 million (5), of which non-recurring items amounted to a negative SEK 65 million
- Cash flow from operating activities amounted to an outflow of SEK 167 million (164)
- Cash flow for the period amounted to SEK 7 million (0)
- The loss for the period amounted to SEK 66 million (27)
- New long-term financial targets have been adopted in the new business plan extending until 2025

JANUARY – SEPTEMBER 2020

- Order bookings amounted to SEK 5,787 million (5,632) and the order backlog was SEK 10,623 million (7,662)
- Income amounted to SEK 4,705 million (4,472)
- The operating loss amounted to SEK 367 million (13), of which non-recurring items amounted to a negative SEK 335 million
- Cash flow from operating activities amounted to an outflow of SEK 556 million (728)
- At the end of the period, available cash and cash equivalents totaled SEK 305 million (692)
- The loss for the period amounted to SEK 286 million (19)

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Income	1,498	1,376	4,705	4,472	6,958	6,725
Operating profit	-79	-5	-367	13	-464	-84
Operating margin, %	-5.3	-0.4	-7.8	0.3	-6.7	-1.2
Profit/loss for the period	-66	-27	-286	-19	-349	-82
Earnings per share, SEK, before dilution	-2.94	-1.20	-12.75	-0.85	-15.56	-3.66
Earnings per share, SEK, after dilution	-2.94	-1.20	-12.75	-0.85	-15.56	-3.66
Equity per share, SEK, after dilution	84.52	99.55	84.52	99.55	84.52	96.92
Equity/assets ratio, %	33.2	39.3	33.2	39.3	33.2	38.0
Net debt	1,640	1,540	1,640	1,540	1,640	1,224
Net debt/EBITDA	-4.1	2.7	-4.1	2.7	-4.1	-36.0
Net debt/equity ratio, %	86.5	68.8	86.5	68.8	86.5	56.2
Order bookings	961	1,792	5,787	5,632	8,756	8,601
Order backlog	10,623	7,662	10,623	7,662	10,623	8,943

CEO STATEMENT

The company's new business plan, extending until 2025, was presented at a well-attended capital markets day in September. With a clear focus on stability and increased profitability, our new business plan highlights how the company will work strategically and purposefully to achieve this over the next few years. The non-recurring effects on earnings from the measures were clearly reflected in the first two quarters of the year but have also spilled over into our third quarter earnings. The operating loss of SEK 79 million is partly an effect of our ongoing restructuring program and a generally more conservative assessment of projects and contracting in progress.

Efforts to improve the profitability of the underlying contracting operations are long-term in nature and expected to bear fruit in 2021. Although a cautiously positive earnings trend emerged in the third quarter, we are far from finished with our measures and are, of course, not yet satisfied with the outcome. We are moving in the right direction with determination and perseverance, however.

Profitability is one of our three principal areas of focus in building a stronger Serneke in accordance with our new business plan, alongside stability and a further strengthened corporate culture. This means that our former focus on growth to secure the right market position, now must take a back seat. Our new financial targets state that Serneke Sweden shall grow more than its competitors across a business cycle. Our consolidated income for the quarter amounted to SEK 1,498 million (1,376), an increase of 9 percent for the Group as a whole. Looking at our core operations in Business Area Sweden, the increase was 12 percent for the quarter and, accumulated for the year to date, the increase was 8 percent.

Our order backlog remains strong, standing at slightly more than SEK 10.6 billion at the end of the quarter. At SEK 961 million (1,792), order bookings were lower than for the corresponding period last year, although in-line with normal variations between individual quarters. We are confident, however, that our order backlog, which continues to grow, will bring us long-term stability moving forward. During the quarter at hand, the focus was on new orders in the public properties segment, which, alongside demand for new housing, are areas where we continue to experience strong demand.

The impact of the COVID-19 pandemic on our industry has, to date, not been as great as in many other areas. However, uncertainty regarding a delayed impact and the effect on future willingness to invest must be taken into account in the



calculations. For the near future, demand for new housing remains greater than the expected number of construction starts.

The new business plan presents a company structure in which Serneke Invest will be a business area bringing together large-scale projects that are often conducted together with partners, often through the packaging of several projects focused on rental or community properties, for example. The purpose is to facilitate the streamlining and clearer focusing of Serneke Sweden, encompassing our core operations, including contracting and local project development. These are operations that should have little capital tied up over time and continuously be conducted with positive cash flow.

Today, we have a project portfolio that has been built up over a long period of time and that comprises some 50 projects, containing almost one million square meters of building rights. Business Area Invest has the stated objective of increasing the number of transactions, and, during the period, priority efforts have been in progress to package mature parts of the portfolio for sale through a structured process.

We have now made considerable progress and see favorable opportunities to soon implement a structural transaction that will release restricted capital, secure attractive contracting agreements for Serneke Sweden in the long term, and substantially strengthen the company's liquidity.

The process of closing a transaction and securing financing for the continued production of Karlatornet continued with great intensity during the quarter. We have taken further steps towards a solution and are equipping our organization to be able to proceed with minimal delay on resuming construction.

With the ongoing process of adjustment to build a stronger Serneke and, backed by our new business plan and established core values, a stronger company will gradually emerge. We will gradually create a stronger and long-term profitable company.

Ola Serneke, President and CEO

ORDER BOOKINGS AND ORDER BACKLOG

Order bookings SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Contracting	961	1,792	5,787	5,632	8,756	8,601

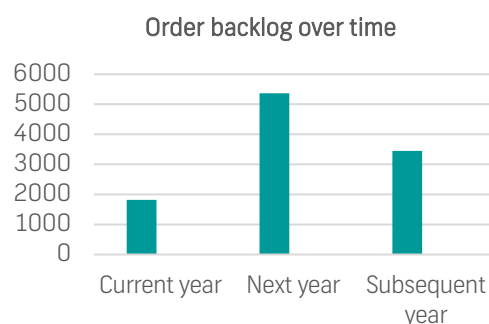
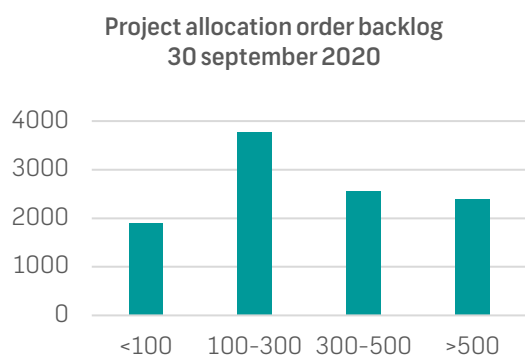
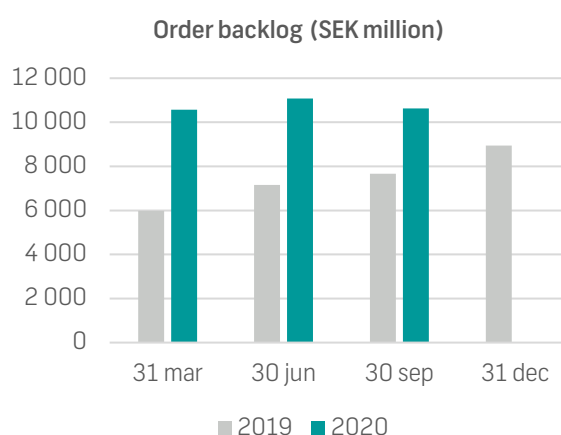
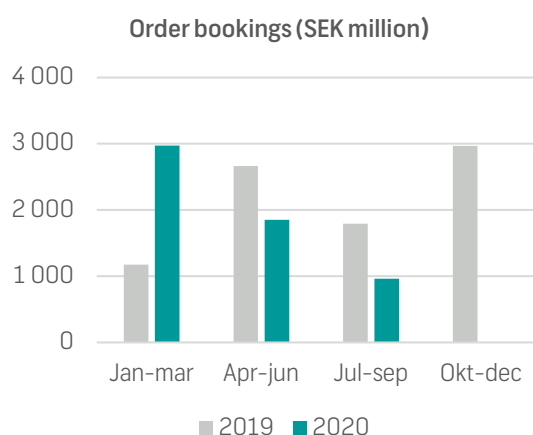
Order backlog SEK million	Sep 30 2020	Sep 30 2019	Dec 31 2019
Contracting	10,623	7,662	8,943

