ANNUAL REPORT
2020

REPORT OF THE DIRECTORS

The Board of Directors and the President of Skanska Financial Services AB (publ) hereby submit the Annual Report for the 2020 financial year.

Business activities

Skanska Financial Services AB (publ) (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. Skanska Financial Services AB (publ) has listed bonds in the form of medium-term notes (MTN) on NASDAQ OMX Stockholm.

Skanska Financial Services AB (publ) provides support functions to Skanska AB and the Skanska Group’s Business Units. The company coordinates the Skanska Group’s relationships with financial markets and institutions. The company is also responsible for managing Skanska Group’s borrowing and for ensuring that the Group has sufficient liquidity. Skanska Financial Services AB (publ) coordinates and executes operational financial transactions for the Business Units.

Business activities are conducted within strictly regulated frameworks established by Skanska AB’s Board of Directors. Skanska Financial Services AB (publ) secures solutions or negotiates contract guarantees and any financing that is not otherwise obtained through the internal bank. Skanska Financial Services AB (publ) also manages risks associated with the Skanska Group’s operations, such as interest rate, foreign exchange, credit, counterparty and project risk, as well as borrowing and liquidity.
The Skanska Group’s internal risk management unit, which reviews larger tender requests, is also encompassed within Skanska Financial Services AB (publ).

Skanska Financial Services AB (publ) is not to conduct any business that requires permits under the Banking and Financing Business Act (2004:297).

Events during the year

In 2020 Skanska repaid a syndicated loan totaling EUR 200 M through early settlement. It was replaced by two bilateral backup facilities of SEK 500 M and EUR 50 M respectively, each maturing in one year with the option to extend for one additional year.

A bilateral loan of EUR 60 M issued by Svensk Exportkredit matured during the year. To extend the maturity profile in the debt portfolio and to ensure access to EUR, it was replaced by two new loans of EUR 50 M each, maturing in five and seven years respectively. To ensure access to USD, a bilateral loan was taken out with Svensk Exportkredit of USD 65 M maturing in one year.
A medium-term note (MTN) of SEK 500 M matured at the end of 2020. Due to the strong liquidity situation, the maturing note was not refinanced.

The Covid-19 pandemic is currently affecting real economies through decreased demand in many industries, lower investment levels, higher unemployment and increased pressure on national finances in many countries, all of which makes it difficult to predict how serious the situation will get and how long it will last. Although the cost of borrowing went up as a result of an uneasy market due to the Covid-19 pandemic, it began to normalize during the second half of the year due to strong measures implemented by, for example, central banks.

Anticipated future development

The core operations will remain the same. Management of financial risks will remain an important focus in the years ahead, in particular in light of the fact that SFS expects its financing requirements to increase and that the geopolitical environment remains uncertain.

Multi-year review	**2020**	**2019**	**2018**	**2017**	**2016**
Net interest income	227	410	535	540	415
Operating revenue*	140	346	484	533	869
Total assets	33 279	33 601	36 417	36 880	31 876
Equity	596	433	273	273	700
Equity/assets ratio	1,8%	1,3%	0,7%	0,7%	2,2%

* Represents revenue before tax

Information on financial risks

Through its operations, aside from business risk, Skanska Financial Services AB (publ) is exposed to various financial risks such as credit risk, liquidity risk and market risk. These risks are associated with the company's reported financial instruments such as cash and cash equivalents, interest-bearing receivables, borrowing and derivatives.

Each year, based on the Skanska Group's Financial Policy, Skanska AB's Board of Directors establishes guidelines, objectives and limits for the management of financial risks within the Group. Skanska Financial Services AB (publ) has operational responsibility for securing Skanska Group's financing and for managing liquidity, financial assets and liabilities.

Credit risk

Credit risk is the risk associated with the financial assets and arises if a counterparty does not fulfill its contractual obligations to Skanska Financial Services AB (publ).

Financial credit risk - the risk associated with interest-bearing assets

Financial credit risk is the risk Skanska Financial Services AB (publ) is exposed to in relation to financial counterparties in the investment of surplus funds, bank account balances and investments in financial assets. Credit risk also arises in the use of derivative instruments and consists of the risk that a potential gain will not be realized if a counterparty fails to fulfill its part of the contract.

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 Skanska Financial Services AB (publ) 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 Company´s financial items and cash flow (cash flow risk) or the fair value of financial assets and liabilities (fair value interest rate risk). For Skanska Financial Services AB (publ), exposure to fair value interest rate risk arises primarily from interest-bearing borrowing.

Foreign exchange rate risk

Foreign exchange rate risk is defined as the risk of a negative impact on the income statement and statement of financial position of Skanska Financial Services AB (publ) due to fluctuations in foreign exchange rates. Foreign exchange rate risk arises mainly in connection with the company's transaction exposure, i.e. net operating and financial (interest/principal payment) flows.

For more information on financial risks, see Note 3 Financial instruments and financial risk management.

Significant events after the closing day

There were no significant events after the closing day.

Employees

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

Every year an employee survey is carried out at Skanska Financial Services AB (publ) to get an idea of employee satisfaction and well-being, and of the need for development measures. The survey results over the years have been consistently positive and stable.

Skanska Financial Services AB (publ) works according to a plan for equal treatment that is revised annually. The plan for equal treatment is based on Swedish laws and is supported by Skanska AB's Code of Conduct. The plan for equal treatment is a plan for 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 for the year was 0 percent (3.29).
The average number of employees in 2020 was 28 (29).

Proposed allocation of Company earnings

The Board of Directors proposes that the available profit of SEK 535 952 221 to be allocated as follows:

To be carried forward: SEK 535 952 221

For information on the company's results and position in general, please refer to the following income statement and balance sheet and the accompanying notes, as well as the cash-flow statement.

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

Skanska Financial Services AB (publ) is governed in accordance with the Articles of Association, the Swedish Companies Act, the Nasdaq Stockholm Rule Book for Issuers and other applicable 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 about the company of a more fundamental nature. They state, for example, the nature of the company's business, the size of the Board of Directors and the location of the registered office, the size of the share capital, number of shares and how shareholders' meetings are to be convened. The Articles of Association do not contain any provisions concerning discharging board members or amending the Articles of Association. The Articles of Association state that the Board of Directors is to have a minimum of three and a maximum of twelve 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 while the President is responsible for the day-do-day management of the company and is to inform the Board of Directors on an ongoing basis of any non-compliance issues.

Important governing documents with which Skanska Financial Services AB (publ) complies are the Skanska Group's Financial Policy, which is adopted by the Board of Skanska AB, and the accompanying SFS Procedure, BU Financial Management Procedure, Skanska Tender Approval Procedure, among other documents.

