ANNUAL REPORT
2016

REPORT OF THE DIRECTORS

The Board of Directors and the President of Skanska Financial Services AB (publ) hereby submit their report on the operations of both the company and the Group in 2016.

Business activities
Skanska Financial Services AB (SFS) is a wholly owned subsidiary of Skanska AB (publ) (556000-4615), which has its registered office in Stockholm municipality. Skanska AB is listed on Nasdaq Stockholm, Large Cap list. SFS has listed bonds in the form of medium-term notes (MTN) on Nasdaq.

Financing activities
SFS provides support functions to Skanska AB and the Skanska Group's Business Units. SFS coordinates the Skanska Group's relationships with financial markets and institutions. SFS is responsible for managing Skanska Group's borrowing and for making sure that the Group has sufficient liquidity. SFS coordinates and executes operational financial transactions for the Business Units.

Busines activities are conducted within strictly regulated frameworks established by the Group's Board of Directors. SFS secures solutions or negotiates contract guarantees, insurance and financing for projects. SFS also manages risks associated with the Group's operations, such as interest-rate, foreign exchange, credit and counterparty risk, borrowing and liquidity.

Insurance activities
Skanska Försäkrings AB (SF), (corporate identity number 516401-8664), registered in the Stockholm municipality, handles insurance-related matters. SF is a wholly owned subsidiary of SFS. SF signs insurance contracts solely for the risks and interests relating to Skanska Group's operations. The risks covered mainly relate to contract, property and liability-related insurance policies for Skanska's subsidiaries. Insurance policies are signed directly, in certain cases as co-assurance and as reinsurance received.

Events during the year
In 2016 the SFS Group's reinsurance company in Luxembourg, Scem Reinsurance SA, was sold.

The SFS Group was expanded during the year by the addition of the company Skanska Project Finance AB, which is involved in external lendingto cooperative housing associations in the construction phase, on condition that long-term financing is in place.The total amount provided in loans was SEK 1,681 M at the end of 2016.

In 2016 Skanska issued a total of SEK 2,115 M through the commercial papars program maturing in one to two months. The amount outstanding at the end of the year was SEK 1,315 M. SEK 1,500 M in medium-term notes (MTN) matured during the year without being extended.

Anticipated future development
The core business operations will remain the same. Management of financial risks will remain an important focus in the year ahead,in particular as we expect our financing requirements to increase and the geopolitical environment to remain uncertain.

Earnings and financial position, SFS Group
The Group's net interest income amounted to SEK 412 M (416) in 2016.

Pre-tax profit amounted to SEK 486 M (272). The increase is mainly due to the sale of the Group's reinsurance company in Luxembourg, Scem Reinsurance. Income from the sale amounted to SEK 107 M.

Income from financial instruments improved from SEK -48 M in 2015 to SEK 24 M in 2016. The improvement is mainly attributable to falling market interest rates and lower interest expense relating to hedging of investments in foreign subsidiaries,as most of the hedges were divested at the end of 2015.

Cash and cash equivalents amounted to SEK 4,035 M (7,166), which is a reduction of SEK 3,131 M since the beginning of the year.

Interest-bearing assets amounted to SEK 31,397 M (32,674). SEK 25,427 M (25,177) of these are intra-Group receivables. Interest-bearing financial liabilities amounted to SEK 30,589 M (31,790). SEK 26,351 M (26,304) of these are intra-Group liabilities.

Earnings and financial position, Parent Company

The Parent Company's net interest income for 2016 amounted to SEK 416 M (384).

Pre-tax profit amounted to SEK 869 M (307). The increase in profit is due to the sale of Scem Reinsurance, the Group's reinsurance company in Luxembourg.

Cash flow for the year amounted to SEK -3,131 M.

Information on financial risks

Through its operations, aside from business risk, the SFS Group is exposed to various financial risks such as credit risk, liquidity risk and market risk. These risks are associated with the Group's recognized financial instruments such as cash and cash equivalents, interest-bearing receivables, borrowings and derivatives.

Each year, based on Skanska AB's Financial Policy, the Group's Board of Directors establishes guidelines, objectives and limits for financial management andmanaging financial risks within the Group. The Financial Policy stipulates the division of responsibility between Skanska's Board and Senior Executive Team, SFS and the Business Units. SFS has operational responsibility for ensuring Skanska Group's financing and for managing liquidity, financial assets and liabilities.

Credit risk

Credit risk is the Group's risk from financial assets and arises if a counterparty does not fulfill its contractual payment obligations to SFS.

Financial credit risk – risk associated with interest-bearing assets

Financial credit risk is the risk SFS is exposed to in relation to financial counterparties in investing surplus funds, bank account balances and investments in financial assets. Financial credit risk also arises in connection with the use derivatives and consists of the risk that a potential gain will not be realized if a counterparty fails to fulfill its contractual obligations. In order to reduce the credit risk associated with derivatives, SFS has signed ISDA agreements with all financial counterparties with which it enters into derivative contracts.

Market risk

Market risk is the risk that the fair value of financial instruments or future cash flows from financial instruments will fluctuate due to changes in market prices.
The main market risks for SFS are interest-rate risk and foreign exchange-rate risk.

Interest-rate risk

Interest-rate risk is the risk that changes in interest rates will adversely affect the Group's financial items and cash flow (cash flow risk) or the fair value of financial assets and liabilities (fair value interest risk).
For SFS, exposure to fair value interest-rate risk arises primarily from interest-bearing borrowing. Risk, interest-rate maturities are to be distributed over time and have a weighted average remaining fixed interestperiod of two years, with authorization to deviate in +/–1 year. The change in fair value is measured for interest-bearing assets and liabilities including derivatives in the case of an increase of 1 percentage point in the interest rateacross all maturities, and in the case of a positive or negative shift in the interest rate of one half of a percentage point. The change in fair value may not exceed SEK 150 M, for any of these interest rate scenarios measured as relative deviation against a comparative portfolio with a weighted average refixing period of two years, which is identified as a risk-neutral maturity.

Foreign exchange-rate risk

Foreign exchange-rate risk is defined as the risk of a negative impact on SFS's income statement and statement of financial positiondue to exchange-rate fluctuations. This risk can be divided into transaction exposure, i.e. the net result of operating and financial (interest/debt principal payment) flows, and translation exposure related to net investments in foreign Group companies.

For more information on financial risks, see Note 4 Financial instruments and financial risk management.

Significant events after the closing day

A contract between SFS and AB Svensk Exportkredtid (SEK) has been signed March the 29th 2017.
SEK will lend SFS USD 100 000 000

Non-financial result indicators

To attract and retain employees, the Skanska Group has, among other things, developed an employee ownership program, Seop. All permanent employees of the Skanska Group are entitled to participate in the program.

Every year an employee survey is carried out at SFS to get an idea of employee satisfaction, well-being and the need for development measures. The survey results over the years have been consistently positive.

SFS works according to an equal treatment plan that is revised yearly. The plan for equal treatment is based on Swedish laws and is supported by Skanska AB's Code of Conduct and associated Compliance Guidelines. The plan for equal treatment covers rights, responsibilities and opportunities regardless of gender, age, ethnic group, religion or other belief system, sexual orientation, disability, or part-time or temporary employment.

The employee turnover rate during the year was 10.2 percent (9.85).
The average number of employees in 2016 was 39 (40).

Proposed allocation of Parent Company earnings
The Board of Directors proposes that the available profit of SEK 637, 702, 646 be allocated as follows:

Dividend to parent company: SEK 400,000,000

To be carried forward: SEK 237,702,646

The disposal of Scem enables a dividend to the parent company, totalling SEK 400,000,000

For more information about the Parent Company's results and financial position at year-end, see the following income statement, statement of financial position, balance sheet and cash flow statement.

Corporate Governance Report

Corporate governance principles
Skanska Financial Services (SFS) is a Swedish public limited company. Skanska AB owns 100 percent of SFS. SFS has bonds listed on Nasdaq Stockholm.

SFS is governed in accordance with the Articles of Association, the Swedish Companies Act, the Nasdaq Stockholm rule book for issuers and otherapplicable Swedish and foreign laws.

Articles of Association
The Articles of Association are adopted by the shareholders' meeting and are required to contain a number of mandatory disclosures of a fundamental nature for the company. They state, for example, the nature of the company's business, the size of the Board of Directors and the location of its registered office, the size of the share capital, the number of shares and how shareholders' meetings are to be convened. The Articles of Association contain no stipulationson dismissal of board members or on amendments to the Articles of Association. The Articles of Association statethat the Board of Directors is to have a minimum of three and a maximum of nine members, with up to two deputy members.The members and deputy members are to be elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting

Internal control and risk management
The Board's Procedural Rules stipulate the duties of the Board and which tasks and decision-making powers the Board has delegated to the President. The Board makes decisions on general company issues. The President, in addition to being responsible for day-to-day management of SFS, is responsible for ensuring that SFS and its subsidiaries comply with the adopted guidelines and applicable rules. The President is responsible for keeping the Board informed on an ongoing basis of any non-compliance.