External order bookings amounted to SEK 961 million (1,792) for the quarter. The emphasis of assignments secured during the quarter largely comprised public properties and housing projects. The largest individual order during the quarter was valued at SEK 405 million, comprising production of an alarm and response management center in Örebro.

Uncertainty prevails regarding market trends, with the outlook remaining relatively unchanged compared with

the preceding quarter. Underlying demand remains, although reflecting a certain shift from private clients for residential projects to local government clients, with increased orders for public spaces and public properties.

At the end of the third quarter, the external order backlog amounted to SEK 10,623 million (7,662). This entails an increase of 39 percent compared with the corresponding quarter last year.



NEW ORDERS VALUED AT MORE THAN SEK 100 MILLION IN THE PERIOD JULY – SEPTEMBER 2020

Assignment	Location	Order value (SEK million)	Anticipated start of construction
Alarm/response management center	Örebro	405	Fourth quarter 2020
Housing	Jönköping	142	Fourth quarter 2020

INCOME AND PROFIT

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Income	1,498	1,376	4,705	4,472	6,958	6,725
Operating profit	-79	-5	-367	13	-464	-84
Net financial items	-3	-25	-16	-39	-4	-27
Earnings after financial items	-82	-30	-383	-26	-468	-111
Tax	16	3	97	7	119	29
Profit/loss for the period	-66	-27	-286	-19	-349	-82

JULY – SEPTEMBER 2020

Consolidated income amounted to SEK 1,498 million (1,376), an increase of 9 percent. Business Area Sweden increased its income by 12 percent to SEK 1,592 million (1,421). Business Area Invest's income decreased by 30 percent to SEK 28 million (40).

The operating loss amounted to SEK 79 million (5), with the negative impact primarily deriving from continued expenses of SEK 65 million associated with our restructuring program.

Net financial items were negative in the amount of SEK 3 million (25). During the quarter, borrowing expenses of SEK 17 million (7) on project properties were capitalized.

The Group reported an estimated tax expense of SEK 16 million (3). The positive tax effect is primarily explained by deferred tax related to tax loss carryforwards.

The loss for the period amounted to SEK 66 million (27) and earnings per share after dilution for the quarter were a negative SEK 2.94 (1.2).

JANUARY – SEPTEMBER 2020

Consolidated income for the period amounted to SEK 4,705 million (4,472), an increase of 5 percent. Business Area Sweden increased its income by 8 percent to SEK 4,965 million (4,599). Three housing cooperative

projects were handed over to customers during the period, generating income of SEK 390 million (0). Income within Business Area Invest amounted to SEK 102 million (155), with the decrease largely being attributable to reduced activity due to the corona virus pandemic.

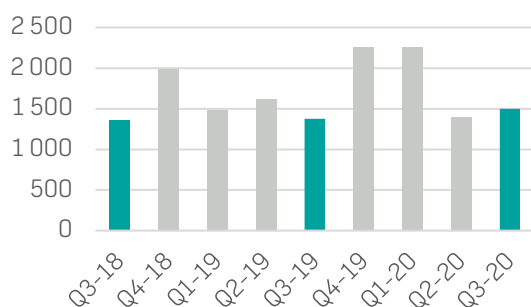
The operating loss amounted to SEK 367 million (13) and was negatively affected by the ongoing structural changes detailed in this and previous interim reports this year. Combined, these non-recurring items of SEK 335 million, including increased provisions for disputes, expenses for discontinued development and civil engineering projects, transaction and project initiation expenses for Karlatornet, as well as revaluations of the project portfolio. Completed sales of housing cooperative projects contributed SEK 73 million to operating profit.

Net financial items were negative in the amount of SEK 16 million (39). During the period, borrowing expenses of SEK 42 million (10) on project properties were capitalized.

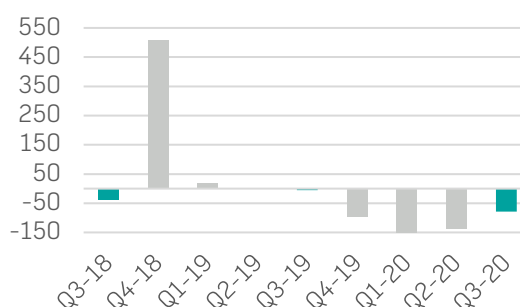
The Group reported an estimated tax expense of SEK 97 million (7). The positive tax effect is attributable partly to the Group not having taxable income and a change in deferred tax related to tax loss carryforwards.

The loss for the period amounted to SEK 286 million (profit 19) and the loss per share after dilution was SEK 12.75 (profit 0.85) for the period.

Sales per quarter



Operating profit per quarter



FINANCIAL POSITION

SEK million	Sep 30 2020	Sep 30 2019	Dec 31 2019
Total assets	5,719	5,694	5,734
Total equity	1,896	2,238	2,179
Net debt	1,640	1,540	1,224
Net debt/EBITDA	-4.1	2.7	-36.0
Cash and cash equivalents	81	0	162
Equity/assets ratio, %	33.2	39.3	38.0

On September 30, the consolidated balance sheet total was SEK 5,719 million (5,734) and the equity/assets ratio was 33.2 percent (38.0). At the end of the period, cash and cash equivalents amounted to SEK 81 million (162), in addition to which, the Group has a credit framework of SEK 500 million, of which SEK 276 million had been utilized, with SEK 176 million pertaining to a bank overdraft facility and the remainder to guarantees provided. At the end of the period, available cash and cash equivalents totaled SEK 305 million (692).

On September 30, equity amounted to SEK 1,896 million (2,179). The change comprises the loss for the year of SEK 286 million and share-related compensation of SEK 3 million.

