



Orgelpipan 4,
Stockholm

Zengun Group AB (publ)

INTERIM REPORT FOR 1 JANUARY TO 31 MARCH 2023

Q1

“Despite the deteriorated market conditions, Zengun continued its strong growth with a high rate of production in the first three months of the year.”

Mick Salonen, *President and CEO*

FIRST QUARTER

- **Net turnover** amounted to MSEK 688.6 (596.9)
- **EBITDA** totalled MSEK 31.9 (30.4), corresponding to an EBITDA margin of 4.6% (5.1)
- **Earnings before tax** amounted to MSEK 16.4 (15.8)
- **Operating cash flow** was MSEK 32.9 (57.4)
- **Orders received** totalled MSEK 537.6 (847.9)
- **The order book** amounted to MSEK 3,482.2 (3,490.8)

GROUP	Jan-Mar		LTM	Fullyear
	2023	2022	Apr-Mar	2022
Amounts in MSEK, unless otherwise stated				
Net turnover	688,6	596,9	2 560,4	2 468,8
EBITDA	31,9	30,4	104,0	102,5
EBITDA margin (%)	4,6	5,1	4,1	4,2
EBIT	27,5	26,4	87,6	86,5
EBIT margin (%)	4,0	4,4	3,4	3,5
Earnings for the period	11,8	12,3	31,6	32,1
Operating cash flow	32,9	57,4	49,6	74,1
Net debt	321,4	364,5	321,4	346,8
Debt/equity ratio (%)	77,2	94,6	77,2	85,7
Equity ratio (%)	29,8	28,7	29,8	27,8
Orders received	537,6	847,9	2 547,4	2 857,6
Order backlog	3 482,2	3 490,8	3 482,2	3 633,1

Statement by the CEO

Secure position despite economy

Construction in Sweden is more expensive than it has been for many years. The annual rate of cost increases has not been this high since the 1970s. Interest rate hikes that have impacted our customers comprise the main cost driver, but rising costs for electricity, fuel and transportation have also adversely impacted prices. Several projections forecast a tough year for the construction and civil engineering industry in 2023.

Despite the deteriorated market conditions, Zengun continued its strong growth with a high rate of production in the first three months of the year. Demand remains high for commercial properties in Stockholm and the Mälardalen region, which have long been our focus areas and where we are a well-established construction contractor.

At Zengun, we prioritise our customers' needs and how we can best meet them, and during an economic downturn, it is even more critical that we adapt and navigate based on the preconditions. Our project-centric organisation, free from heavy overheads and with short decision-making paths, engenders a stability that enables us to continue investing in our organisation. To date this year, we have welcomed another nine employees, including four trainees, who are currently working in different roles in the projects.

New talent to the sector

Skills supply poses a major challenge for the sector and we are making every effort to attract more people to the construction sector. Zengun is already heavily involved in Tekniksprånget, which aims to attract young talent to the engineering profession. In the spring, we participated in labour market days at KTH Royal Institute of Technology and the higher vocational college Nackademin, which attracted more students to our popular trainee programme. Taking our responsibility means we attract young, hungry employees who make a good complement to our more experienced and long-standing teams.

Combating crime in the labour market

Zengun applies structured efforts to combat crime and fraud in the construction sector. Our prime duties as the main contractor include ensuring compliance with laws and regulations. Accordingly, we conducted a number of site inspections in the first quarter to follow up conditions at our construction sites and to ensure that we have control over all subcontractors.

I'm pleased to see the new initiative to detect and stop work-related crime, A-krimcenter. It's based on a Norwegian model, where state agencies better coordinate their registers and share more information with each other.

Strong financial position

Over the most recent quarters, Zengun has consistently bought back its own bonds. We continued on this path in the first quarter of the year and bought back bonds representing a nominal amount of MSEK 20, thereby reducing our gross debt and our interest expenses.

I am convinced that the best way to meet a recession is to have the courage to continue building. On summarising the quarter, we have noted continued confidence from our customers, which means we can continue to grow.

Mick Salonen
President and CEO



"I am convinced that the best way to meet a recession is to have the courage to continue building. On summarising the quarter, we have noted continued confidence from our customers, which means we can continue to grow."