Among the most important governing documents that SFS complies with are Skanska Group's Financial Policy, which is adopted by Skanska AB's Board of Directors, and risk instructions adopted annually by SFS's Board of Directors.

The Board has given Middle Office – an independent risk department within SFS – responsibility for risk management within SFS and the Skanska Group's various Business Units. The rules for this assignment are stipulated in SFS's risk instructions, which are based on and aligned with the Skanska Group's Financial Policy.

The main risks identified and managed by Middle Office are risks relating to liquidity, interest rates, foreign exchange rates, counterparties and the operational risk relating to dealing with these risks. Middle Office reports on compliance with the Financial Policy and risk instructions to Skanska's Senior Executive Team. To ensure that limits are not exceeded, Middle Office consults with SFS's Head of Treasury if risks are believed to exceed 90 percent of the established limit.

In addition to the governing documents mentioned above, more detailed instructions regarding documentation and monitoring financial reporting are provided in SFS's Documentation of Financial Processes.

Financial reporting is done in compliance with current rules and regulations and with Skanska AB's Accounting Manual, which describes the Skanska Group's interpretation of accounting rules, and according to quarterly instructions issued by Skanska AB. As mentioned above, SFS's President is responsible for reporting on this to the Board.

Sustainability report
The SFS Group's activities do not have any significant impact on the environment.

The SFS Group is covered by the sustainability report of Skanska AB (publ) (556000-4615), registered in Stockholm municipality, and does not therefore prepare its own report.

Consolidated income statement (SEK M)	Note	2016	2015
Operating revenue			
Interest income	5	610	672
Interest expense	6	-198	-257
Net interest items		**412**	**416**
Financial instruments measured at fair value	4	24	-48
Net profit from other financial transactions	7	-23	-26
Gross income		**413**	**343**
Administrative expenses	8,9	-91	-94
Other operating revenue	10	57	23
Income from holdings in Group companies	11	107	0
Pre-tax profit		**486**	**272**
Tax on profit for the year	12	-88	-61
Profit for the year		**397**	**211**

Consolidated statement of comprehensive income (SEK M)	**2016**	**2015**
Profit for the year	**397**	**211**
Other comprehensive income		
Items that will not be reclassified to profit or loss for the period		
Remeasurement of defined-benefit pension plans	-11	17
Tax related to items that will not be reclassified to profit or loss for the period	2	-4
	-9	14
Items that have been or will be reclassified to profit or loss for the period		
Translation differences	9	-14
Effects of cash flow hedges	28	53
Tax related to items that have been or will be reclassified to profit or loss for the period	-6	-12
	31	28
Other comprehensive income for the year after tax	22	41
Comprehensive income for the year	420	252

Consolidated statement of financial position (SEK M)

ASSETS	**Note**	**2016**	**2015**
Non-current assets			
Property, plant and equipment			
Equipment	13	0	0
		0	0
Intangible non-current assets	14	3	4
		3	4
Financial non-current assets			
Receivables from Group companies	15	9 085	6 066
Other long-term investments	16	0	116
Deferred tax assets		26	30
		9 110	6 212
Total non-current assets		**9 113**	**6 216**
Current assets			
Receivables from Group companies		16 343	19 112
Other short-term investments		136	131
Financial current assets		1 933	203
Tax assets		1	4
Prepaid expenses and accrued income	17	59	17
Other receivables		1	2
		18 473	19 469
Short-term investments			
Cash		4 035	7 166
		4 035	7 166
Total current assets		**22 509**	**26 634**
TOTAL ASSETS		**31 622**	**32 850**
of which interest-bearing financial non-current assets		9 085	6 182
of which interest-bearing current assets		22 312	26 492
		31 397	32 674

EQUITY AND LIABILITIES (SEK M)		2016	2015
Share capital		50	50
Reserves		-49	-80
Reserve for development costs		3	0
Retained earnings		597	496
Total equity		601	466
LIABILITIES			
Non-current liabilities			
Liabilities to Group companies	18	31	46
Financial non-current liabilities	18	3 039	3 071
Provisions for pensions	19	70	57
Deferred tax liabilities		19	164
		3 159	3 338
Current liabilities			
Financial current liabilities		1 363	2 660
Liabilities to Group companies		26 321	26 258
Provisions	20	80	85
Accrued expenses and prepaid income	21	60	32
Other liabilities		39	11
		27 862	29 046
Total liabilities		**31 021**	**32 384**
TOTAL EQUITY AND LIABILITIES		**31 622**	**32 850**
of which interest-bearing financial liabilities		30 589	31 790
of which interest-bearing pensions and provisions		70	57
		30 659	31 847

Consolidated statement of changes in equity (SEK M)

	Share capital	Translation reserve	Cash flow reserve hedge	Retained earnings	Total equity
Equity, January 1, 2015	**50**	**5**	**-112**	**420**	**362**
Profit for the year				211	211
Other comprehensive income for the year		-14	42	14	41
Group contributions				-191	-191
Group contributions, tax				42	42
Equity, December 31, 2015/ Equity, January 1, 2016	**50**	**-9**	**-71**	**496**	**466**
Profit for the year				397	397
Other comprehensive income for the year		9	22	-9	22
Group contributions				-365	-365
Group contributions, tax				80	80
Equity, December 31, 2016	**50**	**0**	**-49**	**600**	**601**

Consolidated cash flow statement (SEK M)		**2016**	**2015**
Operating activities			
Pre-tax profit		486	272
Adjustments for items not included in cash flow, see supplementary information 2.		-80	-213
Tax paid		-3	-1
		403	59
Cash flow from operations, contributions to pension fund		-2	0
Cash flow from change in working capital			
	Change in interest-bearing receivables, Group companies	-426	-754
	Change in other interest-bearing receivables	-1 558	161
	Change in other non-interest-bearing receivables	-38	109
	Change in interest-bearing liabilities, Group companies	47	3 214
	Change in other non-interest-bearing liabilities	-95	-229
Cash flow from operating activities		-1 668	2 560
Financing activities			
Group contributions		-191	-185
Borrowings		415	1 088
Repayment of debt		-1 687	-2 179
Cash flow from financing activities		-1 463	-1 276
Cash flow for the year		-3 131	1 284
Cash and cash equivalents, January 1, see supplementary information 3.		7 166	5 881
Cash and cash equivalents, December 31, see supplementary information 3.		4 035	7 166
Supplementary information			
1.	Interest paid and dividends received		
	Interest received	623	666
	Interest paid	-192	-277
2.	Adjustments for items not included in cash flow		
	Depreciation/amortization and impairment losses, assets	-1	-1
	Provisions for pensions	6	5
	Unrealized exchange-rate differences, financial liabilities	25	-18
	Unrealized change in value, derivatives, liabilities	-52	-228
	Unrealized change in value, derivatives, assets	-57	44
	Other	0	-14
		-80	-213
3.	Cash and cash equivalents, December 31		
	Cash	4 035	7 166
		4 035	7 166

Parent Company income statement (SEK M)	**Note**	**2016**	**2015**
Operating revenue			
Interest income	27	610	672
Interest expense	28	-195	-288
Net interest items		**416**	**384**
Financial instruments measured at fair value		20	-16
Net profit from other financial transactions	29	-39	-20
Gross income		**396**	**349**
Administrative expenses	30,31	-86	-88
Other operating revenue		49	46
Income from holdings in Group companies	32	510	0
Pre-tax profit		**869**	**307**
Tax on profit for the year	33	-84	-68
Profit for the year*		**785**	**239**

*Profit for the year is equal to comprehensive income for the year

Parent Company balance sheet (SEK M)

ASSETS	**Note**	**2016**	**2015**
Non-current assets			
Intangible non-current assets	34	3	4
		3	4
Property, plant and equipment			
Equipment	35	0	0
		0	0
Financial non-current assets			
Holdings in Group companies	36	407	450
Receivables from Group companies	37	9 085	6 066
Other non-current receivables	38	0	116
		9 492	6 633
Total non-current assets		**9 494**	**6 636**
Current assets			
Receivables			
Receivables from Group companies		18 024	19 112
Other receivables		138	136
Prepaid expenses and accrued income	39	187	16
		18 349	19 264
Cash		4 032	7 162
		4 032	7 162
Total current assets		**22 381**	**26 427**
TOTAL ASSETS		**31 876**	**33 063**
of which interest-bearing financial non-current assets		9 085	6 182
of which interest-bearing current assets		18 155	26 395
		27 240	32 578