Middle Office is a risk function within the company that is responsible for risk management within Skanska Financial Services AB (publ) and the Skanska Group's various Business Units. The main risks identified and managed by Middle Office are risks relating to liquidity, interest rates, foreign exchange rates and counterparties, as well as the operational risk relating to dealing with the above risks. Middle Office reports on compliance to the President of the company and to the Group CFO of Skanska AB. To ensure that limits are not exceeded, Middle Office consults with the company's Head of Treasury when 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 of financial reporting are provided in the Documentation of Financial Processes for Skanska Financial Services AB (publ).

Financial reporting is carried out in compliance with rules and regulations in effect and with Skanska AB's Accounting Manual which describes in more detail the Skanska Group's interpretation of accounting rules, and in accordance with Skanska AB's quarterly instructions. As mentioned above, the President of Skanska Financial Services AB (publ) has reporting responsibility.

Sustainability report
The operations of Skanska Financial Services AB have no material environmental impact and are covered by the sustainability report prepared by Skanska AB (publ) (556000-4615), registered in Stockholm municipality. SFS does not therefore prepare its own report.

Income statement

SEK M	Note	2 020	2 019
Operating revenue			
Interest income[1]	4	463	929
Interest expense	5	-236	-519
Net profit/loss from financial transactions	6	-24	-14
Other operating revenue	7	30	35
Total operating revenue		**233**	**431**
Operating expenses			
General administrative expenses	8, 9	-90	-86
Depreciation/amortization and impairment losses of property, plant and equipment and intangible non-current assets	12, 13	0	0
Total operating expenses		**-90**	**-86**
Credit losses, net	10	-3	1
Operating revenue		**140**	**346**
Tax on profit for the year	11	3	-42
Profit for the year		**143**	**304**

1 The recognized interest income is essentially the same as the interest income estimated based on the effective interest method.

Report of other comprehensive income

SEK M		
Profit for the year	**143**	**304**
Items that have been or will be reclassified to profit or loss for the period		
Changes in the fair value of cash flow hedges for the year	-15	6
Changes in the fair value of cash flow hedges transferred to profit for the year	-3	-5
Tax related to items that have been or will be reclassified to profit for the year	4	0
Other comprehensive income after taxes	**-14**	**1**
Total comprehensive income	**129**	**305**

Balance sheet

SEK M	Note	2 020	2 019
ASSETS			
Non-current assets			
Intangible non-current assets			
Capitalized expenses for development and similar work	12	1	1
		1	**1**
Property, plant and equipment			
Equipment, tools and installations	13	0	0
		0	**0**
Financial non-current assets			
Receivables from Group companies	14	781	2 535
Other non-current receivables	15	0	10
		781	**2 545**
Total non-current assets		**782**	**2 546**
Current assets			
Current receivables			
Receivables from Group companies	3	17 355	24 492
Other receivables	3	211	174
Prepaid expenses and accrued income	16	8	12
		17 574	**24 678**
Short-term investments			
Other short-term investments	3	5 879	3 854
		5 879	**3 854**
Cash		9 044	2 523
Total current assets		**32 497**	**31 055**
TOTAL ASSETS		**33 279**	**33 601**
of which interest-bearing financial non-current assets		763	2 529
of which interest-bearing current assets		32 183	30 843
		32 946	33 372

EQUITY AND LIABILITIES

SEK M	**Note**	**2 020**	**2 019**
Restricted equity			
Share capital	17	50	50
Statutory reserve		10	10
Reserve for development costs		1	1
Unrestricted equity			
Hedge reserve		-4	10
Retained earnings or loss		396	58
Profit for the year		143	304
Total equity		**596**	**433**
Provisions			
Provisions for pensions and similar obligations	18	9	7
Other provisions	18	4	2
		13	**9**
Non-current liabilities			
Bonds	3, 19	500	499
Liabilities to credit institutions	3, 19	2 641	1 864
Liabilities to Group companies	3, 19	6 737	5 108
Other liabilities	3, 19	24	8
		9 902	**7 479**
Current liabilities			
Bonds	3, 19	0	501
Liabilities to credit institutions	3, 19	533	632
Trade accounts payable		8	3
Liabilities to Group companies	3, 19	22 024	24 414
Other liabilities	3, 19	171	86
Accrued expenses and prepaid income	20	32	44
		22 768	**25 680**
Total liabilities		**32 683**	**33 168**
TOTAL EQUITY AND LIABILITIES		**33 279**	**33 601**
of which interest-bearing financial liabilities		32 426	32 952
of which interest-bearing pensions and provisions		9	7
		32 435	32 959

Change in equity (SEK M)

	Share capital	Statutory reserve	Reserve for development costs	Reserve for cash flow hedges	Retained profit/loss incl. profit for the year	Total equity
Equity, January 1, 2019	**50**	**10**	**1**	**9**	**203**	**273**
Profit for the year	-	-	-	-	304	304
Other comprehensive income	-	-	-	1	-	1
Group contributions	-	-	-	-	-185	-185
Group contributions, taxes	-	-	-	-	40	40
Equity, December 31, 2019/	**50**	**10**	**1**	**10**	**362**	**433**
Equity, January 1, 2020						
Profit for the year	-	-	-	-	143	143
Other comprehensive income	-	-	-	-14	-	-14
Group contributions	-	-	-	-	44	44
Group contributions, taxes	-	-	-	-	-10	-10
Equity, December 31, 2020	**50**	**10**	**1**	**-4**	**539**	**596**

Cash flow statement

SEK M	2 020	2 019
Operating activities		
Operating revenue	140	346
Adjustments for items not included in cash flow, see supplementary information 2.	-296	32
Tax paid	-4	-1
Cash flow from operating activities before change in working capital	-160	377
Contributions to pension fund	0	-6
Cash flow from change in working capital		
Change in interest-bearing receivables, Group companies	9 202	2 073
Change in other interest-bearing receivables	0	0
Change in other non-interest-bearing receivables	0	11
Change in interest-bearing liabilities, Group companies	-702	-2 209
Change in other non-interest-bearing liabilities	-13	-14
Cash flow from operating activities	8 327	232
Investing activities		
Divestment of subsidiaries	-	-
Cash flow from investing activities	-	-
Financing activities		
Group contributions	-185	-484
Borrowings	1 537	0
Repayment of debt	-1 133	-863
Cash flow from financing activities	219	-1 347
Cash flow for the year	**8 546**	**-1 115**
Cash and cash equivalents, January 1, see supplementary information 3.	6 377	7 492
Cash and cash equivalents, December 31, see supplementary information 3.	14 923	6 377