Operations and financial performance

OPERATIONS

The company is a wholly owned subsidiary of Zengun Group Parent AB (Corp. Reg. No. 559198-4629), which is privately owned.

Operations are conducted in the Group's two wholly owned subsidiaries: Zengun AB and Zengun Redo AB (previously Roland Anderssons Bygg Aktiefbolag).

Zengun AB was founded in 2009 and is today a leading contractor for major and complex construction projects in Stockholm and the Mälardalen region. The projects are carried out on behalf of major, well-known customers in the real estate industry and are mainly conducted in a project partnering format. The typical duration of a project is over one to three years. The company is active in new construction and the ROT (renovation, remodelling and extension) segment. While the majority of the projects comprise new construction or remodelling of commercial properties, the company also builds residential and public buildings.

The operations of Zengun Redo AB (Zengun re:do) encompass smaller contracts and construction services in Stockholm and the Mälardalen region.

FINANCIAL PERFORMANCE FOR THE FIRST QUARTER

Net turnover

Net turnover amounted to MSEK 688.6 (596.9), up MSEK 91.6 year-on-year. The rise was the result of strong orders received in 2021 and 2022 with many of our major projects in the middle of intense production phases.

Earnings

EBITDA was MSEK 31.9 (30.4). The EBITDA margin was 4.6% as compared with 5.1% in the corresponding quarter last year. Earnings and margins varied over the quarter and were affected, among other things, by any project bonuses that accrue to Zengun at a project's completion stage. Where it is difficult to assess bonus criteria fulfilment and thus the bonus outcome, this revenue is recognised if and when it accrues rather than over time.

Sales and administrative expenses amounted to MSEK 14.1 (11.1). The expenses corresponded to 2.0% (1.9) of net turnover.

The EBIT margin was 4.0% (4.4).

Net financial items

Net financial items for the quarter amounted to an expense of MSEK 11.0 (expense: 10.6) and pertained primarily to interest expenses on bonds. Raised interest rates have entailed increased interest expenses, while acquisitions of own bonds have had a positive impact on the company's interest expenses.

Earnings before and after tax

Earnings before tax were MSEK 16.4 (15.8) and after tax amounted to MSEK 11.8 (12.3).

Operating cash flow

Operating cash flow amounted to MSEK 32.9 (57.4) and has, in addition to earnings for the quarter, also positively impacted change in working capital. Operating cash flow before change in working capital was MSEK 14.2 (19.5).

Liquidity and financial position at the balance-sheet date

Net debt amounted to MSEK 321.4 (364.5) and has declined as a result of an improved EBIT and reduced interest expenses. Cash and cash equivalents totalled MSEK 148.8 (172.9). An approved bank overdraft facility of MSEK 75.0 had not been utilised as of the balance-sheet date.

Total assets at the end of the period amounted to MSEK 1,394.9 (1,340.3), of which MSEK 776.7 (788.6) pertained to intangible assets. Current assets totalled MSEK 603.5 (541.7), of which MSEK 232.6 (147.6) pertained to accounts receivable.

At the balance-sheet date, the equity ratio was 29.8% (28.7). At the end of the period, equity totalled MSEK 416.4 (385.2).

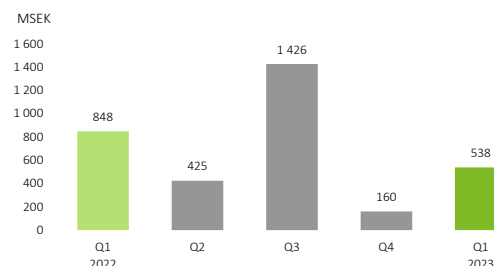
The objective of the capital structure is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The objective is also to maintain an optimal capital structure to keep capital costs down.

In 2021 and 2022, the Parent Company bought back its own bonds to reduce capital costs. Holdings at the balance-sheet date totalled a nominal amount of MSEK 145.0 (75.0). Zengun is continuing to evaluate the company's need for cash and cash equivalents, given the requirements of the company's operations, scope and risks.