EQUITY AND LIABILITIES (SEK M)	Note	2016	2015
Share capital	40	50	50
Statutory reserve		10	10
Reserve for development costs		3	0
Retained earnings or loss		-148	-98
Profit for the year*		785	239
		700	200
Provisions			
Provisions for pensions	41	14	14
Other provisions	41	2	2
		16	16
Liabilities			
Bonds	42	2 349	3 848
Liabilities to credit institutions	42	574	738
Commercial papers	42	1 315	900
Trade accounts payable		29	0
Liabilities to Group companies	42	26 757	27 278
Tax liabilities		0	0
Other liabilities		70	69
Accrued expenses and prepaid income	43	65	14
		31 159	32 847
Total liabilities		31 175	32 863
TOTAL EQUITY AND LIABILITIES		**31 876**	**33 063**
of which interest-bearing financial liabilities		30 995	32 764
of which interest-bearing pensions and provisions		16	14
		31 011	32 778

Parent Company statement of changes in equity (SEK M)

	Share capital	Restricted reserves	Unrestricted equity	Total equity
Equity, January 1, 2015	**50**	**10**	**50**	**110**
Profit for the year			239	239
Group contributions			-191	-191
Group contributions, taxes			42	42
Equity, December 31, 2015/ Equity, January 1, 2016	**50**	**10**	**140**	**200**
Profit for the year			785	785
Group contributions			-365	-365
Group contributions, taxes			80	80
Equity, December 31, 2016	**50**	**10**	**640**	**700**

Cash flow statement (SEK M)	**2016**	**2015**
Operating activities		
Income after financial items	869	307
Adjustments for items not included in cash flow, see supplementary information 2.	25	2
Tax paid	-3	-1
Cash flow from operating activities before change in working capital	892	308
Contributions to pension fund and ITP 1 redemption	-2	0
Cash flow from change in working capital		
Change in interest-bearing receivables, Group companies	-1 992	-866
Change in other interest-bearing receivables	116	187
Change in other non-interest-bearing receivables	-173	103
Change in interest-bearing liabilities, Group companies	-521	3 252
Change in other non-interest-bearing liabilities	81	-418
Cash flow from operating activities	-1 599	2 566
Investing activities		
Group contributions/shareholder contributions	-112	0
Divestments of property, plant and equipment	43	0
Cash flow from investing activities	-69	0
Financing activities		
Group contributions	-191	-185
Borrowings	415	1 088
Repayment of debt	-1 687	-2 179
Cash flow from financing activities	-1 463	-1 276
Cash flow for the year	-3 131	1 290
Cash and cash equivalents, January 1, see supplementary information 3.	7 162	5 872
Cash and cash equivalents, December 31, see supplementary information 3.	4 032	7 162

Supplementary information

1.	Interest paid and dividends received		
	Income from holdings in Group companies	510	0
	Interest received	649	691
	Interest paid	54	-133
2.	Adjustments for items not included in cash flow		
	Depreciation/amortization and impairment losses, assets	-1	1
	Provisions for pensions	2	3
	Other provisions	0	0
	Unrealized exchange-rate differences, net	25	-18
	Unrealized change in value, derivatives	0	16
		25	2
3.	Cash and cash equivalents, December 31		
	Cash	4 032	7 162
		4 032	7 162

Note 1 Essential accounting principles

General accounting principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS)issued by the International Accounting Standards Board (IASB) as adopted by the EU. In addition, the Swedish Financial Reporting Board's Recommendation RFR 1 Supplementary Rules for Consolidated Financial Statements has been applied.

The Parent Company applies the same accounting principles as the Group, except in those cases stated below in the section "Parent Company accounting principles."

Conditions when preparing the Group's financial reports

The functional currency of the Parent Company is Swedish crowns or kronor (SEK), which is also the reporting currency of the Parent Company and of the Group. The financial reports are therefore presented in Swedish kronor. All amounts are rounded off to the nearest million, unless otherwise stated.
Preparing the financial reports in compliance with IFRS requires management to make judgments and estimates and to make assumptions that affect the application of accounting principles and the recognized amounts of assets, liabilities, revenue and expenses. Actual outcomes may deviate from these estimates and judgments.
Estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period the change is made if the change only affects this period, or in the period the change is made and future periods if the change affects both the period in question and future periods, see also Note 2.

New guidelines

In 2016 the European Securities and Markets Authority (ESMA) published guidelines on Alternative Performance Measures (APMs), see Note 26.

Measurement principles applied in the preparation of the financial reports

Assets and liabilities are recognized at historical cost, with the exception of certain financial assets and liabilities. Financial assets and liabilities measured at fair value consist of derivatives and financial assets classified as financial assets measured at fair value through profit or loss. A defined-benefit pension liability/asset is recognized at the net of fair value of the plan assets and the present value of the defined-benefit liability, adjusted for any restrictions on assets.

Judgements and estimates in the financial statements

Preparing the financial statements in compliance with IFRS requires management to make judgements and estimates and to make assumptions that affect the application of the accounting principles and the recognized amounts of assets, liabilities, revenue and expenses. Actual outcomes may deviate from these estimates and judgments.

Estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period the change is made if the change only affects this period, or in the period the change is made and future periods if the change affects both the current period and future periods.

Judgments made by management when applying IFRS that have a substantial impact on the financial statements and estimates that may lead to significant adjustments in the financial statements in subsequent years are described in more detail in Note 2.

Essential accounting principles applied

The accounting principles below, with the exceptions described in more detail, have been applied consistently to all periods presented in the Group's financial statements. The Group's accounting principles have also been consistently applied by the Group companies.

Effects of new accounting principles

A number of new IFRS or amendments to the standards will only go into effect in upcoming financial years but have not been adopted early when preparing the Group's financial reports. The company does not plan to early-adoptnew or amended standards going into effect in the future.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and measurement and is to be applied with effect from January 1, 2018. The standard was approved by the EU in November 2016. The standard is more principle-based than rule-based and contains a new model for classification and measurement of financial instruments, a forward-looking impairment model and a revised approach to hedge accounting.The model for classification and measurement does not involve any significant change compared to today's standard. The new depreciation model is intended to bring forward the schedule of reserves for credit losses.SFS's credit risk relating to trade accounts receivable is limited as the amounts of these receivables is limited in relation to total assets.

Through IFRS 9, IASB has established a full “package” of amendments relating to recognition of financial instruments. The package contains a new model for classification and measurement of financial instruments, an expected loss impairment model and a simplified approach to hedge accounting.

The categories of financial assets in IAS 39 will be replaced by three categories: measurement either at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. Classification into one of these three categories is to be based on the company’s business model for the various holdings orthe nature of the cash flows that the assets generate. The fair value option may be applied to debt instruments where this eliminates or substantially reduces a mismatch in the accounts. Equity instruments are to be measured based on fair value through profit or loss, with an option to instead report changes in the value of items not held for trading in other comprehensive income.

Rules on financial liabilities mostly accord with those previously in IAS 39, with the exception of financial liabilities that are voluntarily measured at fair value in accordance with the fair value option. For these liabilities the change in value is to be split into changes attributable to intrinsic creditworthiness and changes in the reference interest rate.

The new impairment model will require reporting of one year’s expected loss at the time of initial recognition and, in the event of a significant increase in the credit risk, the impairment amount must correspond to the credit losses that are expected to arise during the remaining term. The new rules on hedge accounting involve a simplification of effectiveness testing and an expansion of allowed hedging instruments and hedged items.

In January 2016 the IASB published the new standard IFRS 16 Leases, which, assuming it is adopted by the EU, will be applied with effect from 1 January 2019. Unlike the current IAS 17 Leases, the new standard will require Skanska as a lessee in operating leases, with the exception of smaller and shorter leases, to report leases in the statement of financial position.
It has been determined that this new standard will not impact SFS to any significant extent.

Classification
Non-current assets and non-current liabilities essentially consist of amounts that are expected to be recovered or paid more than twelve months after the closing day. Current assets and current liabilities essentially consist of amounts expected to be recovered or paid within twelve months of the closing day.

Operating segment reporting
An operating segment is a component of the Group that carries out business operations which can generate income and incur expenses and about which separate financial information is available.
An operating segment’s results are monitored by the company’s chief operating decision-maker in order to be able to allocate resources to the operating segment.

Transactions eliminated upon consolidation
Intra-Group receivables and liabilities, income or expenses and unrealized gains or losses arising from intra-Group transactions between Group companies are eliminated in their entirety when the consolidated accounts are prepared.

Foreign currency transactions
Foreign currency transactions are translated into an entity’s functional currency at the exchange rate in effect on the transaction date. Functional currency is the currency of the primary economic environment where the companies operate. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate in effect on the closing day. Foreign exchange rate differences that arise from translation are recognized in profit for the year.

Operating leases
Expenses for operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Reporting of insurance contracts
Insurance contracts are reported according to the principles in IFRS 4.

Financial income and expense
Financial income consists of interest income on invested funds, gains from changes in the value of financial assets measured at fair value through profit or loss, and gains on hedging instruments that are reported in profit for the year. Interest income from financial instruments is recognized according to the effective interest method. Dividend income is recognized when the right to receive a dividend has been established. Income from the sale of a financial instrument is recognized when the risks and rewards associated with ownership of the instrument have been transferred to the buyer and the Group no longer has control over the instrument. Financial expense consists of interest expense on borrowings, the effect of dissolution of present value measurement of provisions, loss on changes in the value of financial assets measured at fair value through profit or loss, impairment losses onfinancial assets as well as losses on hedging instruments that are reported in profit for the year.Loan expenses are recognized in profit for the year, applying the effective-interest method,

Exchange gains and losses are reported net.