Supplementary information

		2 020	2 019
1.	*Interest paid and dividends received*		
	Interest received	463	929
	Interest paid	-249	-525
2.	*Adjustments for items not included in cash flow*		
	Depreciation/amortization and impairment losses, assets	0	0
	Provisions for pensions	2	-4
	Other provisions	2	-3
	Unrealized exchange rate differences, financial liabilities	-226	90
	Impairment in accordance with IFRS 9	0	-1
	Currency effects	-18	0
	Unrealized change in value, derivatives, liabilities	48	34
	Unrealized change in value, derivatives, assets	-104	-84
		-296	32
3.	*Cash and cash equivalents, December 31*		
	Other short-term investments	5 879	3 854
	Cash	9 044	2 523
		14 923	6 377

Note 1. Accounting and valuation principles

Conformity with laws and standards
Skanska Financial Services AB (publ) has prepared its annual accounts according to the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's Recommendation RFR 2 Accounting for Legal Entities. According to RFR 2 Skanska Financial Services AB (publ) must 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 and within the framework of the Swedish Annual Accounts Act taking into account the connection between accounting and taxation. The income statement is prepared in compliance with the Act (1995:1559) on Annual Reporting for Credit Institutions and Securities Companies as the company's business is financial in nature and this provides a more fair and true representation of the company's operations.

The Annual Report was approved for issuance by the Board of Directors on March 18, 2021. The income statement and balance sheet will be subject to adoption by the Annual General Meeting on March 31, 2021.

Considerations in the preparation of the Group's financial statements
The functional currency of Skanska Financial Services AB (publ) is Swedish kronor (SEK), which is also the reporting currency. The financial statements are therefore presented in Swedish kronor. All amounts are rounded off to the nearest million, unless otherwise stated. Preparing the financial statements in accordance 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 material 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.

The accounting principles below, with the exceptions described in more detail, have been applied consistently in all periods presented in the financial statements.

Measurement principles applied in the preparation of the financial statements
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.

Changed accounting principles and effects of changes in accounting principles
The changes applied with effect from January 1, 2020 are described below. Other IFRS changes with effect from January 2020 have had no significant effect on the company's financial statements.

Early adoption of new or revised IFRSs and interpretations
There has been no early adoption of new or revised IFRSs or interpretations.

New standards and amendments of standards that have not yet begun to be applied
As of 1 January 2020 SFS is applying the amendment in IFRS 9 and IFRS 7 in response to the Interest Rate Benchmark Reform. The amendment in connection with the reform eases some specific hedge accounting requirements.
The purpose is to ensure that entities do not need to discontinue hedge accounting due to the reform. The change has had no material impact on SFS's financial statements.

Classification
Non-current assets and non-current liabilities essentially consist of amounts that are expected to be recovered or paid after more than 12 months have passed since the closing day. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or paid within 12 months of the closing day.

Operating segment reporting
An operating segment is a part of the company's operations that can generate revenue and incur costs 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. Skanska Financial Services AB (publ) has no separable parts that meet the definition of an operating segment and thus has only one segment.

Foreign currency transactions
Foreign currency transactions are translated into the 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 currency are translated into the functional currency at the exchange rate in effect on the closing day. Exchange rate differences that arise in connection with translation are recognized in profit or loss for the year.

Leased assets
Skanska Financial Services AB (publ) SFS does not apply IFRS 16 in accordance with the exception in RFR 2. Where the company is the lessee, lease payments are recognized as a linear cost over the term of the lease and right-of-use assets and lease liabilities are therefore not recognized in the balance sheet.

Interest income and interest expense
Interest income and expense presented in the income statement consist of:

Interest on financial assets and liabilities measured at amortized cost according the effective-interest method
Interest from financial assets and liabilities measured at fair value through profit or loss
Paid and accrued interest on derivatives that are hedging instruments and where hedge accounting is applied
Unrealized changes in the value of derivatives are recognized in the item Net profit/loss from financial transactions.

Net profit/loss from financial transactions
The item Net profit/loss from financial transactions contains realized and unrealized changes in value that have arisen in financial transactions. Net profit/loss from financial transactions consists of:

Realized and unrealized changes in fair value of the assets and liabilities that are recognized at fair value through profit or loss
Capital gains/losses from the divestment of financial assets and liabilities
Realized and unrealized changes in the value of derivatives that are economic hedging instruments but where hedge accounting is not applied
Ineffective portions of hedging instruments in cash flow, other than the part of the change in value that is recognized as interest
Exchange rate fluctuation
Bank costs and the cost of borrowing programs

General administrative expenses
This item consists of personnel expenses, including salaries and fees, bonuses, pension costs, payroll costs and other social insurance contributions. It also includes rental, audit, training, IT, telecom, travel and entertainment expenses.

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 in other comprehensive income or in equity, in which case the accompanying tax 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. Current tax includes adjustments of current tax from previous periods. Deferred tax is calculated according to the balance sheet method based on temporary differences between the reported and tax base amounts of assets and liabilities. Deferred tax is measured 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

IFRS 9 Financial Instruments addresses the recognition of financial assets and liabilities. Categories exempt from application according to IFRS 9 include holdings in subsidiaries, associated companies and joint ventures, leases, rights under employment contracts, treasury shares, financial instruments as described in IFRS 2, and rights and responsibilities within IFRS 15 except for the rights in IFRS 15 where an impairment requirement according to IFRS 9 applies. All financial instruments, including derivatives, are recognized as a financial asset or financial liability in the statement of financial position when the entity becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of a financial asset is recognized in and derecognized from the statement of financial position using trade date accounting. A financial asset is derecognized from the statement of financial position when the contractual rights to cash flows from the financial asset expire or when the entity transfers the contractual rights to receive cash flows from the financial asset or retains the contractual rights to receive cash flows, but assumes a contractual obligation to pay cash flows to one or more recipients. A financial liability is derecognized from the statement of financial position only when the contractual obligation is fulilled, cancelled or expires.

Presentation of financial assets is based on the entity’s business model and the contractual cash flows of the asset. A financial asset is measured at amortized cost if the asset is held within the framework of a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and the cash flows on specified dates are solely payments of principal and interest on the principal amount outstanding. A financial asset is measured at fair value through other comprehensive income if the asset is held according to a business model the objective of which can be achieved both by collecting contractual cash flows and selling financial assets, and the cash flows are solely payments of principal and interest on the principal amount outstanding. A financial asset is measured at fair value though profit or loss if it is not measured at amortized cost or at fair value through other comprehensive income.

All financial liabilities are measured at amortized cost with the exception of: a) financial liabilities measured at fair value through profit or loss (such liabilities, including derivatives that are liabilities, are thereafter to be measured at fair value); b) financial liabilities arising when a transfer of a financial asset does not meet the criteria for derecognition from the statement of financial position or where a continued commitment is appropriate; c) financial guarantee contracts; d) a loan commitment with and interest rate below the market interest rate; and e) a contingent consideration acknowledged by an acquiring party in connection with a business combination covered by IFRS 3 (the contingent consideration is thereafter measured at fair value with changes recognized through profit or loss).
An entity is only entitled to reclassify all relevant financial assets when the entity changes its business model for managing financial assets. Reclassification of financial liabilities is not permitted.