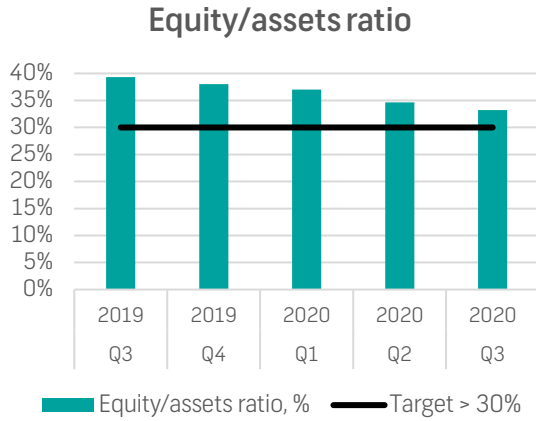
On September 30, net borrowing amounted to SEK 1,640 million (1,224). The foremost changes pertain to an increased overdraft facility, increased lease liabilities associated with leases and loans of SEK 275 million from the Swedish Tax Agency due to the corona pandemic. Net debt in relation to EBITDA was a negative 4.1 (2.7).

Net debt SEK million	Sep 30 2020	Sep 30 2019	Dec 31 2019
Bank loans	188	205	169
Utilized bank overdraft facility	176	151	-
Construction credits, housing cooperative projects	68	327	308
Bonds	721	694	695
Financial lease liabilities	84	79	85
Additional lease liabilities, IFRS 16	259	111	158
Loans from the Swedish Tax Agency	275	-	-
Other interest-bearing liabilities	-	8	8
Interest-bearing receivables	-50	-35	-37
Cash and cash equivalents	-81	0	-162
Net debt	1,640	1,540	1,224

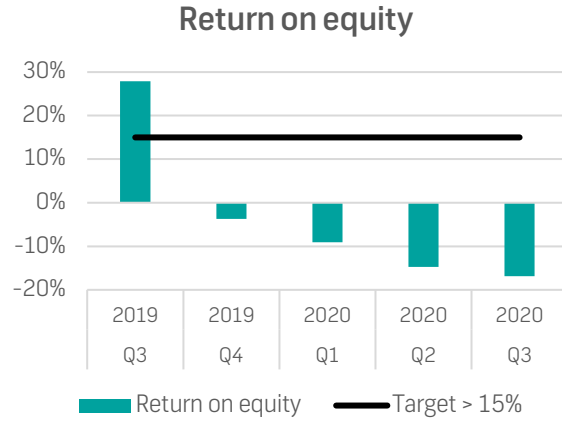
The SEK 500 million credit facility at Nordea carries one covenant, requiring the Group to maintain an equity/assets ratio of 25 percent and another requiring that net debt in relation to EBITDA not exceed a multiple of 2.5. On the reporting date of September 30, 2020, the equity/assets ratio was 33.2 percent, with negative net debt in relation to EBITDA. For this, Nordea has waived the covenant in the credit facility agreement. The waiver is valid until the next reference date, December 31, 2020.

GROUP FINANCIAL TARGETS

The equity/assets ratio shall exceed 30 percent.

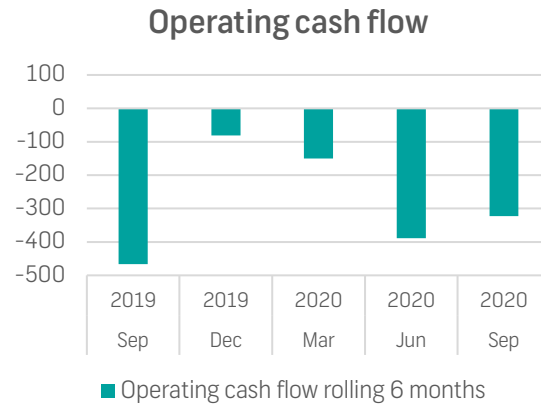
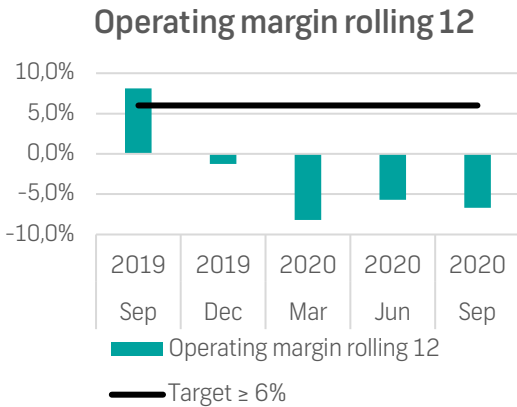


The return on equity shall exceed 15 percent



The operating margin shall exceed 6 percent.

Positive operating cash flow each quarter on a rolling six-month basis



CASH FLOW

	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Oct-Sep	Jan-Dec
SEK million	2020	2019	2020	2019	2019/2020	2019
Cash flow from operating activities	-167	-164	-556	-728	-473	-645
Cash flow from investment activities	7	-30	-8	-75	278	211
Cash flow from financing activities	167	194	483	414	276	207
Cash flow for the period	7	0	-81	-389	81	-227
Cash and cash equivalents at beginning of period	74	0	162	389	0	389
Cash and cash equivalents at end of period	81	0	81	0	81	162

JULY – SEPTEMBER 2020

Cash flow from operating activities amounted to an outflow of SEK 167 million (164), of which cash flow from changes in working capital amounted to an outflow of SEK 82 million (122). The change in working capital has been adversely affected by investments of approximately SEK 90 million in the Karlastaden project.

Cash flow from investing activities amounted to an inflow of SEK 7 million (outflow 30).

Cash flow from financing activities amounted to an inflow of SEK 167 million (194) and is mainly explained by an increase in the utilized bank overdraft facility by SEK 152 million compared with the second quarter.

Cash flow for the period amounted to SEK 7 million (0).

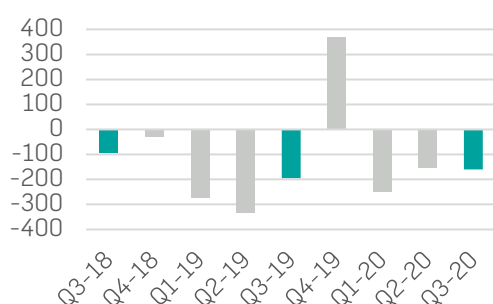
approximately SEK 350 million in the Karlastaden project, as well as positively by settled receivables of approximately SEK 100 million from housing cooperatives.

Cash flow from investing activities amounted to an outflow of SEK 8 million (75).

Cash flow from financing activities amounted to an inflow of SEK 483 million (414) and is mainly explained by newly raised loans of SEK 275 million from the Swedish Tax Agency due to the corona pandemic, contributions of SEK 259 million paid into housing cooperatives, repayments of loans in housing cooperatives of SEK 249 million and a utilized bank overdraft facility of SEK 176 million.

Cash flow for the period amounted to an outflow of SEK 81 million (389).

Cash flow before financing



JANUARY – SEPTEMBER 2020

Cash flow from operating activities amounted to an outflow of SEK 556 million (728), of which cash flow from changes in working capital amounted to an outflow of SEK 208 million (648). The change in working capital has been adversely affected by investments of

OVERVIEW BUSINESS AREAS

Serneke has introduced new business areas, with additional information about these being presented on page 12. The Serneke Group is divided into three segments: Sweden, Invest and International, which are reported as individual operating segments.