Taxes
Income taxes consist of current tax and deferred tax. Income taxes are recognized in profit/loss for the year except when the underlying transaction is recognized directly under "Other comprehensive income" or in equity, in which case the accompanyingtax effect is recognized in other comprehensive income or in equity.
Current tax is tax to be paid or received in the current year, applying the tax rates that have been enacted or substantively enacted as of the closing day.
Deferred tax is calculated according to the balance sheet method based on temporary differences arising between the carrying amounts and the tax base of assets and liabilities.
The amounts are calculated based on how the underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been enacted or substantively enacted as of the closing day.
Deferred tax assets relating to deductible temporary differences and loss carryforwards are recognized only where it is probable that they will be able to be utilized. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilized.

Financial instruments
Financial instruments reported in the statement of financial position include, on the assets side, cash and cash equivalents, loan receivables, trade accounts receivable, financial investments and derivatives.
On the liabilities side are trade accounts payable, borrowings and derivatives.
A financial asset or financial liability is recognized in the statement of financial position when the company becomes a partyto the contractual provisions of the instrument. A liability is recognized when the counterparty has performed and there is a contractualobligation to pay, even if the invoice has not yet been received.
Trade accounts receivable are recognized in the statement of financial position when an invoice has been sent.
A liability is recognized when the counterparty has performedand there is a contractual obligation to pay, even if the invoice has not yet been received. Trade accounts payableare recognized when an invoice has been received.A financial asset is derecognized from the statement of financial position when the contractual rights are realized or expire, or the Group loses control of them. The same applies to a portion of a financial asset. A financial liability is derecognized from the statement of financial position when the contractual obligation is fulfilled or otherwise extinguished. The same applies to a portion of a financial liability.
A financial asset and a financial liability are offset and reported net in the statement of financial position only where there is a legal right to offset the amounts and it is intended that the items will be settled by a net amount or that the asset will be realized and the liability settled simultaneously.
Acquisitions and disposals of financial assets are recognized on the settlement date. The settlement date is the day on which an asset is delivered to or from the company.
Financial instruments other than derivatives are recognized initially at cost, corresponding to the instrument’s fair value plus transaction costs for all financial instruments except those in the category of financial assets measured at fair value through profit or loss, which are recognized at fair value excluding transaction costs. A financial instrument is classified on initial recognition partly based on the purpose for which the instrument was acquired.
Derivatives are recognized initially at fair value, with the result that transaction costs are charged to profit for the period. After initial recognition, derivatives are recognized as follows: Where derivatives are used in hedge accounting and to the extent that this is effective, changes in the value of derivatives are recognized in other comprehensive income.
Where hedge accounting is not applied, increases and decreases in the value of derivatives are recognized as financial income and financial expense respectively.

Cash and cash equivalents consist of cash and immediately available deposits at banks and equivalent institutions, plus short-term liquid investments with a maturity from the acquisition date of less than three months and which are subject to only an insignificant risk of fluctuation in value.
Financial assets at fair value through profit or loss are measured regularly at fair value, with changes in value recognized in profit for the year.

Financial assets measured at fair value through profit or loss consist of two subcategories: financial assets held for trading and other financial assets that the company initially chose to designate to this category (according to the fair value option). Financial instruments in this category are measured on an ongoing basis at fair value with changes in value are recognized in profit or loss for the year. The first subcategory includes derivatives with a positive fair value with the exception of derivatives identified and effective hedging instruments.

Loan receivables and trade accounts receivable are financial assets that are not derivatives and that have payment schedules that are established or can be established, and that are not quoted on an active market. These assets are measured at amortized cost. Amortized cost is determined based on the effective rate of interest calculated at the time of acquisition. Trade accounts receivable are reported at the amounts expected to be received, i.e.after deduction of doubtful receivables. Held-to-maturity investments are financial assets with payments that are fixed or can be established and with a fixed term, which the company has the express intention and capacity to hold to maturity. Assets in this category are measured at amortized cost.

SFS's derivatives are acquired for the purpose of hedging the interest-rate and foreign exchange-rate risks to which the Skanska Group and SFS are exposed. To meet the requirements of hedge accounting under IAS 39 there must be a clear link to the hedged item. In addition, the hedge must effectively protect the hedged item, hedge documentation must have been prepared and the effectiveness must be measurable. Gains and losses on hedges are recognized in profit for the year at the same time as gains and losses are recognized for the items that are hedged.
Currency forward contracts are used to hedge receivables or liabilities against foreign exchange-rate risk. Recognition of derivatives variesdepending on whether hedge accounting in compliance with IAS 39 is applied or not. Currency derivatives used to hedge SFS's transaction exposure are measured at market levels and recognized at fair value in the statement of financial position. The entire change in value is recognized in financial items, except when hedge accounting is applied.In hedge accounting, unrealized gains or losses are recognized under "Other comprehensive income."SFS uses hedge accounting for cash flow hedging and hedging of net investments in foreign operations.The effectiveness of hedging is assessed regularly, and hedge accounting is applied only to hedging deemed effective. If hedging is not deemed effective, the amount is adjusted for the hedging instrument. Exchange-rate changes relating to financial receivables and liabilities are recognized in financial income/expense. Interest rate swaps are used to hedge the uncertainty in highly likely forecast interest flows relating to borrowing at variablerates of interest, where the company receives variable interest and pays fixed interest. The interest rate swaps are measured at fair value in the statement of financial position. The interest coupon portion is recognized in profit for the year as it arises, as part of interest expense. Unrealized changes in the fair value of the interest rate swaps are recognized in other comprehensive income and form part of the hedge reserve until the hedged item is recognized in profit or loss for the year and for as long as the criteria for hedge accounting and effectiveness are met. The gain or loss on the ineffective portion of unrealized changes in the value of the interest rate swaps is recognized in profit or loss for the year.
Where hedge accounting is not applied, increases and decreases in the value of derivatives are recognized as financial income and financial expense respectively.

Property, plant and equipment
Property, plant and equipment are recognized within SFS at cost less accumulated depreciation and any impairment losses. Depreciation is applied on a straight-line basis over the estimated useful life of the asset.Equipment is depreciated over a period of five years.

Intangible assets
Intangible assets are recognized at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over a period of five years.

Employee benefits
Current employee benefits are calculating without being discounted and are reported as an expense when the related service is received.

Pension plans in which the company's obligations are limited to the contributions the company has undertaken to pay are classified as defined-contribution pension plans. In such cases the size of the employee's pension is based on thecontributions paid by the company into the plan or to an insurance company and the return on capital resulting from the contributions. The Group's net obligation relating to defined-benefit plans is calculated separately for each plan byestimating the future compensation that the employees have earned from their employment in boththe current and previous periods; the amount is discounted to present value. The discount rate is the interest rate on the closing day on high quality corporate bonds, including mortgage bonds, with maturities matching the Group's pension obligations. Where there is no functioning market for such corporate bonds, the market interest rate for government bonds with an equivalent maturity is used instead. The calculation is performed by a qualified actuary.

In addition to salary, bonuses may also be paid as short-term benefits to employees. Bonuses are paid out the year after they are earned and are reported as an accrued expense in the balance sheet.

Provisions
A provision differs from other liabilities in that there is uncertainty concerning the time of payment or the sum required for settlement. A provision is reported in the statement of financial position when there is an existing legal or informal obligation as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made.
Provisions are made in the amount that represents the best estimate of funds needed to settle the existing obligation on the closing day. In cases where the effect of when a payment is made is significant, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, where applicable, the risks associated with the liability.

Reporting of Group contributions
Group contributions paid by subsidiaries to the Parent Company are recognized in equity.

Parent Company accounting and valuation principles
The Parent Company has prepared its annual accounts in compliance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's Recommendation RFR 1 Accounting for Legal Entities. According to RFR 2,the Parent Company is required to apply the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), to the extent these have been approved by the EU as long as it is possible within the framework of the Annual Accounts Act and taking into consideration the connection between accounting and taxation.

In light of the relationship between accounting and taxation, the rules on financial instruments and hedge accounting in IAS 39 are not applied by the Parent Company as a legal entity. The Parent Comany's non-current assets are measured at cost less any impairment, and financial current assets are measured according to the lowest value principle. The cost of interest-bearing instruments is adjusted for the accrued difference between what was originally paid, after deducting transaction costs, and the amount that will be paid on maturity (surplus or deficit).

Reporting of Group contributions
Group contributions received from subsidiaries to parent companies are reported as the Parent Company's financial income. Group contributions provided by parent companies to subsidiaries are recognized as an increase in holdings in Group companies.Group contributions from SFS to sister companies are recognized in equity.