Financial assets and liabilities are initially measured at fair value plus or minus transaction costs upon acquisition of a financial asset or financial liability for a financial asset or financial liability that is not measured at fair value through profit or loss. Trade accounts receivable that do not contain a significant financing component are measured upon initial recognition at their transaction price (as defined in IFRS 15). After initial recognition, financial assets are measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. Subsequent measurement of financial liabilities is at amortized cost or fair value through profit or loss.

An entity is to apply the impairment requirement to expected credit losses on financial assets and a loss provision for these is to be recognized as a deduction from the asset. On every closing day the loss provision is to be equivalent to an amount reflecting the expected credit losses for the remaining time until maturity if the credit risk has increased significantly since it was initially recognized. If the credit risk has not increased significantly since it was first recognized, the loss provision is to be equivalent to 12 months of expected credit losses. For trade receivables, contractual assets and lease receivables, SFS measures the loss provision at an amount equivalent to the remaining time to maturity. An entity is to measure expected credit losses taking into account an objective and probability-weighted amount, the time value of money, reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

The purpose of hedge accounting is that, in its financial statements, an entity can report the effect of its risk management where financial instruments are used to manage exposure from specific risks that would impact results. A derivative that is measured at fair value through profit or loss can be identified as a hedging instrument. A financial asset or liability that is not a derivative measured at fair value through profit or loss can be identified as a hedging instrument unless it is a financial liability identified as measured at fair value through profit or loss for which the amount of the change in fair value arising from changes in credit risk for the liability is recognized in other comprehensive income. In hedge accounting, only contracts with an external party can be identified as hedging instruments. A hedged item may be a recognized asset or liability, an unrecognized binding commitment, a highly likely forecast transaction or a net investment in foreign operations. A hedging relationship only qualifies for hedge accounting when the following criteria have been met: the hedging relationship consists only of eligible hedging instruments and eligible hedged items, where there is a formal designation and documentation for the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge, and where the effectiveness requirement for the hedges has been met. The effectiveness requirement is met when there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate the changes that result from the economic relationship, and the hedge ratio of the hedging relationship is the same as the ratio between the quantity of the hedged item that the entity actually hedges and the quantity that the entity actually uses to hedge that quantity of hedged items.

Skanska Financial Services AB uses hedge accounting for cash flow hedging. Hedge accounting is used for cash flow hedges when a future cash flow is attributable to a recognized asset or liability or a highly probable future transaction.

A cash flow hedge is recognized as follows:
a) the separate component in equity, cash flow hedge reserve, which is linked to the hedged item is to be adjusted to the lower of the following: the cumulative gains or losses from the hedging instrument from the date the hedge was entered into or the cumulative change in fair value for the hedged item from the date the hedge was entered into;
b) the portion of the gain or loss for a hedging instrument that has been determined to be an effective hedge is recognized in other comprehensive income; c) the remaining gain or loss for the hedge instrument is hedging ineffectiveness that is to be recognized through profit or loss; d) the amount accumulated in the cash flow hedge reserve derived from the cash flow hedged in accordance with a) is to be recognized as follows: i) if a hedged forecast transaction subsequently leads to recognition of a non-financial asset or liability, or a hedged forecast transaction for a non-financial asset or liability becomes a binding commitment for which hedge accounting of fair value is used, the entity is to deduct this from the reserve originating from the cash flow hedge and include it directly in the initial cost or other recognized value for the asset or liability;
ii) for all cash flow hedges except those covered by i) this amount is to be reclassified from the reserve originating from the cash flow hedge to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss;
iii) if this amount is a loss and an entity is expecting all or part of the loss not to be recovered during one or more future periods, the amount not expected to be recovered is to be immediately reclassified to profit or loss as a reclassification adjustment.

Property, plant and equipment
Property, plant and equipment are recognized 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.

Impairment losses
Recognized assets are assessed on every closing day to determine if there is any indication of impairment. IAS 36 is applied for depreciation of assets other than financial assets which are recognized according to IFRS 9. If there is any indication of impairment the asset's recoverable amount is calculated. For other intangible assets that are not yet ready for use the recoverable amount is also calculated annually. An impairment loss is recognized when the carrying amount of the asset exceeds the recoverable amount.
An impairment loss is recognized as an expense in profit or loss for the year.

Employee benefits

Short-term benefits
Short-term employee benefits are calculated without being discounted and are recognized as an expense when the related services are received. 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 recognized as an accrued expense in the balance sheet.

Reporting of pension plans

Defined contribution pension plans
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 the contributions paid by the company into the plan or to an insurance company and the return on capital resulting from the contributions. Consequently, the employee bears the actuarial risk (that the benefit will be lower than expected) and the investment risk (that the invested assets will not be sufficient to provide the expected benefits). The company's obligations with respect to contributions in defined contribution plans are recognized as expenses in profit/loss for the year as they are earned through the employee performing services for the company over a period of time.

Defined benefit pension plans
The company reports defined benefit plans as defined contribution plans where a pension premium is paid to an insurance company, an insurance association or a similar entity. Skanska Financial Services AB (publ) complies with the regulations in the Pension Obligations Vesting Act and the instructions from Finansinspektionen as these are required for the right to make a tax deduction. The most important differences compared with the rules in IAS 19 are that the discount rate is established in a different way, that the calculation of the defined benefit obligation is done based on current salary levels without an assumption on future salary increases and that actuarial gains and losses are recognized in the income statement. Pension obligations secured by transferring funds to a pension fund are only reported as a provision if the market value of the fund's assets is less than the obligations. If the fund's assets exceed the obligations, no asset is reported.
Share-based payment
The Seop employee ownership program is recognized as share-based payment settled with equity instruments in accordance with IFRS 2. Social insurance contributions that are payable in connection with share-based payments are reported in compliance with statement UFR 7 issued by the Swedish Financial Reporting Board.

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 the amount can be reliably estimated. 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.

Contingent liabilities
Information on contingent liabilities is provided where there is a possible undertaking originating from events that have occurred and whose existence is only confirmed by one or more uncertain future events outside SFS's control or where there is an undertaking that is not recognized as a liability or provision because it is not likely that an outflow of resources will be required, or the amount cannot be estimated with sufficient reliability.

Reporting of Group contributions
Group contributions, provided or recieved, are recognized in equity.

Note 2. Key estimates and judgments

Management has discussed with the Board of Directors the developments, choices and disclosures relating to the SFS's important accounting principles and estimates, as well as the application of these principles and estimates. SFS is an internal bank the purpose of which is to be responsible for investment and cash borrowing, and its financial statements therefore mainly consist of financial instruments. The balance sheet consists mainly of intra-group receivables and liabilities and other receivables and liabilities recognized at amortized cost. Additionally, there are internal and external derivatives measured at fair value, see Note 3.