Orders received

In the first quarter, orders received amounted to MSEK 538 (848), which was a year-on-year decrease of MSEK 310. Orders received for the last 12 months totalled MSEK 2,547.

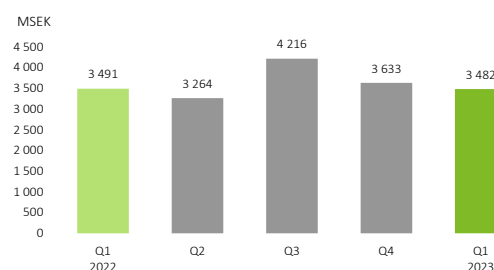
Orders received



Order book

At the end of the period, the order book amounted to MSEK 3,482 (3,491), down slightly on last year.

Order book



PARENT COMPANY

The Parent Company has its registered office in Stockholm and conducts no construction activities. EBIT for the quarter amounted to a loss of MSEK 0.3 (0.0). Net turnover pertains to debits to Group companies.

EMPLOYEES

The Group is dependent on its ability to attract and retain highly skilled and experienced employees. At the close of the period, the Group had 151 (139) employees, of whom 50 (43) were women. The breakdown between white-collar and blue-collar workers was 134/17 (118/21).

SHARE AND OWNERSHIP STRUCTURE

Related-party transactions in the Group and Parent Company

No related-party transactions with a material impact on the Group's earnings or financial position took place during the period.

SEASONAL VARIATIONS

The operations are not subject to any seasonal impact, though the Group is positively affected by months with many working days and no holiday periods.

MATERIAL RISKS AND UNCERTAINTIES

Through its operations, the Group is exposed to operational and strategic risk as well as financial risk. Operational and strategic risk can include, inter alia, operational and liability risk in the form of warranties on work performed and environmental risk. The Zengun Group maintains ongoing dialogues with various stakeholders regarding warranties and environmental risks. Based on dialogues with these stakeholders and estimated probabilities, provisions of MSEK 3.1 (1.4) had been recognised at the end of the period to meet any future claims. Financial risk includes liquidity, interest-rate and currency risk. The company works continuously with risk identification and assessment.

Russia's invasion of Ukraine has impacted the global economy and uncertainty has arisen linked to rising energy and commodity prices, delivery delays and input good shortages, which will continue to affect construction projects for some time. The war has impacted the world economy and an economic downturn with high inflation together with growing interest rates poses a risk for Zengun as the business depends on property owners' willingness to invest. Zengun is

monitoring developments and maintaining continuous dialogues with customers, suppliers and subcontractors for ongoing projects as well as prior to submitting tenders.

The uncertainty regarding access to cement that has been hanging over the construction industry since 2021 has been alleviated in the short term following the decision made in December by the Land and Environmental Court to grant Cementa a four-year permit to continue and expand mining operations in Slite in Gotland. As a result, Sweden's cement supply has been safeguarded for the near future, which is decisive for a vibrant construction industry and, ultimately, the entire Swedish economy. At the same time, Cementa is working on an application for a permit for some 30 years of mining operations that would provide the prerequisites for securing a long-term cement supply.

OUTLOOK

The Group has not published any forecast for 2023. Zengun will continue to work towards the strategic and financial targets for 2025 provided in Zengun Group AB's Annual and Sustainability Report 2022.

SIGNIFICANT EVENTS IN THE FIRST QUARTER

- During the quarter, Zengun bought back the company's own bonds at a nominal amount corresponding to MSEK 20. The objective of the buy-back was to reduce the company's gross debt and interest expenses, and was made possible by the company's strong cash position. Following the buy-back, the company held a nominal amount of MSEK 145 of its own bonds.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- Ulf Jonsson, co-founder of Zengun, was elected at the AGM on 12 May as the new Chairman of the Board of Zengun Group AB (publ). Ulf succeeds Jan Örnevik who has chosen to step down. After the Annual General Meeting, the Board consists of a total of four members.
- Zengun and Atrium Ljungberg have signed a phase-1 agreement for the coming renovation and remodelling of Söderhallarna. The property currently has a GFA of approximately 38,000 square metres and during the process of vacating the building ahead of the renovation, Atrium Ljungberg is pursuing a detailed development plan for an extension of just over 3,000 square metres.
- Zengun and Förvaltaren have signed a collaboration agreement for the block Kvarnstugan in Ursvik. The project contains rental housing, shops, restaurants and community services, and is divided into two phases, project planning phase and implementation phase. Zengun and Förvaltaren will start the planning immediately and construction will start in 2023.