Reporting of pension plans
Defined-benefit pension plans are reported according to the regulations in the Pension Obligations Vesting Act. To a certain extent, the obligations are secured by assets inpension funds. The pension obligation is reported as a net provision in the balance sheet.

Effects of changes in accounting principles
There have been no changes to the accounting principles applied by SFS.

Note 2 Key estimates and judgments

The Senior Executive Team has discussed with the Board of Directors the developments, choices and disclosures related to the Group's important accounting principles and estimates,as well as the application of these principles and estimates.

Major sources of uncertainty in estimates

The sources of uncertainty in estimates given below are those that involve a significant risk that the values of assets or liabilities may require adjustment to a significant degree during the forthcoming financial year.

Measurement of fair value

A number of the Group's accounting principles and supplementary disclosures require measurement at fair value for financial assets and liabilities.
SFS has established a framework for internal control with respect to measurement at fair value. This includes a measurement team with overall responsibility for monitoring all significant fair value measurements, including measurement at level 3. The team reports directly to the President.

When the fair value of an asset or liability is to be established SFS uses observable data to the greatest extent possible. The fair values are categorized at different levels in a fair value hierarchy based on input data used in the measurement methods as follows:

Level 1: according to prices quoted on an active market for identical instruments
Level 2: based on direct or indirect observable market data that is not included in level 1
Level 3: based on input data that is not observable on the market

Actuarial provisions

The risk that insurance company provisions for claims will not correspond to actual payments is limited by continual follow-up of claim reserves and by actuarial calculations of provisions made.
The level of reserves required is generally established by an external claims assessor and is based on claims made. The company assesses whether this is reasonable, with the aim of setting aside reserves that are as close as possible to actual claim expenses.

Note 3 **Operating segments**

The Group's business streams – finance and insurance – are recognized as operating segments. The business streams coincide with the operational organization. SFS's customers are companies in the Skanska Group.

2016	Finance	Insurance	Eliminations	Total
Net interest items	412	0	0	412
Other financial items	0	1	0	1
Administrative expenses	-88	-5	2	-90
Other operating revenue	49	10	-2	57
Holdings in Group companies	107	0	0	107
Pre-tax profit	483	6	0	486
Tax on profit for the year	-88	-1	0	-89
Profit for the year	393	4	0	397
Assets				
Intangible				
non-current assets	3	0	0	3
Deferred tax assets	26	0	0	26

2015	Finance	Insurance	Eliminations	Total
Net interest items	415	1	0	416
Other financial items	-73	0	0	-73
Administrative expenses	-90	-5	2	-94
Other operating revenue	46	-20	-2	23
Pre-tax profit	298	-26	0	272
Tax on profit for the year	-66	5	0	-61
Profit for the year	232	-21	0	211
Assets				
Intangible				
Non-current assets	4	0	0	4
Deferred tax assets	30	0	0	30

Note 4 **Financial instruments and financial risk management**

Through its operations, aside from business risk, the SFS Group is exposed to various financial risks such as credit risk, liquidity risk and market risk.

Through the Skanska Group's Financial Policy, each year the Board of Directors of the Skanska Group adopts guidelines, objectives and limits for financial management and administration of financial risks within the Group. The Financial Policy regulates the allocation of responsibility among Skanska's Board, the Senior Executive Team, SFS and the Business Units.

SFS has operational responsibility for ensuring Group financing and for managing liquidity, financial assets and financial liabilities. Guidelines and risk mandates are defined in risk instructions established for SFS.

The objectives and policy for each type of risk are described in the respective sections below.

Credit risk

Credit risk describes the risk from financial assets and arises if a counterparty does not fulfill its contractual payment obligation to SFS.

Financial credit risk – risk associated with interest-bearing assets

Financial credit risk is the risk SFS is exposed to in relation to financial counterparties in investing surplus funds, bank account balances and investments in financial assets.
Credit risk also arises when using derivatives and consists of the risk that a potential gain will not be realized if the counterparty does not fulfill its part of the contract.
In order to reduce the credit risk associated with derivatives, SFS has signed ISDA agreements with all financial counterparties with which it enters into derivative contracts.

SFS endeavors to limit the number of financial counterparties and they must have been assigned a satisfactory rating by credit rating institutes Standard & Poors, Moody's or Fitch. The permitted exposure volume per counterparty is dependent on the counterparty's credit rating and the maturity of the exposure.

Most of SFS's interest-bearing assets consist of receivables from Group companies.
Lending to Group companies is not expected to expose SFS to any credit.

Maximum exposure is equivalent to the fair value of the assets and amounts to SEK 31,549 M. Of this amount, SEK 25,423 M constitutes receivables from Skanska companies. Other external interest-bearing assets amounted to SEK 6,126 M.

Liquidity risk and refinancing risk
Liquidity risk and refinancing risk are defined as the risk that the Skanska Group will not be able to meet its payment obligations dueto lack of liquidity or due to difficulties in obtaining or rolling over external loans. SFS has operational responsibility for managing the Group's liquidity and employs a system of liquidity forecasting as a means of managing the fluctuations in short-term liquidity. If possible, surplus liquidity should firstbe used to pay down loans.

Financing
SFS has several borrowing programs in the form of both committed bank credit facilities and market funding programs. This provides good preparedness for temporary fluctuation in the Group's short-term liquidity requirements and ensures long-term financing.

In 2016 Skanska issued commercial papers for a total of SEK 2,115 M though the commercial paper (CP) program with a 1–2 month maturity. At the end of the year the amount outstanding was SEK 1,315 M. SEK 1,500 M in medium-term notes (MTN) matured during the year without being extended.

2016

	Maturity	Currency	Limit	Nominal	Utilized
Market funding programs					
Commercial paper (CP) program, maturities 0-1 years		SEK/EUR	SEK 6,000 M	6 000	1 315
Medium-term note (MTN) program, maturities 1–10 years		SEK/EUR	SEK 8,000 M	8 000	2 349
				14 000	3 664
Committed credit facilities					
Syndicated bank loan	2019	SEK/EUR /USD	EUR M 555	5 312	0
Bilateral loan agreements	2020	EUR	EUR 60 M	574	574
Other credit facilities				401	0
				6 287	574

2015

	Maturity	Currency	Limit	Nominal	Utilized
Market funding programs					
Commercial paper (CP) program, maturities 0-1 years		SEK/EUR	SEK 6,000 M	6 000	900
Medium-term note (MTN) program, maturities 1–10 years		SEK/EUR	SEK 8,000 M	8 000	3 848
				14 000	4 748
Committed credit facilities					
Syndicated bank loan	2019	SEK/EUR /USD	EUR M 555	5 090	0
Bilateral loan agreements	2020	EUR	EUR 60 M	550	550
Other credit facilities				307	8
				5 947	558

Liquidity reserve and maturity structure

The objective is to have a liquidity reserve of at least SEK 4 billion available within one week in the form of cash liquidity or committed credit facilities. At year-end 2016, cash and cash equivalents and committed credit facilities amounted to about SEK 10 billion (13), of which about SEK 10 billion (13) is available within one week.

The Group's policy is for the central borrowing portfolio's maturity structure to be distributed over time and for the portfolio to have a weighted average residual term of three years, including unutilized committed credit facilities, with authorization to deviate within a 2–4 year interval. On December 31, 2016 the average maturity of the borrowing portfolio was 2.0 years (2.6), if unutilizedcredit facilities are weighed in.

The maturity structure, including interest payments, of the SFS Group's financial interest-bearing liabilities and derivatives related to borrowing is distributed over the next few years according to the following table.

2016 Maturity	Carrying amount	Future payment amount	Maturity Within 3 months	After 3 months within 1 year	After 1 year within 5 years	After 5 years
Interest-bearing financial liabilities	30 589	30 672	27 643	29	3 000	-
Derivatives: Currency forward contracts						
Inflow	-177	-4342	-4 085	-255	-2	-
Outflow	48	4295	4 046	247	2	
Derivatives: Interest rate swaps						
Inflow	0	10	0	8	2	-
Outflow	116	108	24	32	52	
Total	**30 576**	**30 743**	**27 628**	**61**	**3 054**	**-**

2015 Maturity	Carrying amount	Future payment amount	Maturity Within 3 months	After 3 months within 1 year	After 1 year within 5 years	After 5 years
Interest-bearing financial liabilities	31 790	31 961	27 361	1 546	3 054	-
Derivatives: Currency forward contracts						
Inflow	-120	-9551	-8 957	-584	-10	-
Outflow	72	9583	8 993	580	10	
Derivatives: Interest rate swaps						
Inflow	0	-9	-1	2	-10	-
Outflow	173	-9551	26	58	98	
Total	**31 915**	**22 433**	**27 422**	**1 602**	**3 142**	**-**

Market risk
Market risk is the risk that the fair value of financial instruments or future cash flows from financial instruments will fluctuate due to changes in market prices. The main market risks for SFS are interest-rate risk and foreign exchange-rate risk.