Business Area Sweden conducts contracting operations in the areas of construction, civil engineering, and infrastructure, as well as project development operations by developing project and development properties. The business area conducts construction contracting for both external customers, as well as Business Area Invest.

Business Area Invest, a new business area as of 2020, conducts development projects with a higher degree of

complexity, greater transaction risk, and greater need of tied up capital. The business area will generate internal assignments for Serneke Sweden's contracting operations.

Business Area International brings the Group's international investments together. The business area is in the start-up phase and currently comprises an interest in an Australian construction company and an ongoing project-export initiative. Due to its current scope, the segment will not be described in this report, other than in the tables below on this page and in the "multi-year overview" on page 16.

Other operations are reported under Group-wide, which primarily comprises Group functions.

SALES

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
SEK million						
Sweden	1,592	1,421	4,965	4,599	7,059	6,693
Invest	28	40	102	155	352	405
International	-	-	-	-	-	-
Group-wide	20	44	71	103	115	147
Eliminations	-142	-129	-433	-385	-568	-520
Total	1,498	1,376	4,705	4,472	6,958	6,725

OPERATING PROFIT

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
SEK million						
Sweden	-62	-2	-266	45	-223	88
Invest	-10	2	-87	-16	-205	-134
International	-3	0	-10	-1	-10	-1
Group-wide	0	2	6	13	-6	1
Eliminations	-4	-7	-10	-28	-20	-38
Total	-79	-5	-367	13	-464	-84

*The comparison figures have been recalculated in accordance with the new segment reporting – for further information, see the section "Other significant events during the report period".

SEASONAL VARIATIONS

To a certain extent, Serneke's operations are subject to seasonal effects. The contracting operations 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.

SWEDEN

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Income	1,592	1,421	4,965	4,599	7,059	6,693
Operating profit	-62	-2	-266	45	-223	88
Operating margin, %	-3.9	-0.1	-5.4	1.0	-3.2	1.3

JULY – SEPTEMBER 2020

Income amounted to SEK 1,592 million (1,421), an increase of 12 percent. The increase is mainly attributable to more projects being in full production as a consequence of the larger order backlog compared with the corresponding quarter last year.

The operating loss amounted to SEK 62 million (2) and the operating margin ended up at a negative 3.9 percent (0.1). The margin has been impacted negatively by the ongoing reorganization but also by a comprehensive analysis of the profitability of projects in progress that has involved several projects being written down.

Project and development properties

On September 30, 2020, the total book value of the project development portfolio amounted to SEK 279 million.

Development rights Number (GFA)	Sep 30 2020
Development rights on own balance sheet	22,917
Development rights through joint ventures	2,300
Agreed development rights not yet taken into possession	259,528
Total	284,745

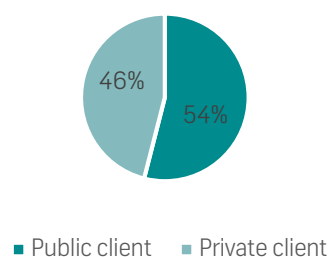
Housing construction projects developed in-house	Sep 30 2020
Number of housing units under construction during the period	24
Number of housing units sold during the period	18
Total number of housing units under construction at the end of the period	140
Number of repurchased housing units on the Company's own balance sheet at the end of the period	4

JANUARY – SEPTEMBER 2020

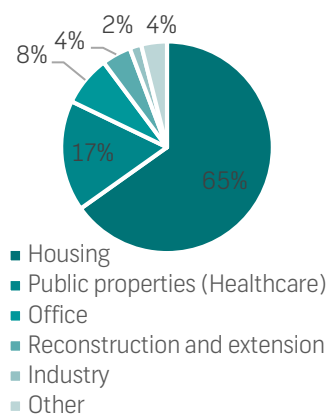
Income amounted to SEK 4,965 million (4,599), an increase of 8 percent. Three housing cooperative projects were handed over to customers during the period, generating income of SEK 390 million (0), which explains the increase in income compared with the preceding year.

The operating loss amounted to SEK 266 million (profit 45) and the operating margin ended up at a negative 5.4 percent (positive 1.0). The margin has been impacted negatively by the ongoing reorganization but also by a comprehensive analysis of the profitability of projects in progress that has involved several projects being written down.

Order backlog per client



Order backlog per product mix



INVEST

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Income	28	40	102	155	352	405
Share in profit of associates and joint ventures	7	5	16	10	16	10
Operating profit	-10	2	-87	-16	-205	-134
Operating margin, %	-35.7	5.0	-85.3	-10.3	-58.2	-33.1

JULY – SEPTEMBER 2020

Income amounted to SEK 28 million (40), a decrease of 30 percent. Income primarily comprises construction income within the manufacture and assembly of steel structures, as well as hotel income. The decrease is largely attributable to reduced activity due to the corona virus pandemic.

The share in the profit of associates and joint ventures amounted to SEK 7 million (5).

The operating loss amounted to SEK 10 million (2). Operating profit has been affected negatively by lower income due to the corona virus pandemic, with the cost base not having decreased to an equivalent extent.

Project and development properties

On September 30, 2020, the total book value of the project development portfolio in Invest amounted to SEK 3,046 million.

JANUARY – SEPTEMBER 2020

Income amounted to SEK 102 million (155), a decrease of 34 percent. Income primarily comprises construction income within the manufacture and assembly of steel structures, as well as hotel income. The decrease is largely attributable to reduced activity due to the corona virus pandemic.

The share in the profit of associates and joint ventures amounted to SEK 16 million (10).

The operating loss amounted to SEK 87 million (16). Operating profit has been affected negatively by lower income due to the corona virus pandemic, with the cost base not having decreased to an equivalent extent.

Development rights Number (GFA)	Sep 30 2020
Development rights on own balance sheet	235,863
Development rights through joint ventures	50,000
Agreed development rights not yet taken into possession	359,128
Total Housing construction projects developed in-house	644,991 Sep 30 2020
Number of housing units under construction during the period	0
Number of housing units sold during the period	0
Total number of housing units under construction at the end of the period	594
Number of repurchased housing units on the Company's own balance sheet at the end of the period	0

PARENT COMPANY

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

Income for July–September amounted to SEK 22 million (46) and consisted primarily of intra-Group services. The decrease in revenues is explained by the ongoing reorganization in which the central functions are being cut back. Operating profit for the same period amounted to SEK 3 million (5).

Income for the period January–September amounted to SEK 71 million (134) and the operating loss amounted to SEK 1 million (profit 0).

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 36 of the 2019 Annual Report. During the year, related-party transactions have taken place with **Lommen Sjöbefålet AB**, **Ola Serneke Holding AB**, **Ludwig Matsson, JV Sersund AB**, associate **Änglagården** and associate **Fjätervålen AB**. Transactions with related parties have been made on market terms.