Stockholm, 25 May 2023

Mick Salonen
President and CEO

This interim report has not been subject to review by the company's auditors.

Consolidated income statement

Amounts in TSEK	Note	Jan-Mar		LTM	Fullyear
		2023	2022	Apr-Mar	2022
Net turnover	2	688 554	596 928	2 560 429	2 468 803
Production costs		-642 429	-555 669	-2 408 210	-2 321 450
Gross profit		46 125	41 260	152 219	147 353
Sales and administrative expenses		-14 054	-11 131	-49 152	-46 228
Other revenue		213	242	1 327	1 356
Other expenses		-4 817	-3 997	-16 790	-15 970
Operating profit		27 466	26 374	87 603	86 511
Financial income		1 013	0	1 572	560
Financial costs		-12 062	-10 615	-42 814	-41 367
Financial items - net		-11 049	-10 615	-41 242	-40 807
Earnings before tax		16 418	15 760	46 361	45 703
Taxes		-4 599	-3 431	-14 747	-13 579
EARNINGS FOR THE PERIOD		11 819	12 329	31 614	32 124

Consolidated statement of comprehensive income

Amounts in TSEK	Note	Jan-Mar		LTM	Fullyear
		2023	2022	Apr-Mar	2022
Earnings for the period		11 819	12 329	31 614	32 124
Total other comprehensive income for the period		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		11 819	12 329	31 614	32 124
Earnings for the period attributable to:					
Parent company's shareholders		11 819	12 329	31 614	32 124
Earnings per share before and after dilution, SEK	3	23 637	24 658	63 228	64 248
No. Of shares outstanding, opening balance		500	500	500	500
No. Of shares outstanding, closing balance		500	500	500	500

Consolidated statement of financial position

ASSETS

Amounts in TSEK	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
Fixed assets				
<i>Intangible assets</i>				
Customer relations		73 322	85 212	76 294
Trademarks		152 100	152 100	152 100
Goodwill		551 299	551 299	551 299
		776 720	788 610	779 693
<i>Property, plant and equipment (PPE)</i>				
Right-of-use assets		12 589	9 079	6 731
		12 589	9 079	6 731
<i>Financial fixed assets</i>				
Other long-term securities holdings		150	150	150
Other long-term receivables		928	718	928
Deferred tax assets		1 027	79	1 093
		2 105	946	2 170
Total fixed assets		791 415	798 636	788 594
Current assets				
Receivables due from customers under construction contracts		207 743	182 709	194 681
Accounts receivable		232 579	147 645	319 893
Receivables from Group companies		-	50	-
Deferred tax assets		7 104	14 509	5 681
Other receivables		5 092	20 677	5 391
Prepaid expenses and accrued income		2 238	3 130	1 259
Cash and Cash equivalents		148 770	172 946	137 317
Total current assets		603 526	541 666	664 223
TOTAL ASSETS		1 394 940	1 340 301	1 452 817

Consolidated statement of financial position, cont.

EQUITY AND LIABILITIES

Amounts in TSEK	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
EQUITY				
<i>Equity attributable to Parent Company's shareholders</i>				
Share capital		500	500	500
Other capital contributions		443 595	443 595	443 595
Retained earnings		-39 524	-71 225	-71 648
Earnings for the period		11 819	12 329	32 124
Total equity		416 389	385 198	404 571
LIABILITIES				
Long-term liabilities				
Bonds		453 312	520 937	473 031
Lease liabilities		6 521	4 556	2 468
Liabilities to group companies		-	186	-
Deferred tax liabilities		46 437	47 049	47 049
Other provisions		3 089	1 360	3 089
Total long-term liabilities		509 360	574 090	525 638
Current liabilities				
Bonds		8 854	8 067	8 547
Lease liabilities		5 236	3 917	3 667
Accounts payable		230 551	243 464	309 308
Tax liabilities		3 318	6 319	2 081
Other current liabilities		49 234	18 432	50 148
Invoiced, unearned revenue		118 694	53 527	95 345
Accrued expenses and deferred income		53 304	47 287	53 512
Total current liabilities		469 191	381 013	522 608
TOTAL EQUITY AND LIABILITIES		1 394 940	1 340 301	1 452 817