Interest-rate risk
Interest-rate risk is the risk that changes in interest rates will adversely affect the Group's financial items and cash flow (cash flow risk) or the fair value of financial assets and liabilities (fair value interest risk).
For the SFS Group, exposure to fair value interest-rate risk arises primarily from interest-bearing borrowing. Risk, interest-rate maturities are to be distributed over time and have a weighted average remaining fixed interest period of two years, with authorization to deviate in +/-1 year. Change in fair value is measured on interest-bearing assets and liabilities including derivatives, partly by increasing the interest rate by 1 percentage point across all maturities and partly through a positive or negative change in the interest rate by half a percentage point.
The change in fair value may not exceed SEK 150 M, for any of these interest rate scenarios measured as relative deviation against a comparative portfolio with a weighted average refixing period of two years, which is identified as a risk-neutral maturity.

The fair value of interest-bearing financial assets and liabilities, plus derivatives, would, in the interest-rate scenario above, be changed within the range of SEK 49–58 M, assuming that the volume and fixed interest period is the same as of December 31, 2016. Around SEK 27–37 M of this would affect financial items and around SEK 22 M would affect equity, through other comprehensive income, if hedge accounting were to be applied. The relative interest-rate risk is SEK 11–37 M lower than in a comparative portfolio with a risk of around SEK 60–95 M and is attributable to the fact that the fixed-interest period is shorter than the comparative portfolio's two years. All amounts are stated before tax.

An average 1 percentage point increase in the market interest rate from the level at year-end would have an estimated positive effect on SFS's financial items of around SEK 23 M (13) for the upcoming 12-month period, 2017.

The average fixed interest period for external interest-bearing assets was 0.0 (0.1) years, taking derivatives into account. The interest rate for these was 0.43 (0.18) percent at year-end. Of SFS's external interest-bearing financial assets, 3 (35) percent carry fixed interest rates and 97 (65) percent variable interest rates.

The average fixed interest period for external interest-bearing liabilities, taking into account derivatives, but excluding pension liabilities, was 1.2 (1.6) years. The interest rate for interest-bearing liabilities was 0.71 (1.07) percent at year-end; taking into account derivatives, the interest rate was 1.29 (2.85) percent. Of total interest-bearing financial liabilities, after taking into account derivatives, 64 (73) percent carry fixed interest rates and 36 (27) percent variable interest rates.

On December 31, 2016 there were outstanding interest-rate swap contracts amounting to a nominal value of SEK 3,836 M (5,076).
All of the contracts were entered into in order to swap the Group's borrowing from variable to fixed interest.
SFS applies hedge accounting for the majority of these interest-rate swaps.
The hedges meet effectiveness criteria, which means that unrealized gains or losses are recognized under "Other comprehensive income." The fair value of these hedges totaled SEK -68 M (-128) as of December 31, 2016.
The fair value of interest-rate swaps for which hedge accounting is not applied totaled SEK -48 M (-45) as of December 31, 2016. For these interest-rate swaps, changes in fair value are recognized through profit or loss.

Foreign exchange-rate risk
Foreign exchange-rate risk is defined as the risk of a negative impact on SFS's income statement and statement of financial position due to fluctuations in exchange rates. This risk can be divided into transaction exposure, i.e. net operating and financial (interest/principal payment) flows, and translation exposure related to net investments in foreign Group companies.

<u>Transaction exposure</u>
The foreign exchange-rate risk for the SFS Group may amount to a total of SEK 5 M, with risk calculated as the effect on earnings of a 5 percentage point shift in exchange rates. As of December 31, 2016 foreign exchange-rate risk accounted for SEK 0.3 M (0.6) of transaction exposure.

Financial instruments in the statement of financial position

The following table presents the carrying amount of financial instruments by category.

Assets	At fair fair value profit or loss	Hedge-accounted derivatives	Held-to-maturity investments	Loans and trade receivables	Total carrying amount
2016					
Financial instruments					
Interest-bearing assets and derivatives					
Financial assets					
Financial investments at fair value	177	0			177
Financial investments at amortized cost			25		25
Financial interest-bearing receivables				27 290	27 290
	177	0	25	27 290	27 492
Current investments at fair value					0
Cash				4 035	4 035
	177	0	25	31 325	31 527
Trade accounts receivable				5	5
Total financial instruments	177	0	25	31 330	31 532
2015					
Financial instruments					
Interest-bearing assets and derivatives					
Financial assets					
Financial investments at fair value	108	12			120
Financial investments at amortized cost			27		27
Financial interest-bearing receivables				25 472	25 472
	108	12	27	25 472	25 618
Current investments at fair value					0
Cash				7 166	7 166
	108	12	27	32 638	32 784
Trade accounts receivable				10	10
Total financial instruments	108	12	27	32 647	32 794

The fair value is SEK 16 M (10) higher than the carrying amount for financial liabilities.

Reconciliation with statement of financial position	**2016-12-31**	**2015-12-31**
Assets		
Financial instruments	31 533	32 794
Other assets		
Property, plant and equipment and intangible assets	3	4
Tax assets	27	34
Other receivables	1	2
Prepaid expenses and accrued income	58	16
Total assets	31 622	32 850

Liabilities	At fair fair value profit or loss	Hedge-accounted derivatives	At amortized cost	Total carrying amount
2016				
Financial instruments				
Interest-bearing liabilities and derivatives				
Financial liabilities				
Financial liabilities measured at fair value	96	68		164
Financial liabilities at amortized cost			30 589	30 589
	96	68	30 589	30 754
Operating liabilities				
Trade accounts payable			27	27
Total financial instruments	**96**	**68**	**30 616**	**30 781**
2015				
Financial instruments				
Interest-bearing liabilities and derivatives				
Financial liabilities				
Financial liabilities measured at fair value	139	106		245
Financial liabilities at amortized cost			31 790	31 790
	139	106	31 790	32 035
Operating liabilities				
Trade accounts payable			7	7
Total financial instruments	**139**	**106**	**31 797**	**32 042**

The fair value is SEK 65 M (193) higher than the carrying amount for financial liabilities.

Reconciliation with statement of financial position	**2016-12-31**	**2015-12-31**
Liabilities		
Financial instruments	30 781	32 042
Other liabilities		
Equity	601	466
Pensions	70	57
Tax liabilities	19	164
Provisions	80	85
Other liabilities	11	4
Prepaid expenses and accrued income	60	33
Total liabilities	31 622	32 850

Disclosures concerning offsetting of financial instruments

	2016		2015	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Gross amounts	31 533	30 781	32 794	32 042
Amounts offset	0	0	0	0
Recognized in balance sheet	31 533	30 781	32 794	32 042
Amounts covered by netting arrangements	-61	-61	-48	-48
Net amount after netting arrangements	31 472	30 720	32 746	31 994

Financial assets and liabilities measured at fair value through profit or loss
Financial assets and liabilities at fair value through profit or loss belong to the category that has been identified as such on the first recognition date, or they consist of derivatives.

Derivatives belong to the category "Financial assets and liabilities at fair value through profit or loss."
SFS reports hedge-accounted derivatives separately.
The amounts relate to currency forward contracts for hedging the Skanska Group's net investments outside Sweden, as well as interest-rate swaps for loan hedges with variable interest rates.

Fair value
There are three different levels for establishing fair value.
The first level uses the official price quotation in an active market.
The second level, which is used when a price quotation in an active market does not exist, calculates fair value by discounting future cash flows based on observable market rates for each respective maturity and currency.
The third level uses substantial elements of input data that are not observable in the market.

Fair values for the categories "At fair value through profit or loss" and "Hedge-accounted derivatives" have been established according to the second level above. In calculating fair value in the borrowing portfolio, the Group takes into account current market interest rates, which include the credit risk premium that SFS is estimated to pay for its borrowing.

All financial assets and liabilities are measured according to level two.

Impact of financial instruments on the consolidated income statement, other comprehensive income and equity

Revenue and expenses from financial instruments recognized in the income statement

	2016	**2015**
Financial assets		
measured at fair value through profit or loss	0	20
Interest income on held-to-maturity investments		
Interest income on loan receivables	607	650
Interest income on cash	2	3
Change in market value of financial assets/liabilities at		
fair value through profit or loss		
Financial items from hedging of net investments in foreign subsidiaries		
Total income in financial items	610	672
Interest expense on financial liabilities		
measured at fair value through profit or loss	-84	-162
Interest expense on financial liabilities measured at amortized cost	-114	-94
Change in market value of financial assets/liabilities at	21	-18
fair value through profit or loss		
Financial items from hedging of net investments in foreign subsidiaries	3	-30
Financial expense, pensions	-2	-1
Net exchange-rate differences	-3	4
Expense for borrowing programs	-17	-27
Bank-related expenses	-1	-1
Total expense in gross results	-197	-330
Net income and expense from financial instruments		
recognized in the income statement	413	343

Income and expense from financial instruments recognized under other comprehensive income

Cash flow hedges recognized directly in equity	22	42
Translation differences for the year	9	-14
Total	31	28

Note 5 **Interest income**

	2016	2015
Interest income, external	9	31
Interest income from Group companies	601	641
	610	672

Note 6 **Interest expense**

	2016	2015
Interest expense, external	-133	-192
Interest expense, Group companies	-65	-64
	-198	-257

Note 7 **Net profit from other financial transactions**

	2016	2015
Financial expense, pensions	-2	-1
Exchange gains/losses	-3	4
Other financial expense	-18	-28
	-23	-26

Note 8 **Employees and personnel expenses**

Only the Parent Company has employees. No fees are paid to the members of the companies' boards of directors.