Transactions with **Lommen Sjöbefålet AB** are considered to constitute related-party transactions since the company's principal owner, **Ludwig Matsson**, is a member of the Board of Serneke Group. The transactions consisted mainly of construction income and rental of Serneke's headquarters, with income amounting to SEK 2 million and purchases to SEK 9 million on September 30, 2020. Transactions have been conducted with private individual **Ludwig Matsson** regarding construction income of SEK 3 million. Transactions with **Ola Serneke Holding 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. Income primarily comprised rent and amounted to SEK 2 million. Transactions with **JV Sersund AB** comprised construction income of SEK 56 million. Transactions with associate **Änglagården** consist mainly of contracted personnel, premises rental and rental of the venue name, with income amounting to SEK 2 million and purchases to SEK 13 million. Transactions with associate **Fjätervålen AB** consist of project income of SEK 1 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 segment 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. The liquidity situation is assessed on an ongoing basis and the Group works continuously to improve its liquidity. Efforts to sell parts of the Group's project portfolio have been intensified to reduce the amount of capital tied up and to free up liquidity. It is the assessment of the Board of Directors that completing sales of project properties will raise sufficient liquidity to safeguard continued operation. At the same time, talks are being held with selected advisers to plan a new share issue in advance, in the event that this would become necessary if no sales are made.

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 2019 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

New business plan presented at capital markets day

On September 29, a capital markets day was held, at which a new business plan and strategic direction for the future were presented. The new business plan sets out a clear strategy for how Serneke will focus on profitability, stability, and a continued strong corporate culture over the upcoming years. In connection with this, new long-term financial targets were launched, with the former growth target being removed, while a new target for positive operating cash flow was added. Other changes include the target for the equity/assets ratio being raised from 25 percent to 30 percent and the target for the consolidated EBIT margin being reduced from 8 percent to 6 percent. The new financial targets are:

- > 6 percent EBIT margin
- > 15 percent return on equity
- > 30 percent equity/assets ratio
- Positive operating cash flow on a rolling six-month basis
- Dividend of 30–50 percent

New business areas with changed segment accounting

The Group was reorganized in early 2020, with the core contracting and project development operations being gathered within Business Area Sweden. The company is now clarifying Serneke Sweden’s strategic focus, while also establishing two new business areas, Business Area Invest and Business Area International. Serneke Invest manages the Group’s major development projects and investments, while Serneke International brings together the Group’s international initiatives.

The changes entail a new segment accounting that will be applied as of September 30, 2020 and that has been adjusted retroactively in accordance with IAS 8. This means that attributable items from previous periods have been reclassified for correct comparability. These re-classifications have not had any effect on the Group’s previously reported key figures.

The corona virus pandemic

Serneke is monitoring the development of the corona virus pandemic closely to assess its effects in the short and long term. Although the entire economy is affected, it is difficult to assess the extent to which Serneke’s operations will be affected in the long term and how. The short-term effects have been limited and not have had a major impact on projects currently in production.

SIGNIFICANT EVENTS FOLLOWING THE REPORT PERIOD

No significant events to be reported have occurred following the close of the reporting period.



In Habo outside Jönköping, Serneke will build 89 apartments for Tosito, an order worth SEK 142 million.

THE SERNEKE SHARE (SRNKE)

Serneke Group AB has two share series, Series A and B. On September 30, 2020, Serneke had approximately 7,500 shareholders and the closing price on September 30, 2020 was SEK 50.7.

Serneke's ten largest shareholders, September 30, 2020

	Series A shares	No. of B shares	Total number of shares	Percentage of shares outstanding, %	Percentage of votes, %
Ola Serneke Holding AB	3,710,000	2,402,204	6,112,204	27.25%	56.98%
Lommen Holding AB	540,000	3,457,803	3,997,803	17.82%	12.78%
Christer Larsson i Trollhättan AB	380,000	497,000	877,000	3.91%	6.20%
Ledge Ing AB	330,000	456,061	786,061	3.50%	5.42%
Vision Group i väst AB	250,000	551,000	801,000	3.57%	4.40%
Svolder Aktiebolag	-	1,327,609	1,327,609	5.92%	1.92%
Cliens fonder	-	795,000	795,000	3.54%	1.15%
Nordnet Pensionsförsäkring AB	-	303,398	303,398	1.35%	0.44%
Försäkringsaktiebolaget Avanza	-	279,850	279,850	1.25%	0.40%
Bert-Åke Eriksson	-	271,687	271,687	1.21%	0.39%
Total, 10 largest	5,210,000	10,341,612	15,551,612	69.32%	90.07%
Other shareholders	-	6,881,853	6,881,853	30.68%	9.93%
Total shares outstanding	5,210,000	17,223,465	22,433,465	100.00%	100.00%
Repurchased shares	-	814,987	814,987		
Total shares registered	5,210,000	18,038,452	23,248,452		

Source: Euroclear and Serneke

Share class, number of shares and votes, September 30, 2020.

Share class	Shares	Votes
Series A shares	5,210,000.00	5,210,000.00
Series B shares	17,223,465.00	1,722,346.50
Total	22,433,465.00	6,932,346.50

FINANCIAL CALENDAR

Year-end report 2020	February 26, 2021
Interim Report January – March	May 6, 2021
Interim Report January – June	August 19, 2021
Interim Report January – September	November 10, 2021

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, November 5, 2020
Serneke Group AB (publ)

Board of Directors

Jan C. Johansson
Chairman

Mari Broman
Member

Ludwig Matsson
Member

Ola Serneke
CEO

Veronica Rörsgård
Member

Anna Belfrage
Member

Fredrik Alvarsson
Member

Per Åkerman
Member

For further information:

Michael Berglin, Deputy CEO
E-mail: Michael.berglin@serneke.se
Phone: +46 (0) 31 712 97 00

Anders Düring, CFO
E-mail: anders.antonsson@serneke.se
Phone: +46 (0)70 88 87 733

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 November 5, 2020, at 8:00 a.m.

REVIEW REPORT

Serneke Group AB (publ) Corp. ID No. 556669–4153

INTRODUCTION

We have performed a summary review of the interim financial information (interim report) for Serneke Group AB (publ) as of 30 September 2020 and the nine-month period ending on that date. The Board of Directors and the President are responsible for the preparation and presentation of this interim financial 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. Accordingly, we do not express an audit opinion.

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.

DISCLOSURES OF PARTICULAR IMPORTANCE

Without affecting our conclusion above, we would like to draw the reader's attention to the information provided in the interim report, partly under the section Financial position on page 5 regarding the credit framework at Nordea and partly under the section Significant risks and uncertainties on page 11. It is stated on page 5, that the Group does not comply with all covenant requirements regarding its credit line with Nordea of SEK 500 million. For this, Nordea has waived the covenant in the credit facility agreement. The waiver is valid until the next reference date, December 31, 2020. Under the section Significant risks and uncertainties, it is stated that the Group continuously assesses its liquidity situation and works continuously to improve this. Efforts to sell parts of the Group's project portfolio have been intensified to reduce the amount of capital tied up and to free up liquidity. It is the assessment of the Board of Directors that completing sales of project properties will raise sufficient liquidity to safeguard continued operation.