Covid-19
The effects of Covid-19 on real economies are creating uncertainty and risk.
SFS acted swiftly and resolutely to protect the employees, the Company and the balance sheet in 2020.
SFS has handled these tough times well and, despite a second wave of the pandemic, financing activities have remained stable.

Note 3. Financial instruments and financial risk management

Through its operations, aside from business risks, Skanska Financial Services AB 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 management of financial risks within the Group. The Financial Policy stipulates the division of responsibility between Skanska's Board, Group Leadership Team, SFS and the Business Units.

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

The objectives and policies 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 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. 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.

According to the Financial Policy SFS is to limit its exposure to financial counterparties by using banks and financial institutions that 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. To reduce the credit risk associated with derivative instruments, SFS has also signed standardized netting agreements (ISDA agreements) with all financial counterparties with whom Skanska has entered into derivative contracts. Most of SFS's interest-bearing assets consist of receivables from Group companies within Skanska. Lending to Group companies is not expected to expose SFS to any material credit risk.

When investing surplus funds with external counterparties the objective is to always attain a good spread of risk. As of the end of the year surplus funds were mainly invested with large banks with a global footprint, primarily in the Nordic region, Europe and the USA. SFS currently uses around 10 banks for derivative transactions.

The maximum exposure is equivalent the fair value of the assets and amounts to SEK 33 262 M. Of this amount, SEK 18 136 M consists of receivables from Skanska companies. Other external interest-bearing assets amounted to SEK 15 126 M.

Liquidity and refinancing risk

Liquidity and financing risk is defined as the risk of SFS not being able to meet its payment obligations due to lack of liquidity or due to difficulties in obtaining or rolling over external loans. SFS has operational responsibility for managing the Skanska Group's liquidity and employs a system of liquidity forecasting as a means of identifying and managing the fluctuations in short-term liquidity. Surplus liquidity is, if possible, to be used primarily to repay the principal on loan liabilities.

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 2020 Skanska repaid a syndicated loan totaling EUR 200 M through early settlement. It was replaced by two bilateral backup facilities of SEK 500 M and EUR 50 M respectively, each maturing in 1 year with an option to extend for one additional year.

A bilateral loan of EUR 60 M issued by Svensk Exportkredit matured during the year. To extend the maturity profile in the debt portfolio and to ensure access to EUR, it was replaced by two new loans of EUR 50 M each, maturing in five and seven years respectively. To ensure access to USD, a bilateral loan was taken out with Svensk Exportkredit of USD 65 M maturing in one year.
At the end of the year a medium-term note (MTN) of SEK 500 M matured. Due to the strong liquidity situation, the maturing note was not refinanced.

2020

	Maturity	Currency		Limit in SEK	Utilized
Market funding programs					
Commercial paper (CP) program, maturities 0-1 year		SEK/EUR	SEK 6 000 M	6 000	-
Medium-term note (MTN) program, maturities 1-10 years		SEK/EUR	SEK 8 000 M	8 000	500
				14 000	500
Committed credit facilities					
Syndicated bank loan	2024	SEK/EUR USD/GBP	EUR M 600	6 033	-
Bilateral bank loan	2021	SEK	500 MSEK	500	-
Bilateral bank loan	2021	EUR	50 MEUR	503	-
Bilateral loan agreements	2021	USD	65 MUSD	533	533
Bilateral loan agreements	2023/2024	USD	100 MUSD	818	818
Bilateral loan agreements	2024	USD	100 MUSD	818	818
Bilateral loan agreements	2025	EUR	50 MEUR	502	502
Bilateral loan agreements	2027	EUR	50 MEUR	502	502
Other credit facilities				433	-
				10 642	3 174

2019

	Maturity	Currency		Limit in SEK	Utilized
Market funding programs					
Commercial paper (CP) program, maturities 0-1 year		SEK/EUR	SEK 6 000 M	6 000	-
Medium-term note (MTN) program, maturities 1-10 years		SEK/EUR	SEK 8 000 M	8 000	1 000
				14 000	1 000
Committed credit facilities					
Green syndicated bank loan	2020	SEK/EUR/USD	EUR M 200	2 089	-
Syndicated bank loan	2024	SEK/EUR/USD	EUR M 600	6 268	-
Bilateral loan agreements	2020	EUR	EUR 60 M	627	627
Bilateral loan agreements	2023/2024	USD	USD 200 M	1 864	1 864
Other credit facilities				455	5
				11 303	2 496

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, SFS's cash and cash equivalents and committed credit facilities amounted to about SEK 22 (15) billion, of which around SEK 17 billion (11) is expected to be available within one week.

The Skanska 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, 2020 the average maturity of the borrowing portfolio was 3.1 years (3.4), if unutilized credit facilities are weighed in.

The maturity structure, including interest payments, of SFS's financial interest-bearing liabilities and derivatives is distributed over the next few years according to the following table. Most of the interest-bearing financial liabilities are investments from Skanska companies in a cash pool with a contractual maturity within three months. Historically, however, the relationship between intra-Group liabilities and receivables has essentially remained at a stable level. In addition to intra-Group financing SFS, as mentioned above, also has access to committed bank credit facilities and market funding programs.

2020 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		32 428	32 620	22 039	569	9 497	514
Derivatives: Currency forward contracts							
	Inflow		-7 965	-5 048	-2 174	-742	-
	Outflow	192	8 146	5 170	2 217	758	-
Derivatives: Interest rate swaps							
	Inflow						
	Outflow	3	3	1	1	1	-
Trade accounts payable		8	8	8	-	-	-
Total		**32 631**	**32 812**	**22 169**	**614**	**9 515**	**514**

2019 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		32 952	33 263	24 410	1 177	7 676	-
Derivatives: Currency forward contracts							
	Inflow		-12 780	-9 875	-2 151	-754	-
	Outflow	145	12 942	9 953	2 207	782	-
							-
Derivatives: Interest rate swaps							
	Inflow		-2			-2	
	Outflow	2	5	1	1	3	-
Trade accounts payable		3	3	3	-	-	-
Total		**33 102**	**33 431**	**24 492**	**1 234**	**7 705**	**-**

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 SFS's financial items and cash flow (cash flow risk) or the fair value of financial assets and liabilities (fair value interest rate risk). For SFS, exposure to fair value interest-rate risk arises primarily from interest-bearing borrowing.