Consolidated statement of changes in equity

Attributable to Parent Company's shareholders

Amounts in TSEK	Note	Share capital	Other capital contributions	Retained earnings, including net profit	Total equity
Opening balance 1 January 2022		500	443 595	-71 225	372 870
Comprehensive income					
Net profit for the period				12 329	12 329
Other comprehensive income				-	-
Total comprehensive income				12 329	12 329
Closing balance 31 March 2022		500	443 595	-58 896	385 199
Opening balance 1 January 2023		500	443 595	-39 524	404 571
Comprehensive income					
Net profit for the period				11 819	11 819
Other comprehensive income				-	-
Total comprehensive income				11 819	11 819
Closing balance 31 March 2023		500	443 595	-27 706	416 389

Consolidated statement of cash flows

Amounts in TSEK	Note	Jan-Mar		LTM	Fullyear
		2023	2022	Apr-Mar	2022
Operating cash flow					
Operating profit		27 466	26 374	87 603	86 511
Adjustment för non-cash items					
Reversal of amortisation		4 384	3 997	16 357	15 970
Other non-cash items		-	-	1 729	1 729
Interest received		34	0	568	535
Interest paid		-12 321	-10 673	-41 234	-39 586
Tax paid		-5 331	-247	-10 809	-5 726
Operating cash flow before change in working capital		14 232	19 451	54 214	59 433
Change in working capital					
Increase/decrease from customers under construction contracts		-13 062	-63 249	-25 034	-75 221
Increase/decrease accounts payable		87 314	156 847	-84 934	-15 402
Increase/decrease other current receivables		935	-18 704	15 512	-4 128
Increase/decrease othercurrent liabilities		22 227	-34 600	102 767	45 941
Increase/decrease accounts payable		-78 756	-2 318	-12 912	63 525
Operating cash flow		32 889	57 425	49 612	74 149
Cash flow from investing activities					
Increase/decrease financial fixed assets		-	-	-200	-200
Cash flow from investing activities		-	-	-200	-200
Cash flow from financing activities					
Repayment of borrowings		-21 412	-988	-73 564	-53 140
Cash flow from financing activities		-21 412	-988	-73 564	-53 140
Cash flow for the period		11 477	56 437	-24 151	20 809
Opening cash and cash equivalents		137 317	116 509	172 946	116 509
Effects of exchange rate changes on cash and cash equivalents		-25	-	-25	-
Closing cash and cash equivalents		148 795	172 946	148 795	137 317

Parent Company income statement

Amounts in TSEK	Jan-Mar		LTM	Fullyear
	2023	2022	Apr-Mar	2022
Net turnover	3 510	-	14 110	10 600
Administrative expenses	-3 854	-46	-14 500	-10 692
Operating profit/loss	-344	-46	-390	-92
Interest income and similar profit and loss items	1 020	1 404	4 795	5 179
Interest expenses and similar profit and loss items	-11 647	-9 934	-41 113	-39 400
Financial items - net	-10 626	-8 529	-36 318	-34 221
Group contribution	-	-	94 300	94 300
Earnings before tax	-10 970	-8 576	57 593	59 987
Taxes	-5 146	-4 047	-14 519	-13 420
EARNINGS FOR THE PERIOD	-16 116	-12 623	43 074	46 567

Parent Company balance sheet

Amounts in TSEK	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
ASSETS				
Fixed assets		885 150	1 136 152	885 150
Current assets		50 706	38 833	96 801
TOTAL ASSETS		935 856	1 174 985	981 951
EQUITY AND LIABILITIES				
Equity		382 209	339 135	398 325
Long-term liabilities		534 312	748 937	554 031
Current liabilities		19 335	86 912	29 595
TOTAL EQUITY AND LIABILITIES		935 856	1 174 985	981 951

Notes

NOTE 1. ACCOUNTING POLICIES

Zengun applies the International Financial Reporting Standards (IFRS) as adopted by the EU.