	2016	2015
Average number of employees	39	40
Number of women	23	23
Men and women on the Parent Company's Board of Directors and executive team on the closing day		
Board of Directors	9	7
Number of women	4	2
Other senior executives	4	4
Number of women	2	2
Paid as salaries and other remuneration	38	40
of which for senior executives	9	11
Social insurance contributions	12	13
	51	53
Bonuses included above		
of which for senior executives	2	3
Pension expenses amounted to	8	10
of which for senior executives	3	3
Benefits for Board of Directors and President		
Wages, salaries and other remuneration	2	3
Bonuses	1	1
Pensions	1	1
	4	5
Men and women on Board of Directors in the Group in total on closing day		
Board of Directors	17	17
Number of women	8	7

Skanska Employee Ownership Program (Seop)

The Skanska Employee Ownership Program (Seop) is the Skanska Group's share savings program. The purpose of the program is to strengthen the Group's ability to retain and recruit qualified personnel and to align employees more closely to the company and its shareholders.
The program provides employees with an opportunity to invest in Skanska shares while receiving incentives in the form of possible allotment of additional shares. This allotment is predominantly performance-based.
The allotment of shares earned by the employees does not take place until after the end of a three-year vesting period.
To be able to earn matching shares and performance shares, the employee must be employed during the entire vesting period and have retained the shares purchased under the program.
The initial program, Seop 1, which ran during the period 2008–2010, was concluded in 2013, when matching shares and performance shares were allocated. The investment period for Seop 2 was 2011–2013, and allocation began in 2014. Seop 3 was launched in 2014 with an investment period 2014–2016.
Seop 4 will begin in January 2017.
Seop 2, Seop 3 and Seop 4 are essentially the same as Seop 1.
The costs of Seop 2 and Seop 3 are measured in accordance with IFRS 2 Share-based Payment.
The amount has been reported as an operating expense and non-interest-bearing liability to Skanska AB.
Social insurance contributions for Seop 2 and Seop 3 have been calculated in accordance with UFR 7, IFRS 2. This means that social insurance contributions for the cost for the year of Seop 2 are recognized as operating expenses and other provisions this year.

Note 9 Fees and expense compensation for auditors

	2016	2015
EY 2016, KPMG 2015		
Audit assignments	1	1
Tax advisory services	0	0
Total	1	1

Note 10 Other operating revenue

	2016	2015
Fees for financial advice	47	44
Actuarial gains/losses	10	-20
	57	23

Note 11 Income from holdings in Group companies

	2016	2015
Income for sale of Scem Reinsurance	107	0
	107	0

Note 12 Taxes

Recognized in statement of income and other comprehensive income

Tax expense	2016	2015
Current taxes	-85	-63
Tax on previous years' profits	0	0
Deferred tax on temporary differences	-3	2
	-88	-61

Taxes recognized in other comprehensive income	2016	2015
Deferred taxes attributable to pensions	2	-4
Deferred taxes attributable to derivatives for hedging	-6	-12
	-4	-16

The Group's recognized tax rate amounted to 18.2 (22.5) percent. The Group's aggregated nominal tax rate has been estimated at 22 (22.4) percent.

Reconciliation of effective tax	2016	2015
Pre-tax profit	486	272
Tax according to aggregation of nominal tax rates	-88	-61
Tax attributable to previous years	0	0
Non-deductible costs	-1	-1
Non-taxable revenues	1	0
Recognized tax expense	-88	-61

Reported in the statement of financial position

Tax assets and tax liabilities

	2016	2015
Tax assets	1	4
Tax liabilities	0	0
	2	4

Deferred tax assets and deferred tax liabilities

	2016	2015
Deferred tax assets	26	30
Deferred tax liabilities	-19	-164
	7	-134

	2016	2015
Deferred tax assets for provisions for pensions	15	12
Deferred tax assets for other assets	10	18
Deferred tax assets according to the statement of financial position	26	30

	2016	2015
Deferred tax liabilities related to other liabilities	0	-3
Deferred tax liabilities related to untaxed reserves	19	167
	19	164

Change in net deferred tax assets/liabilities	2016	2015
Net debt, January 1	-134	-107
Adjustment for previous year's deferred tax liabilities		
From the income statement for pensions	1	1
Recognized in other comprehensive income	-4	-16
From the income statement in respect of fair value measurement of financial instruments	-4	1
Recognized in the income statement for untaxed reserves	-	-19
Recognized for sale of subsidiaries	144	-
Exchange-rate differences	5	5
	7	-134

Note 13 Equipment

	2016	2015
Cost, January 1	0	0
Purchases during the year	0	-
Retirements during the year	-	-
Cost, December 31	0	0
Accumulated depreciation according to plan, January 1	0	0
Retirements during the year	-	-
Depreciation for the year according to plan	0	0
Accumulated depreciation according to plan, December 31	0	0
Book value	0	0

Note 14 Intangible non-current assets

	2016	2015
Cost, January 1	7	7
Purchases during the year	0	0
Cost, December 31	7	7
Accumulated amortization according to plan, January 1	-3	-2
Amortization for the year according to plan	-1	-1
Accumulated amortization according to plan, December 31	-4	-3
Book value	3	4

Note 15 Non-current receivables from Group companies

	2016	2015
Accumulated cost		
January 1	6 066	62
Receivables added/settled	9 054	6 004
Reclassified as current receivables	-635	0
Book value, December 31	9 085	6 066

Note 16 Other long-term investments

	2016	2015
Accumulated cost		
January 1	116	213
Receivables added/settled	0	-97
Reclassified as current receivables	-116 -	
Book value, December 31	0	116

Long-term investments refers to seven-year bridge financing for the New Karolinska Solna University Hospital maturing in 2017.

Note 17 Prepaid expenses and accrued income

	2016	2015
Accrued interest income	13	0
Accrued exchange gains, forward contracts	21	0
Prepaid administrative expenses	22	7
Prepaid financial expense	3	10
	59	17

Note 18 Liabilities maturity

	> 5 years	< 5 yrs; >1 yr	<1 yr; > 3 months	< 3 months	Total
Bonds		2 349			2 349
Liabilities to credit institutions		574			574
Commercial papers				1 315	1 315
Liabilities to Group companies		31		26 321	26 351
	0	2 954	0	27 636	30 589

Note 19 Provisions for pensions

Pension provisions are recognized in accordance with IAS 19 Employee Benefits.
See Note 1 Essential accounting principles

Interest-bearing pension liability, net	2016	2015
Net pension liability, January 1	57	67
Pension expenses	6	5
Benefits paid by employers	-1	-1
Funds contributed by employer	-1	0
Remeasurements	9	-14
Curtailments and settlements	0	0
Net pension liability according to the statement of financial position	70	57
Pension obligations		
January 1	98	108
Pensions earned during the year	3	4
Interest on obligations	3	2
Benefits paid by employers	-1	-1
Remeasurements	12	-15
Curtailments and settlements	0	0
	116	98
Plan assets		
January 1	41	41
Estimated return on plan assets	1	1
Funds contributed by employer	1	0
Difference between actual return and estimated return	3	-1
Plan assets, fair value	46	41

Actuarial assumptions

Financial assumptions		
Discount rate, January 1	3,00%	2,30%
Discount rate, December 31	2,50%	3,00%
Estimated return on plan assets for the period	2,50%	3,00%
Expected pay increase, December 31	3,00%	3,00%
Expected inflation, December 31	1,50%	1,50%
Demographic assumptions		
Life expectancy after age 65, women	23	23
Life expectancy after age 65, men	25	25
Life expectancy table	PRI	PRI

Note 20 Provisions

Provisions	2016	2015
Provision for unsettled claims	64	71
Provisions for social insurance contributions, pensions	14	12
Provision for social insurance contributions, Seop	2	2
	80	85

Note 21 Accrued expenses and prepaid income

Accrued expenses and prepaid income	2016	2015
Accrued administrative expenses	27	34
Accrued interest expense	23	17
Accrued exchange losses, forward contracts	11	-19
Accrued financial expenses	0	0
	60	32

Note 22 Assets pledged

As security for obligations to insured individuals, the statutes dictate that a register is kept of assets associated with priority rights. The security relates to debt service coverage for the actuarial provisions.