To limit the risk, the fixed interest periods for financial assets and liabilities are to be matched in the respective borrowing currency to the greatest extent possible. When calculating SFS sensitivity to changes in interest rates, all interest-bearing assets, liabilities and derivatives are included, with the exception of pensions and taxes. Analysis indicates that the position as of December 31, 2020 remains constant in terms of both size of net debt, in the ratio of fixed and variable interest rates as well as the percentage of financial instruments in foreign currencies.

Fair value sensitivity is measured using three different scenarios: a basic scenario involving an increase in the interest rate of one percentage point across all maturities, or an increase or decrease in the basic scenario of one half of a percentage point over the maturities. According to the policy, the change in fair value may not exceed SEK 150 M for any of these interest rate scenarios.

As of December 31, 2020 the change in fair value estimated with the scenarios above would impact net financial items within the range of SEK 31-57 M (31-53), as hedge accounting is not applied. All amounts are stated before tax. Equity would thus be affected by around SEK 24-45 (24-42) taking tax into account.

The average fixed interest period for external interest-bearing assets was 0.1 (0.1) years, taking derivatives into account. The interest rate for these was 0.04 (0.27) percent at year-end. Of SFS's external interest-bearing financial assets, 43 (49) percent carry fixed interest rates and 57 (51) percent variable interest rates.

The average fixed interest period for external interest-bearing liabilities, taking into account derivatives but excluding pension liabilities, was 0.3 (0.4) years. The interest rate for interest-bearing liabilities amounted to 1.38 (2.39) percent at year-end. Taking into account derivatives, the interest rate was 0.64 (-1.50) percent. Of the total interest-bearing financial liabilities, after taking into account derivatives, 14 (26) percent carry fixed interest rates and 86 (74) percent variable interest rates.

On December 31, 2020 there were outstanding interest rate swap contracts amounting to a nominal value of SEK 500 M (918). All of the contracts were entered into by SFS in order to swap the borrowing from variable to fixed interest. The fair value of interest-rate swaps totaled SEK -3 M (-2) as of December 31, 2020. 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 the income statement and statement of financial position of Skanska Financial Services AB (publ) due to fluctuations in foreign exchange rates. This risk refers to transaction exposure, i.e. net operating and financial (interest/principal payment) flows.

Transaction exposure
The foreign exchange rate risk for SFS is in general limited to a total of SEK 5 M, with risk calculated as the effect on earnings of a 5 percentage point shift in exchange rates. A higher risk level is permitted if it is within the total foreign exchange rate risk limit for the Skanska Group, which is SEK 50 M. As of December 31, 2020 foreign exchange rate risk accounted for SEK 0.1 M (0.1) of transaction exposure for SFS and SEK 4 M (15) for the Skanska Group.

SFS hedges foreign currency flows by matching critical factors such as nominal amount, currency and due date. By this means a qualitative evaluation of the efficiency of the relationship is made. The efficiency of a hedge is evaluated when the hedging relationship is entered into and on an ongoing basis. SFS uses hedge accounting for hedging of contracted future EUR and USD flows relating to long-term borrowing. The hedged contracted flows amount to EUR 3 M and USD 17 M.
The hedges meet effectiveness criteria, which means that unrealized gains or losses are recognized under other comprehensive income
As of the closing day the hedge reserve amounted to SEK -4 (10) M.

Financial instruments in the balance sheet

The table below shows carrying amounts and fair value for financial instruments by category, and a reconciliation with total assets and liabilities in the statement of financial position.

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 interest rates for each respective maturity and currency.
The third level uses substantial elements of input data that are not observable in the market.

All fair values in the table below have been calculated according to level two above. In calculating fair value in the borrowing portfolio, SFS takes into account current market interest rates, which include the credit risk premium that SFS is estimated to pay for its borrowing. The assessment of financial instruments with option elements is calculated using the Black-Scholes model. As of December 31, 2020 and December 31, 2019 SFS had no instruments with option elements.

For financial instruments, current intra-Group receivables and liabilities, other non-current and current receivables and liabilities, trade accounts receivable, short-term investments, cash and trade accounts payable, the fair value is the same as the carrying amount.

Assets	Fair value through profit or loss.	Fair value through other comprehen-sive income	Amortized cost	Total carrying amount	Total fair value
2020					
Financial assets at fair value					
Derivatives, external[1]	202	-	-	202	202
Derivatives, internal[2]	113	-	-	113	113
	315	-	-	**315**	**315**
Financial assets not recognized at fair value					
Non-current receivables, Group companies	-	-	763	763	763
Current receivables, Group companies	-	-	17 258	17 258	17 258
Other non-current and current receivables	-	-	-	-	-
Trade accounts receivable	-	-	3	3	3
Short-term investments	-	-	5 879	5 879	5 880
Cash	-	-	9 044	9 044	9 044
	-	-	**32 946**	**32 946**	**32 947**
Total financial instruments	**315**	-	**32 946**	**33 261**	**33 262**

Assets	Fair value through profit or loss.	Fair value through other comprehen-sive income	Amortized cost	Total carrying amount	Total fair value
2019					
Financial assets at fair value					
Derivatives, external[1]	179	-	-	179	179
Derivatives, internal[2]	32	-	-	32	32
	211	-	-	**211**	**211**
Financial assets not recognized at fair value					
Non-current receivables, Group companies	-	-	2 529	2 529	2 529
Current receivables, Group companies	-	-	24 466	24 466	24 496
Other non-current and current receivables	-	-	-	-	-
Trade accounts receivable	-	-	0	0	0
Short-term investments	-	-	3 854	3 854	3 854
Cash	-	-	2 523	2 523	2 523
	-	-	**33 372**	**33 372**	**33 402**
Total financial instruments	**211**	-	**33 372**	**33 583**	**33 613**

1 The carrying amount of external derivatives is included in “Other non-current receivables” in the amount of SEK 0 M (10) and “Other receivables” in the amount of SEK 202 M (169).

2 The carrying amount of internal derivatives is included in “Non-current receivables from Group companies” in the amount of SEK 18 M (6) and “Current receivables from Group companies” in the amount of SEK 95 M (26).

