

Continued strong and profitable growth without signs of slowdown

JULY-SEPTEMBER 2017

- Income amounted to SEK 1,271 million (802), an increase of 58 percent
- Operating profit amounted to SEK 67 million (65) and the operating margin was 5.3 percent (8.1)
- Net profit amounted to SEK 51 million (52)
- Earnings per share after dilution amounted to SEK 2.18 (2.95)
- Operating income for the contracting operations amounted to SEK 45 million (12) and operating margin to 3.6 percent (1.5)
- Cash flow from operating activities amounted to SEK 84 million (negative 59)
- Order bookings amounted to SEK 691 million (920)

JANUARY-SEPTEMBER 2017

- Income amounted to SEK 3,873 million (2,712), an increase of 43 percent
- Operating profit amounted to SEK 209 million (377) and the operating margin was 5.4 percent (13.9)
- Net profit amounted to SEK 171 million (368)
- Earnings per share after dilution amounted to SEK 7.31 (20.91)
- The equity/assets ratio was 42.1 percent (28.8)
- Cash flow from operating activities amounted to SEK 185 million (97)
- Order bookings amounted to SEK 4,502 million (3,889)
- The order backlog loss amounted to SEK 7,765 million (6,629)

Ola Serneke, President and CEO, comments on operations during the third quarter of 2017:

The Serneke Group is experiencing growth in all four business areas and showed 58 percent growth in the third quarter. Income increased to SEK 1,271 million (802), with an operating profit of SEK 67 million (65). The earnings include changes in value of investment properties of SEK 11 million (42). The largest increase is in the Construction business area, which increased income just in the quarter alone by 63 percent to SEK 1,113 million (683) with a continued improved operating margin of 3.8 percent (2.8). It is also very gratifying to see the Civil Engineering business area increase income by 16 percent to SEK 140 million (121) and with positive earnings in the quarter of SEK 3 million (loss 7), the business area has now definitely reversed the previously negative trend.

With over 90 percent of the Group's income generated from the contracting operations, it is extremely pleasing to see both Construction and Civil Engineering now showing strong and profitable growth in line with our expectations. This creates the right conditions and stability for the entire Group. In both Construction and Civil Engineering, we are experiencing good demand without signs of slowdown. Even though our industry has produced more housing in recent years than previously, there is a long road ahead in addressing the accumulated deficit created over time by population increase and urbanization. Add to this the major necessary investments in infrastructure and public properties as well as a fundamentally favorable economic situation, and our assessment is that conditions are in place for continued demand.

The positive development in the contracting operations also increased cash flow from operating activities, which amounted to SEK 84 million (negative 59) during the period. With continued strong

cash flow and an equity/assets ratio of 42.1 percent (28.8), we are well-equipped for continued expansion. The number of employees is approaching a thousand, amounting to 970 (800) at the end of the period. Retaining our committed employees and bringing in new talent remains our biggest and most important challenge.

Order backlog for long-term sustainable growth

The Construction business area has in recent years made a conscious effort to prioritize the market for large projects, which we consider to be the right strategy from a long-term business perspective. Large contracts increase the order backlog duration and build long-term relationships with our customers, giving us more time to plan in advance, as well as counteracting possible effects of cyclical fluctuations in a cyclically-oriented industry. Today, 50 percent of the value in Construction's order backlog of SEK 7.3 billion is built up of projects with an order value of more than SEK 300 million. For projects with an order value of more than 100 SEK million, the figure is 88 percent. The majority of our customers are in the public sector and the remainder consists almost exclusively of major reputable property companies. The products we deliver are primarily rental properties and public properties.

For us, the composition of the order backlog is a strategic choice to ensure that the Group's long-term growth has a stable foundation.

The order bookings of SEK 691 million for the current quarter are lower than the previous year (920), as a consequence of longer lead times in the procurement of large projects. The order backlog's structure should therefore be reviewed over a longer time cycle to allow for a relevant comparison.

We are also seeing a clear trend towards increased collaboration on large projects and more and more procurement in the form of partnering or collaborative contracts where we and the client develop the project together. This entails lower risk for us and better conditions for ensuring that the end product exceeds customer expectations in both quality and price. More than 25 percent of the total order backlog currently consists of this type of agreement.

More of our own projects entering the market

Since 2015, the Project Development business area has focused on building an organization and developing a risk-adjusted project portfolio. In 2017, we have begun to see the effects of these efforts in the form of income in the current quarter increasing to SEK 56 million (11). In addition to the unique Karlastaden project in Gothenburg, a number of projects in places such as Helsingborg, Trollhättan, Borås and Landskrona are entering the market. The strategy is and has always been to engage in projects at the right price and in good locations in terms of long-term market value. We have avoided speculative bidding and instead focused on projects where our know-how and the workings of the projects align well, such as in municipal land-use competitions or in cooperation agreements with private landowners.

At a time when parts of the market, mainly the premium segments in and around Stockholm/Mälardalen, are adjusting after a time of significant supply, we in general see no diminished demand for the right projects in the right places. Project Development has a number of ongoing projects on the market, where preliminary interest has given positive indications, but even more positive for the Serneke Group is the fact that we have not invested more initially than that we are able to be selective with where and when we choose to start producing.

I consider this part of the strength of Group collaboration and the overall offering in our four business areas. Having fundamentally healthy and stable contracting operations of our own in combination with the development of our own properties allows us to decide when and how we invest our efforts.



Presentation of the Interim report January–September 2017

On October 27, 2017 at 09:00 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 www.serneke.group. Presentation materials for the presentation will be available on the website one hour before the webcast begins.

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This information is such that Serneke is required to disclose under the EU Market Abuse Regulation. The information was submitted under the auspices of the contact person stated above, for publication on October 27, 2017 at 8:00 a.m. CET.

Serneke is a rapidly growing corporate group active in construction, civil engineering, project development and property management. The Group was founded in 2002 and has today about 1000 employees. Through novel thinking, the Company drives development and create more effective and more innovative solutions for responsible construction. The Company builds and develops housing, commercial buildings, industrial facilities, public buildings, roads and civil engineering projects, and other infrastructure. The Company's customers are public and commercial clients and operations are focused on the three metropolitan regions in Sweden, Gothenburg (Region West), Stockholm (Region East) and Malmö (Region South). Serneke's headquarters are located in Gothenburg and the Company also has offices in Stockholm, Malmö, Helsingborg, Borås, Halmstad, Strömstad, Trollhättan, Varberg and Alingsås. The Company's Series B shares (SRNKE) have been listed on the Nasdaq Stockholm exchange since November 2016.

Further information about Serneke is available at www.serneke.group