OTHER DISCLOSURES

The interim financial information for the period January 1, 2019 – September 30, 2019 was reviewed by another auditor who submitted an unmodified review report on October 25, 2019.

Gothenburg, November 5, 2020
PricewaterhouseCoopers AB

Ulrika Ramsvik
Authorized Public Accountant

Konstantin Belogorcev
Authorized Public Accountant

Principal auditor

QUARTERLY DATA AND MULTI-YEAR REVIEW

	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
SEK million	2020	2020	2020	2019	2019	2019	2019	2018
Income								
Sweden	1592	1,461	1,912	2,095	1421	1,661	1517	1,960
Invest	28	28	46	250	40	64	51	154
International	-	-	-	-	-	-	-	-
Group-wide	20	14	39	44	44	45	14	30
Eliminations	-142	-110	-183	-136	-129	-154	-102	-153
Total	1,498	1,393	1,814	2,253	1,376	1,616	1,480	1,991
Operating profit								
Sweden	-62	-134	-70	43	-2	26	21	60
Invest	-10	-4	-73	-118	2	-10	-8	454
International	-3	-3	-4	0	0	-1	0	-1
Group-wide	0	5	1	-12	2	-4	15	-6
Eliminations	-4	-3	-3	-10	-7	-11	-10	2
Total	-79	-139	-149	-97	-5	0	18	509
Operating margin, %	-5.3	-10.0	-8.2	-4.3	-0.4	0.0	1.2	25.6
Profit after net financial items	-82	-147	-154	-85	-30	-3	8	501
Profit/loss for the period	-66	-114	-106	-63	-27	-2	10	572
Balance sheet								
Fixed assets	757	779	678	661	941	910	1,106	1,094
Current assets	4,962	4,872	4,927	5,073	4,753	4,654	4,546	4,461
Total assets	5,719	5,651	5,605	5,734	5,694	5,564	5,652	5,555
Shareholders' equity	1,896	1,959	2,074	2,179	2,238	2,263	2,257	2,272
Non-current liabilities	1,245	1,262	1,430	1,719	1,615	1,669	1,573	1,289
Current liabilities	2,578	2,430	2,101	1,836	1,841	1,632	1,822	1,994
Total equity and liabilities	5,719	5,651	5,605	5,734	5,694	5,564	5,652	5,555
Orders								
Order bookings	961	1,851	2,975	2,969	1,792	2,663	1,177	1,000
Order backlog	10,623	11,072	10,576	8,943	7,662	7,149	5,973	6,382
Employees								
Average number of employees	1,180	1,202	1,195	1,153	1,173	1,178	1,134	1,110

KEY INDICATORS

IFRS-based key indicators

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2020	Jan-Dec 2019
Income	1,498	1,376	4,705	4,472	6,958	6,725
Earnings per share, SEK, before dilution	-2.94	-1.20	-12.75	-0.85	-15.56	-3.66
Earnings per share, SEK, after dilution	-2.94	-1.20	-12.75	-0.85	-15.56	-3.66
Weighted average number of shares before dilution	22,433,465	22,433,465	22,433,465	22,433,465	22,433,465	22,433,465
Weighted average number of shares after dilution	22,465,800	22,525,801	22,476,579	22,584,246	22,477,926	22,558,676

Other key indicators

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2020	Jan-Dec 2019
Operating profit	-79	-5	-367	13	-464	-84
Growth, %	8.9	1.3	5.2	-1.2	7.7	3.2
Order bookings	961	1,792	5,787	5,632	8,756	8,601
Order backlog	10,623	7,662	10,623	7,662	10,623	8,943
Organic growth, %	8.9	1.3	5.2	-1.2	7.7	3.2
Operating margin, %	-5.3	-0.4	-7.8	0.3	-6.7	-1.2
Cash flow before financing	-160	-194	-564	-803	-195	-434
Cash flow from operations per share, before dilution	-7.44	-7.31	-24.78	-32.45	-21.08	-28.75
Cash flow from operations per share, after dilution	-7.44	-7.31	-24.78	-32.45	-21.08	-28.75
Equity per share, SEK, before dilution	84.52	99.76	84.52	99.76	84.52	97.13
Equity per share, SEK, after dilution	84.52	99.55	84.52	99.55	84.52	96.92
Working capital	2,384	2,912	2,384	2,912	2,384	3,237
Capital employed	3,667	3,813	3,667	3,813	3,667	3,602
Return on capital employed, %	-12.2	16.7	-12.2	16.7	-12.2	-2.2
Return on equity after taxes, %	-16.9	27.9	-16.9	27.9	-16.9	-3.7
Equity/assets ratio, %	33.2	39.3	33.2	39.3	33.2	38.0
Net debt	1,640	1,540	1,640	1,540	1,640	1,224
Net debt/equity ratio, %	86.5	68.8	86.5	68.8	86.5	56.2
Net debt/EBITDA	-4.1	2.7	-4.1	2.7	-4.1	-36.0

SUMMARY FINANCIAL STATEMENTS

SUMMARY OF CONSOLIDATED INCOME STATEMENT

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Income	1,498	1,376	4,705	4,472	6,958	6,725
Production and administration expenses	-1,563	-1,363	-5,027	-4,408	-7,239	-6,620
Gross profit	-65	13	-322	64	-281	105
Sales and administration expenses	-19	-22	-57	-59	-195	-197
Share in profit of associates and joint ventures	5	4	12	8	12	8
Operating profit	-79	-5	-367	13	-464	-84
Net financial items	-3	-25	-16	-39	-4	-27
Profit after financial items	-82	-30	-383	-26	-468	-111
Tax	16	3	97	7	119	29
Profit/loss for the period	-66	-27	-286	-19	-349	-82
Attributable to:						
Parent Company shareholders	-66	-27	-286	-22	-349	-85
Non-controlling interests	0	0	0	3	0	3
Earnings per share before dilution, SEK	-2.94	-1.20	-12.75	-0.85	-15.56	-3.66
Earnings per share after dilution, SEK	-2.94	-1.20	-12.75	-0.85	-15.56	-3.66
Average number of shares before dilution	22,433,465	22,433,465	22,433,465	22,433,465	22,433,465	22,433,465
Average number of shares after dilution	22,465,800	22,525,801	22,476,579	22,584,246	22,477,926	22,558,676

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Profit/loss for the period	-66	-27	-286	-19	-349	-82
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income	-66	-27	-286	-19	-349	-82

CONDENSED CONSOLIDATED BALANCE SHEET

SEK million	Sep 30 2020	Sep 30 2019	Dec 31 2019
Assets			
<i>Fixed assets</i>			
Intangible fixed assets	23	23	23
Other tangible fixed assets	391	243	298
Investments in associates/joint ventures	148	140	145
Non-current interest-bearing receivables	50	35	37
Other non-current receivables	145	500	158
Total fixed assets	757	941	661
<i>Current assets</i>			
Project and development properties	3,325	3,352	3,274
Inventories	1	1	1
Accounts receivable	922	845	825
Accrued but not invoiced income	479	395	560
Other current receivables	154	160	251
Cash and bank balances	81	0	162
Total current assets	4,962	4,753	5,073
Total assets	5,719	5,694	5,734
Equity and liabilities			
Shareholders' equity	1,896	2,238	2,179
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	860	1,176	962
Other non-current liabilities	149	152	162
Deferred tax liability	31	150	128
Other provisions	205	137	183
Total non-current liabilities	1,245	1,615	1,435
<i>Current liabilities</i>			
Current interest-bearing liabilities	911	399	461
Current tax liabilities	-	8	12
Accounts payable	913	840	958
Invoiced but not accrued income	490	402	347
Other current liabilities	264	192	342
Total current liabilities	2,578	1,841	2,120
Total equity and liabilities	5,719	5,694	5,734