Reconciliation with the balance sheet

	2 020	2 019
Assets		
Financial instruments	33 261	33 583
Other assets		
Property, plant and equipment and intangible assets	1	1
Other non-current and current receivables	9	5
Prepaid expenses and accrued income	8	12
Total assets	**33 279**	**33 601**

Liabilities	Fair value through profit or loss.	Fair value through other comprehen-sive income	Amortized cost	Total carrying amount	Total fair value
2020					
Financial liabilities at fair value through profit or loss					
Derivatives, external[3]	188	-	-	188	188
Derivatives, internal[4]	7	-	-	7	7
	195	**-**	**-**	**195**	**195**
Financial liabilities at amortized cost					
Non-current liabilities to Group companies and credit institutions	-	-	9 378	9 378	9 428
Long-term and short-term bonds	-	-	500	500	501
Other non-current and current receivables	-	-	-	-	-
Current liabilities to Group companies and credit institutions	-	-	22 550	22 550	22 551
Trade accounts payable	-	-	8	8	8
	-	**-**	**32 436**	**32 436**	**32 488**
Total financial instruments	**195**	**-**	**32 436**	**32 631**	**32 683**

Liabilities	Fair value through profit or loss.	Fair value through other comprehen-sive income	Amortized cost	Total carrying amount	Total fair value
2019					
Financial liabilities at fair value through profit or loss					
Derivatives, external[3]	81	-	-	81	81
Derivatives, internal[4]	66	-	-	66	66
	147	**-**	**-**	**147**	**147**
Financial liabilities at amortized cost					
Non-current liabilities to Group companies and credit institutions	-	-	6 961	6 961	7 007
Long-term and short-term bonds	-	-	1 000	1 000	1 004
Other non-current and current receivables	-	-	-	-	-
Current liabilities to Group companies and credit institutions	-	-	24 991	24 991	24 996
Trade accounts payable	-	-	3	3	3
	-	**-**	**32 955**	**32 955**	**33 010**
Total financial instruments	**147**	**-**	**32 955**	**33 102**	**33 157**

3 The carrying amount of external derivatives is included in “Other non-current liabilities” in the amount of SEK 25 M (8) and “Other current liabilities” in the amount of SEK 163 M (73).

4 The carrying amount of internal derivatives is included in “Non-current liabilities to Group companies” in the amount of SEK 0 M (11) and Current liabilities to Group companies in the amount of SEK 7 M (55).

Reconciliation with the balance sheet	**2 020**	**2 019**
Liabilities		
Financial instruments	32 631	33 102
Other liabilities		
Equity	596	433
Provisions	13	9
Other liabilities	7	13
Accrued expenses and prepaid income	32	44
Total liabilities	**33 279**	**33 601**

Disclosures concerning offsetting of financial instruments

	2020		**2 019**	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Gross amounts	33 262	32 631	33 613	33 102
Amounts offset	-	-	-	-
Recognized in balance sheet	33 262	32 631	33 613	33 102
Amounts covered by netting arrangements	-27	-27	-23	-23
Net amount after netting arrangements	33 235	32 604	33 590	33 079

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

Revenue and expenses from financial instruments recognized in the income statement

	2 020	2 019
Interest income on financial assets measured at fair value through profit or loss	76	115
Interest income on assets measured at amortized cost	385	811
Interest income on cash	2	2
Change in market value of financial assets/liabilities at fair value through profit or loss	-18	6
Total revenue in operating revenue	444	934
Interest expense on financial liabilities measured at fair value through profit or loss	-30	-80
Interest expense on financial liabilities measured at amortized cost	-205	-438
Change in market value of financial assets/liabilities at fair value through profit or loss	16	-4
Financial expense, pensions	0	0
Net exchange rate differences	-2	0
Expense for borrowing programs	-18	-14
Bank-related expenses	-1	-1
Total operating revenue in operating expenses	-241	-538
Net income and expense from financial instruments recognized in the income statement	203	396

Note 4. Interest income

	2 020	2 019
Interest income, external	96	117
Interest income from Group companies	367	812
	463	929
Geographic breakdown of interest income		
Sweden	75	97
USA	135	556
Poland	126	157
Other	126	119
	463	929

Note 5. Interest expense

	2 020	2 019
Interest expense, external	-77	-101
Interest expense Group company	-159	-418
	-236	-519

Note 6. Net profit/loss from other financial transactions

	2 020	2 019
Financial expense, pensions	0	0
Exchange gains/losses	-2	0
Other financial expense	-19	-15
Other financial instruments	-3	1
	-24	-14

Note 7. Other operating revenue

	2 020	2 019
Fees for financial advice	30	35
	30	35

Note 8. Employees and personnel expenses

	2 020	2 019
Average number of employees*	28	29
Number of women	13	18
Men and women on the Board of Directors and leadership team as of the closing day		
Board of Directors	3	3
Number of women	2	2
Other senior executives	4	3
Number of women	1	1
Paid as salaries and other remuneration	-35	-32
of which for senior executives	-9	-6
Social insurance contributions	-13	-13
	-57	-51
Bonuses included above		
of which for senior executives	-2	-1
Pension expenses amounted to	-9	-3
of which for senior executives	-2	-2
Benefits for the President [1]		
Wages, salaries and other remuneration	-3	-3
Bonuses	-1	0
Pensions	-1	-1
	-4	-3

1 No fees are paid to other board members.

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 the opportunity to invest in Skanska AB's shares while receiving an incentive in the form of possible allotment of additional shares. The allotment is predominantly performance-based. Shares are only allotted after a three-year vesting period. To be able to earn matching shares and performance shares, a person must be employed throughout the vesting period and have retained the shares purchased under the program. The initial program, Seop 1, with investment period 2008-2010, was concluded in 2013, when performance and matching shares were allocated. The investment period for Seop 2 was 2011-2013 and allocation began in 2014. Seop 3 was launched in 2014 and 2014-2016 was the investment period. Seop 4 started in January 2017 and 2017-2019 was the investment period. Seop 5 started in January 2020. Seop 2, Seop 3, Seop 4 and Seop 5 are essentially the same as Seop 1. The costs of Seop 2, Seop 3, Seop 4 and Seop 5 are measured in accordance with IFRS 2 Shared- 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, Seop 3, Seop 4 and Seop 5 have been calculated in accordance with UFR 7, IFRS 2. This means that social insurance contributions for the cost for the year of Seop are recognized as operating expenses and other provisions this year.

Severance pay
The notice period for the President, in the case of termination by the company, is six months with retention of fixed salary and benefits, excluding variable remuneration. After the notice period, severance pay is payable for 18 months equivalent to fixed salary.

Note 9. Fees and expense compensation for auditors

Ernst & Young AB	2 020	2 019
Audit assignments	-1	-1
Total	-1	-1

Note 10. Credit losses, net

SFS's interest-bearing financial assets as of December 31, 2020 consisting mainly of receivables from Group companies, SEK 18 133 M and other bank balances, are expected to still carry a low credit risk as of the closing day as the assets have a high credit rating and thus the loss reserve for these assets is based on 12 months of anticipated credit losses.