	2016	2015
Municipal bonds	25	0
Treasury bills	0	27
Cash	54	53
	79	80

Note 23 Contingent liabilities

	2016	2015
PRI	1	1
	1	1

Note 24 Related party disclosures

The SFS Group is related to all companies within the Skanska Group.
A total of 99.4 percent of the SFS Group's administrative income comes from other companies within Skanska, while 10.55 percent of administrative purchases are from other companies within Skanska.
The related party relationships in the Group reflect the related party relationships in the Parent Company.

	2016	2015
Receivables from Group companies	25 428	25 178
Liabilities to Group companies	26 351	26 304
Interest income, Group companies	601	641
Interest expense, Group companies	65	64
Income from Group companies	58	22
Purchases from Group companies	6	7

Note 25 Significant events after the closing day

A contract between SFS and AB Svensk Exportkredit (SEK) has been signed March the 29th 2017.
SEK will lend SFS USD 100 000 000.

Note 26 Definitions key indicators

Gross income	Net of interest income, financial expense pensions, interest expenses, change in fair value and other financial items.
Comprehensive income	Change in equity not attributable to transactions with owners.
Other comprehensive income	Comprehensive income minus profit according to the income statement. The item includes translation differences, hedging of exhange-rate risk in foreign operations, remeasurements of defined-benefit pension plans, effects of cash flow hedges and tax attributable to other comprehensive income.

Notes for the Parent Company

Note 27	**Interest income**	**2016**	**2015**
	Interest income, external	7	31
	Interest income from Group companies	603	641
		610	672

Note 28	**Interest expense**	**2016**	**2015**
	Interest expense, external	-129	-220
	Interest expense, Group companies	-65	-68
		-195	-288

Note 29	**Net profit from other financial transactions**	**2016**	**2015**
	Financial expense, pensions	-1	0
	Exchange gains/losses	-21	9
	Other financial expense	-18	-28
		-39	-20

Note 30	**Employees and personnel expenses**	**2016**	**2015**
	Average number of employees	39	40
	Number of women	23	23
	Men and women on Boards of Directors and in executive team on closing day		
	Board of Directors	9	7
	Number of women	4	2
	Other senior executives	4	4
	Number of women	2	2
	Paid as salaries and other remuneration	38	40
	of which for senior executives	9	11
	Social insurance contributions	12	13
		51	53
	Bonuses included above		
	of which for senior executives	2	3
	Pension expenses amounted to	8	10
	of which for senior executives	3	2
	Benefits for Board of Directors and President		
	Wages, salaries and other remuneration	2	4
	Bonuses	1	1
	Pensions	1	1
		4	6

Note 31	**Fees and expense compensation for auditors**	**2016**	**2015**
	EY 2016, KPMG 2015		
	Audit assignments	1	1
	Tax advisory services	0	0
	Total	1	1

Note 32	**Income from holdings in Group companies**	**2016**	**2015**
	Income for sale of Scem Reinsurance	477	0
	Dividend from Scem Reinsurance	20	0
	Group contributions from Skanska Försäkrings AB	13	0
		510	0

Note 33	**Taxes**	**2016**	**2015**
	Tax expense		
	Current taxes	-84	-68
	Tax on previous years' profits	0	0
		-84	-68

	Reconciliation of effective tax	**2016**	**2015**
	Pre-tax profit	869	307
	Tax based on tax rate in effect for the Parent Company, 22 percent	-191	-67
	Tax effect of non-taxable revenues	108 -	
	Tax effect of non-deductible costs	0	-1
	Recognized tax expense	-84	-68

Note 34	**Intangible non-current assets**	**2016**	**2015**
	Cost, January 1	7	7
	Purchases during the year	0	0
	Cost, December 31	7	7
	Accumulated amortization according to plan, January 1	-3	-2
	Amortization for the year according to plan	-1	-1
	Accumulated amortization according to plan, December 31	-4	-3
	Book value	3	4

Note 35	**Equipment**	**2016**	**2015**
	Cost, January 1	0	0
	Purchases during the year	0	0
	Retirements during the year	0	0
	Cost, December 31	0	0
	Accumulated depreciation according to plan, January 1	0	0
	Retirements during the year	0	0
	Depreciation for the year according to plan	0	0
	Accumulated depreciation according to plan, December 31	0	0
	Book value	0	0

Note 36 **Holdings in Group companies**

Subsidiaries	Corp. reg. no.	Registered office	No. of shares	% of capital	Book value
Skanska Försäkrings AB	516401-8664	Stockholm	50 000	100	407
Skanska Project Finance AB	559067-6309	Stockholm	50 000	100	1
					407

Accumulated cost	**2016**	**2015**
January 1	450	363
Group contribution to Skanska Försäkrings AB	0	87
Unconditional shareholder contribution to Försäkrings AB	0	0
Sale of Scem Reinsurance	-43	0
Acquisition of Skanska Project Finance AB	1	0
Book value, December 31	407	450

Pre-tax profit	**2016**	**2015**
Skanska Försäkrings AB	13	-112
Skanska Project Finance AB	0 -	

Equity	**2016**	**2015**
Skanska Försäkrings AB	330	330
Skanska Project Finance AB		

Note 37 Non-current receivables from Group companies

	2016	2015
Accumulated cost		
January 1	6 066	62
Receivables added/settled	9 116	6 004
Reclassified as current receivables	-6 097	0
Book value, December 31	9 085	6 066

Note 38 Other non-current receivables

	2016	2015
Accumulated cost		
January 1	116	213
Receivables added/settled	-	-97
Reclassified as current receivables	-116	-
Book value, December 31	0	116

Note 39 Prepaid expenses and accrued income

	2016	2015
Accrued interest income	15	0
Accrued exchange gains, forward contracts	147	0
Prepaid administrative expenses	22	16
Prepaid financial expense	3	-
	187	16

Note 40 Equity, Parent Company

According to Swedish law, equity must be allocated between restricted and unrestricted equity. Restricted equity consists of share capital and the statutory reserve. Unrestricted equity consists of retained earnings and profit for the year.
The Parent Company's equity breaks down as SEK 50 M in share capital, SEK 10 M in the statutory reserve, SEK -145 M in retained earnings and SEK 788 M in profit for the year. The number of shares amounted to 500,000 with a quota (par) value of 100.

Note 41 Provisions

	2016	2015
Provisions for pensions	14	14
Provisions for social insurance contributions	2	2
Other provisions	-	-
	16	16

Note 42 Liabilities

maturity	> 5 years	< 5 yrs; >1 yr	<1 yr; > 3 months	< 3 months	Total
Bonds		2 349			2 349
Liabilities to credit institutions		574			574
Commercial papers				1 315	1 315
Liabilities to Group companies		31		26 727	26 757
	0	2 954	0	27 636	30 995

Note 43 Accrued expenses and prepaid income

	2016	2015
Accrued administrative expenses	0	26
Accrued interest expense	54	-42
Accrued exchange losses, forward contracts	11	30
	65	14

Note 44 Appropriation of profits

The Board of Directors proposes that the available profit of SEK 637,720,646 be allocated as follows:

Dividend to Parent Company: SEK 400,000,000
To be carried forward: SEK 237,702,646

Note 45 Significant events after the closing day

A contract between SFS and AB Svensk Exportkredit (SEK) has been signed March the 29th 2017.
SEK will lend SFS USD 100 000 000.

Note 46 Sustainability report

The SFS Group is covered by the sustainability report of Skanska AB (publ) (556000-4615), registered in Stockholm municipality, and does not therefore prepare its own report.

Note 47 Contingent liabilities

	2016	2015
PRI	1	1

Note 48 Related party disclosures

SFS is related to all companies within the Skanska Group.
98.4 percent of the SFS Group's administrative income comes from other companies within Skanska, while 31.7 percent of administrative purchases are from other companies within Skanska.
The related party relationships in the Group reflect the related party relationships in the Parent Company.

	2016	2015
Receivables from Group companies	27 109	25 178
Liabilities to Group companies	26 757	27 278
Interest income, Group companies	603	641
Interest expense, Group companies	65	68
Income from Group companies	48	46
Purchases from Group companies	6	7

Assurance

The Board of Directors and President hereby provide an assurance that the Annual Report has been prepared in accordance with generally accepted accounting standards in Sweden and that the consolidated financial statements have been prepared in compliance with international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards.
The Annual Report and the consolidated financial statements provide a true and fair view of the financial position and results of the Parent Company and the Group. The Report of the Directors for the Parent Company and the Group provides a true and fair view of the operations, financial position and results of the Parent Company and the Group, and describes material risks and uncertainties faced by the Parent Company and the companies in the Group.

Peter Wallin
Chairman

Katarina Bylund
Board member

Louise Hallqvist
Board member

Kelly Gangotra
Board member

Caroline Walméus
Board member

Bert Ove Johansson
Board member

Lars Chrintz-Gath
Board member

Patrik Choleva
Board member

Therese Tegner
President

Caroline Fellenius Omnell
Board member

Our Auditor's Report was submitted on

Ernst & Young AB

Hamish Mabon
Authorized Public Accountant