This condensed interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the appropriate provisions of the Swedish Annual Accounts Act. The interim report for the Parent Company was prepared in accordance with recommendation RFR 2, Accounting for Legal Entities issued by the Swedish Financial Reporting Board and Chapter 9 of the Swedish Annual Accounts Act. The same accounting and calculation policies have been applied for the Group and the Parent Company as in the latest annual report for Zengun Group AB (publ).

In preparing the financial statements pursuant to IFRS, the Board of Directors and the Group management make assessments and assumptions that affect the Group's earnings and financial position, as well as published information in other respects. Assessments and assumptions are based on historical experience and are subject to regular review.

NOTE 2. OPERATING SEGMENTS

The operating segments have been determined based on the information reviewed by the Group management, and which is used for allocating resources to the segments. The Group management monitors data regarding turnover and EBIT for each operating company. These comprise the Group's operating segments.

Amounts in TSEK	Jan-Mar		LTM	Fullyear
	2023	2022	Apr-Mar	2022
Net turnover				
Project Partnering and Construction	626 081	555 027	2 256 827	2 185 773
Property Maintenance and Construction Services	62 472	41 901	303 602	283 030
Total	688 554	596 928	2 560 429	2 468 803
Operating profit (EBIT)				
Project Partnering and Construction	26 282	25 514	77 884	77 116
Property Maintenance and Construction Services	1 185	861	9 719	9 395
Total	27 466	26 374	87 603	86 511

NOTE 3. EARNINGS PER SHARE

Amounts in TSEK	Jan-Mar		LTM	Fullyear
	2023	2022	Apr-Mar	2022
Net profit/loss för the period attributable to the Parent company's sh	11 819	12 329	31 614	32 124
No. of shares outstanding, opening balance	500	500	500	500
No. of shares outstanding, closing balance	500	500	500	500
Average number of shares	500	500	500	500
Earnings per share before and after dilution, SEK	23 637	24 658	63 228	64 248

NOTE 4. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Amounts in TSEK

Group	31 Mar 2023	31 Mar 2022	31 Dec 2022
Pledged assets	800 698	812 581	772 163
Contingent liabilities and guarantee obligations	425 308	271 405	452 508
Parent Company			
Pledged assets	885 151	885 151	885 151
Contingent liabilities and guarantee obligations	386 920	237 604	417 420

NOTE 5. USE OF ALTERNATIVE PERFORMANCE MEASURES

Zengun presents certain financial metrics in the interim report that are not defined in accordance with IFRS. These are known as alternative performance measures. Zengun's considered opinion is that these metrics provide useful supplemental information to shareholders and the Group management, since they enable the evaluation of trends and the Group's performance. Since not all companies calculate financial metrics in the same manner, these metrics are not always comparable. Definitions of these metrics are provided in Zengun Group AB's Annual and Sustainability Report 2022.

FINANCIAL CALENDAR 2023

Interim report January–June 2023	24 August
Interim report January–September 2023	24 November

FOR MORE INFORMATION, PLEASE CONTACT:

Mick Salonen, President and CEO, +46 70 569 66 73
 Oskar Björklund, CFO, +46 79 072 84 57

This information is information that Zengun Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, on 25 May 2023 at 8:00 a.m. (CEST).



#zengunbyggerstaden

Driving projects drives Zengun. We operate in Stockholm and the Mälardalen region, in close collaboration with customers and always with the project and people in focus. We help property owners improve their property portfolios in each project by offering know-how and skills as a collaboration and sustainability partner throughout the entire lifespan of the project. We build commercial properties, with a mix of select public-sector properties and residential projects. We take the long term into consideration for our employees, customers and surroundings, and are constantly developing to make each project a reference project. In 2022, Zengun had sales of approximately SEK 2.5 billion and 150 employees.