Receivables at amortized cost

	2 020	2 019
Provisions - Step 1	-3	1
	-3	1

Interest-bearing assets and derivatives		
Outstanding receivables	33 269	33 617
Impairment losses	-7	-4
Carrying amount	**33 262**	**33 613**

Change in impairment losses on interest-bearing assets and derivatives		
January 1	**-4**	**-5**
Impairment	-3	-
Reversal of impairment losses	-	1
Amount at year-end	**-7**	**-4**

Note 11. Taxes

Recognized in the statement of income and other comprehensive income

Tax expense	2 020	2 019
Current taxes	7	-42
Tax on previous years' profits	0	1
Deferred tax on temporary differences	-4	-1
Total	3	-42

Taxes recognized in other comprehensive income	2 020	2 019
Deferred taxes attributable to derivatives for hedging	4	0
Total	4	0

Reconciliation of effective tax	2 020	2 019
Earnings before taxes	140	346
Tax based on tax rate in effect, 21,4 percent (21,4)	-30	-74
Tax attributable to previous years	0	0
Non-deductible costs	0	-1
Non-taxable revenues	0	0
Unreported deductable costs *	33	33
Recognized tax expense	3	-42

Reported in the statement of financial position

Tax assets (+) and tax liabilities (-)

	2 020	2 019
Tax assets	4	4
Tax liabilities	0	0
	4	4

Deferred tax assets and deferred tax liabilities

	2 020	2 019
Deferred tax assets according to the statement of financial position	0	0
Deferred tax liabilities according to the statement of financial position	0	0
	0	0

Net deferred tax assets (+), deferred tax liabilities (-)

	2 020	2 019
Deferred tax assets for other assets	0	0
	0	0

Change in net deferred tax assets(+), liabilities (-)	2 020	2 019
Net assets, January 1	0	1
Deferred tax income/expenses	0	-1
Net assets, December 31	0	0

* The increase in unreported deductable costs is due to the possibility of offsetting net interest within the group.

Note 12. Intangible non-current assets

	2 020	2 019
Cost, January 1	8	8
Purchases during the year	0	0
Cost, December 31	8	8
Accumulated amortization according to plan, January 1	-7	-7
Amortization for the year according to plan	0	0
Accumulated amortization according to plan, December 31	-7	-7
Book value	1	1

Note 13. Property, plant and equipment

	2 020	2 019
Cost, January 1	-	-
Purchases during the year	-	-
Retirements during the year	-	-
Cost, December 31	-	-
Accumulated depreciation according to plan, January 1	-	-
Retirements during the year	-	-
Depreciation for the year according to plan	-	-
Accumulated depreciation according to plan, December 31	-	-
Book value	-	-

Note 14. Non-current receivables from Group companies

Accumulated cost	2 020	2 019
January 1	2 535	6 911
Receivables added/settled	-1 754	-4 376
Reclassification to current receivables	781	2 535
Book value, December 31		

Note 15. Other non-current receivables

Accumulated cost	2 020	2 019
January 1	10	2
Receivables added/settled	-10	10
Reclassification to current receivables	-	-2
Book value, December 31	0	10

Note 16. Prepaid expenses and accrued income

	2 020	2 019
Prepaid administrative expenses	1	1
Prepaid financial expense	7	11
	8	12

Note 17. Equity

According to Swedish law, equity must be allocated between restricted and unrestricted equity. The share capital, statutory reserve and reserve for development costs constitutes restricted equity. Unrestricted equity consists of retained earnings, provisions for cash flow hedging and profit for the year. SFS's equity breaks down as SEK 50 M in share capital, SEK 10 M in the statutory reserve, SEK 1 M in reserve for development costs, SEK -4 M in cash flow reserve, SEK 396 M in retained earnings and SEK 143 M in profit for the year. The number of shares amounted to 500,000 (500,000) with a quota (par) value of SEK 100 (100).

Note 18. Provisions

	2 020	2 019
Provisions for pensions and similar obligations	9	7
Other provisions	4	2
	13	9

Other provisions consist of social insurance contributions for employee ownership programs, see Note 8. The normal cycle time for these is around one to three years.

Note 19. Maturity profile for liabilities

	> 5 years	>1 year ; < 5 years	> 3 months; <1 year	< 3 months	Total
Bonds	-	500	0	-	500
Liabilities to credit institutions	502	2 139	533	0	3 174
Liabilities to Group companies	-	6 737	8	22 016	28 761
Other liabilities	-	24	52	119	195
	502	9 400	592	22 136	32 630

Note 20. Accrued expenses and prepaid income

	2 020	2 019
Accrued administrative expenses	20	19
Accrued interest expense	12	25
	32	44

Note 21. Reconciliation of liabilities originating from financing activities

			Changes not affecting cash flow		
	UB 2019	Cash flow*	Foreign exchange rate differences	Re-classification	UB 2020
Financial non-current liabilities	2 363	1004	-226	-	3 141
Financial current liabilities	1 133	-600	0	-	533
Total	**3 496**	**403**	**-226**	**-**	**3 674**

			Changes not affecting cash flow		
	UB 2018	Cash flow*	Foreign exchange rate differences	Re-classification	UB 2019
Financial non-current liabilities	3 403	-	77	-1118	2 363
Financial current liabilities	867	-863	12	1118	1 133
Total	**4 270**	**-863**	**89**	**0**	**3 496**

*Total cash flows in financing activities also includes group contributions -185 (-484).

Note 22. Allocation of earnings

The Board of Directors proposes that the available profit of SEK 535 952 221 be allocated as follows:

To be carried forward: SEK 535 952 221

Note 23. Events after the closing day

There were no significant events after the closing day.

Note 24. Sustainability report

Skanska Financial Services AB is covered by the sustainability report prepared by Skanska AB (publ) (556000-4615), registered in Stockholm municipality and does not therefore prepare its own report.

Note 25. Contingent liabilities

	2 020	2 019
PRI	1	1

Note 26. Transactions with related parties

SFS is related to all companies within the Skanska Group. 80 percent of SFS's interest income as well as operating revenue is revenue from other companies within the Skanska Group. 21 percent of general administrative expenses relates to purchases from other companies within the Skanska Group.

	2 020	2 019
Receivables from Group companies	18 136	27 027
Liabilities to Group companies	28 761	29 522
Interest income from Group companies	367	812
Interest expense to Group companies	-159	-418
Other operating revenue from Group companies	26	33
Purchases from Group companies	19	23

Note 27. Definitions of key indicators

Total operating revenue	Net of interest income, pension interest, interest expense, change in market value as well as other financial items.
Operating revenue	Earning before taxes.
Equity/asset ratio	Equity as a percentage of total assets.
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, the effect of cash flow hedges and tax attributable to other comprehensive income.

Assurance

The annual accounts have been prepared in compliance with the 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 IFRS and generally accepted accounting principles, and provide a true and fair view of the position and results of the company. The Report of the Directors provides a true and fair view of the company's activities, position and results and describes material risks and uncertainties faced by the company.

Stockholm, March 18, 2021

Therese Tegner
President and board member

Katarina Bylund
Chairman of the Board

Jamie Stanbury
Board member

Our Auditor's Report was submitted on March 22, 2021

Ernst & Young AB

Magnus Engvall
Authorized Public Accountant