SUMMARY OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

SEK million	Sep 30 2020	Sep 30 2019	Dec 31 2019
Equity attributable to Parent Company shareholders			
Balance at beginning of period	2,179	2,272	2,272
Share-related compensation	3	11	15
Conversion, convertible debenture loans	-	-1	-1
Transactions with non-controlling interests	-	4	4
Changed accounting policy	-	-25	-25
Comprehensive income for the period	-286	-22	-85
Non-controlling interests			
Acquisition of non-controlling interests	-	-4	-4
Comprehensive income for the period	-	3	3
Balance at end of period	1,896	2,238	2,179

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
<i>Operating activities</i>						
Cash flow before change in working capital	-85	-42	-348	-80	-320	-52
Change in working capital	-82	-122	-208	-648	-153	-593
Cash flow from operating activities	-167	-164	-556	-728	-473	-645
<i>Investing activities</i>						
Increase/decrease in investing activities	7	-30	-8	-75	278	211
Cash flow from investing activities	7	-30	-8	-75	278	211
Cash flow before financing	-160	-194	-564	-803	-195	-434
<i>Financing activities</i>						
Newly raised borrowings	31	2	354	203	597	446
Amortization of liabilities	-21	-16	-296	-17	-537	-258
Increase/decrease in financing activities	157	208	425	228	216	19
Cash flow from financing activities	167	194	483	414	276	207
Cash flow for the period	7	0	-81	-389	81	-227
Cash and cash equivalents at beginning of period	74	0	162	389	0	389
Cash and cash equivalents at end of the period	81	0	81	0	81	162

PARENT COMPANY CONDENSED INCOME STATEMENT

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Income	22	46	71	134	114	178
Sales and administration expenses	-19	-41	-72	-134	-130	-192
Operating profit	3	5	-1	0	-16	-14
Net financial items	-27	-27	-95	-51	-135	-91
Profit after financial items	-24	-22	-96	-51	-151	-105
Appropriations	-	-	-	-	-	-
Profit/loss before tax	-24	-22	-96	-51	-151	-105
Tax	3	2	18	7	14	3
Profit/loss for the period	-21	-20	-78	-44	-137	-102

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2019/2020	Jan-Dec 2019
Profit/loss for the period	-21	-20	-78	-44	-137	-102
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income	-21	-20	-78	-44	-137	-102

PARENT COMPANY CONDENSED BALANCE SHEET

SEK million	Sep 30 2020	Sep 30 2019	Dec 31 2019
Assets			
<i>Fixed assets</i>			
Tangible fixed assets	9	13	13
Investments in Group companies	304	223	300
Investments in associates and joint ventures	-	11	-
Deferred tax assets	31	17	13
Other non-current receivables	3	5	3
Total fixed assets	347	269	329
<i>Current assets</i>			
Project and development properties	2	2	2
Other current receivables	1,615	1,828	1,726
Cash and bank balances	-	-	66
Total current assets	1,617	1,830	1,794
Total assets	1,964	2,099	2,123
Equity and liabilities			
Shareholders' equity	341	472	417
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	724	698	699
Other provisions	2	1	2
Total non-current liabilities	726	699	701
<i>Current liabilities</i>			
Current interest-bearing liabilities	183	226	10
Accounts payable	16	14	20
Other current liabilities	698	688	975
Total current liabilities	897	928	1,005
Total equity and liabilities	1,964	2,099	2,123

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 Interim Report has been prepared in accordance with the same accounting principles and calculation methods as in the 2019 Annual Report, with the addition of IAS 20 as detailed below. For detailed information regarding accounting policies, see Serneke's 2019 Annual Report, see www.serneke.se.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

In connection with the corona pandemic, Serneke has received government support, mainly in the form of opportunities to defer payments of taxes and fees, temporarily reduced employer contributions, support for short-term work, as well as compensation for sick pay expenses. Serneke has chosen to report support for short-term work and sick pay expenses under Other income (SEK 11 million). These items are included in the accounts when it is reasonably certain that these grants will be received and that any conditions for the grants have been met. Payments of taxes and fees were deferred in the amount of SEK 275 million, which is reported under current interest-bearing liabilities.

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 2019 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	Sep 30	Dec 31
	2020	2019	2019
Financial assets			
Available-for-sale financial assets*	2	2	2
Total financial assets	2	2	2
Financial liabilities			
Other short- and long-term liabilities	23	33	23
Of which, additional purchase considerations**	23	33	23
Total financial liabilities	23	33	23

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

** 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. 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	Sep 30	Dec 31
Group	2020	2019	2019
Pledged assets	1,917	2,089	2,044
Contingent liabilities	244	473	350
Parent Company			
Pledged assets	500	500	500
Contingent liabilities	2,343	2,341	2,262

Note 4 – Breakdown of income

Jul-Sep 2020, SEK million	Sweden	Invest	International	Group-wide	Eliminations	Total
Construction income	1,525	16	-	-	-122	1,419
Sale of properties and development rights	62	-	-	-	-	62
Rental income	0	3	-	3	-3	3
Other income	5	9	-	17	-17	14
Total income	1,592	28	0	20	-142	1,498

Date of income recognition:

At a specific time	67	9	-	17	-17	76
Over time	1,525	19	-	3	-125	1,422
Total income	1,592	28	0	20	-142	1,498

Jul-Sep 2019, SEK million	Sweden	Invest	International	Group-wide	Eliminations	Total
Construction income	1,419	20	-	0	-85	1,354
Sale of properties and development rights	-	3	-	-	-	3
Rental income	0	5	-	-	-	5
Other income	2	12	-	44	-44	14
Total income	1,421	40	0	44	-129	1,376

Date of income recognition:

At a specific time	2	15	-	44	-44	17
Over time	1419	25	0	-	-85	1,359
Total income	1,421	40	0	44	-129	1,376

Jan-Sep 2020, SEK million	Sweden	Invest	International	Group-wide	Eliminations	Total
Construction income	4,482	71	-	-	-362	4,191
Sale of properties and development rights	466	-	-	-	-	466
Rental income	0	6	-	9	-9	6
Other income	17	25	-	62	-62	42
Total income	4,965	102	0	71	-433	4,705

Date of income recognition:

At a specific time	483	25	-	62	-62	508
Over time	4,482	77	-	9	-371	4,197
Total income	4,965	102	0	71	-433	4,705

Jan-Sep 2019, SEK million	Sweden	Invest	International	Group-wide	Eliminations	Total
Construction income	4584	93	-	-	-282	4,395
Sale of properties and development rights	-	3	-	-	-	3
Rental income	0	14	-	-	-	14
Other income	15	45	-	103	-103	60
Total income	4,599	155	0	103	-385	4,472
Date of income recognition:						
At a specific time	15	48	-	103	-103	63
Over time	4,584	107	-	-	-282	4,409
Total income	4,599	155	0	103	-385	4,472

Construction income

Income from contracting agreements is reported in accordance with IFRS 15 *Revenue from Contracts with Customers*, either by fulfilling the performance undertaking over time (that is, gradually) or at one specific time. 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.

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 leasing. 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																																																	
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.																																																	
Calculation of organic growth																																																			
		<table border="1"> <thead> <tr> <th></th> <th>Jul-Sep 2020</th> <th>Jul-Sep 2019</th> <th>Jan-Sep 2020</th> <th>Jan-Sep 2019</th> <th>Oct-Sep 2020</th> <th>Jan-Dec 2019</th> </tr> </thead> <tbody> <tr> <td>Income current period</td> <td>1,498</td> <td>1,376</td> <td>4,705</td> <td>4,472</td> <td>6,958</td> <td>6,725</td> </tr> <tr> <td>Income corresponding to previous period</td> <td>1,376</td> <td>1,359</td> <td>4,472</td> <td>4,525</td> <td>6,463</td> <td>6,516</td> </tr> <tr> <td>Income change</td> <td>122</td> <td>17</td> <td>233</td> <td>-53</td> <td>495</td> <td>209</td> </tr> <tr> <td>Adjustment for structural effect</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Total organic growth</td> <td>122</td> <td>17</td> <td>233</td> <td>-53</td> <td>495</td> <td>209</td> </tr> <tr> <td>Total organic growth (%)</td> <td>8.9%</td> <td>1.3%</td> <td>5.2%</td> <td>-1.2%</td> <td>7.7%</td> <td>3.2%</td> </tr> </tbody> </table>		Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2020	Jan-Dec 2019	Income current period	1,498	1,376	4,705	4,472	6,958	6,725	Income corresponding to previous period	1,376	1,359	4,472	4,525	6,463	6,516	Income change	122	17	233	-53	495	209	Adjustment for structural effect	0	0	0	0	0	0	Total organic growth	122	17	233	-53	495	209	Total organic growth (%)	8.9%	1.3%	5.2%	-1.2%	7.7%	3.2%
	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 2020	Jan-Dec 2019																																													
Income current period	1,498	1,376	4,705	4,472	6,958	6,725																																													
Income corresponding to previous period	1,376	1,359	4,472	4,525	6,463	6,516																																													
Income change	122	17	233	-53	495	209																																													
Adjustment for structural effect	0	0	0	0	0	0																																													
Total organic growth	122	17	233	-53	495	209																																													
Total organic growth (%)	8.9%	1.3%	5.2%	-1.2%	7.7%	3.2%																																													
Order bookings	The value of new projects and changes in existing projects during the period.	In the Company's view, this key indicator allows investors, who so wish, to assess the Company's sales in Business Area Contracting 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, this key indicator allows investors, who so wish, to assess the Company's income in Business Area Contracting over upcoming 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.																																																	
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.	In the Company's view, this key indicator allows investors, who so wish, to assess the total capital placed at the Company's disposal by shareholders and creditors.																																																	
Calculation of capital employed																																																			
		<table border="1"> <thead> <tr> <th></th> <th>Sep 30 2020</th> <th>Sep 30 2019</th> <th>Dec 31 2019</th> </tr> </thead> <tbody> <tr> <td>Total assets</td> <td>5,719</td> <td>5,694</td> <td>5,734</td> </tr> <tr> <td>Deferred tax assets</td> <td>-</td> <td>-</td> <td>-</td> </tr> </tbody> </table>		Sep 30 2020	Sep 30 2019	Dec 31 2019	Total assets	5,719	5,694	5,734	Deferred tax assets	-	-	-																																					
	Sep 30 2020	Sep 30 2019	Dec 31 2019																																																
Total assets	5,719	5,694	5,734																																																
Deferred tax assets	-	-	-																																																

Indicator	Definition	Purpose		
	Less non-interest-bearing liabilities including deferred tax liabilities	-2,052	-1,881	-2,132
	Capital employed	3,667	3,813	3,602
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.		
		Sep 30	Sep 30	Dec 31
	Calculation of average capital employed	2020	2019	2019
	Sep 30, 2020 (3,667) + Sep 30, 2019 (3,813) / 2	3,740		
	Sep 30, 2019 (3,813) + Sep 30, 2018 (2,776) / 2		3,295	
	Dec 31, 2019 (3,602) + Dec 31, 2018 (3,264) / 2			3,433
		Sep 30	Sep 30	Dec 31
	Calculation of return on capital employed	2020	2019	2019
	Profit after net financial items	-468	476	-111
	Plus financial expenses	11	73	39
	Average capital employed	3,740	3,295	3,433
	Return on capital employed	-12.2%	16.7%	-2.1%
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	Sep 30	Dec 31
			Calculation of average shareholders' equity	2020	2019	2019
			Sep 30, 2020 (1,896) + Sep 30, 2019 (2,238) / 2	2,067		
			Sep 30, 2019 (2,238) + Sep 30, 2018 (1,721) / 2		1,980	
			Dec 31, 2019 (2,179) + Dec 31, 2018 (2,272) / 2			2,226
				Sep 30	Sep 30	Dec 31
			Calculation of return on shareholders' equity	2020	2019	2019
			Profit/loss for the period	-349	553	-82
			Average shareholders' equity	2,067	1,980	2,226
Return on equity	-16.9%	27.9%	-3.7%			
Equity/assets ratio	Shareholders' equity less minority interests as a percentage of total assets.	The equity/assets ratio shows the proportion of total assets represented by shareholders' equity and has been included to allow investors to be able to assess the Company's capital structure.				
Net debt	Interest-bearing liabilities less liquid assets less interest-bearing receivables.	Net debt is a measure deemed relevant for creditors and credit rating agencies.				
Net debt/equity ratio	Interest-bearing net debt divided by shareholders' equity.	Net debt/equity ratio is a measure deemed relevant for creditors and credit rating agencies.				
EBITDA	Operating profit excluding amortization/depreciation.	EBITDA is a measure deemed to provide investors a better understanding of the company's earnings.				
				Sep 30	Sep 30	Dec 31
			Calculation of EBITDA	2020	2019	2019
			Operating profit	-464	522	-84
			Depreciation	62	44	50
EBITDA	-402	566	-34			
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 growing corporate group providing comprehensive services in contracting and project development with more than 1,100 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)

Headquarters:

Kvarnbergsgatan 2

SE-411 05 Gothenburg

Phone: +46 (0)31-712 97 00 | info@serneke.se

Presentation of the Interim Report for January–September 2020

At 9:00 a.m. (CET) on November 5, 2020, 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-q3-2020>. Presentation materials for the presentation will be available on the website one hour before the webcast begins.

To participate, please dial: +46 8 56 64 26 93