ANNUAL REPORT
2017

REPORT OF THE DIRECTORS

The Board of Directors and the President of Skanska AB (publ) hereby submit their report on the operations of both the company and the Group in 2017.

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 OMX Stockholm.

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.

Through the SFS subsidiary, Skanska Project Finance AB (SPF) (559067-6309), the Group also provides credit to external parties to finance construction contracts or other Skanska projects, mainly through direct lending. SPF provides external lending services to cooperative housing associations during the construction phase where long-term financing is in place. The company does not conduct any business that requires permits under the Banking and Financing Business Act (2004:297).

Business activities are conducted within strictly regulated frameworks established by Skanska AB'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, as well as borrowing and liquidity risk.

Insurance activities
Skanska Försäkrings AB (SF), (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 the Skanska Group's operations. The risks covered mainly concern contract, property and liability-related insurance policies for Skanska's Business Units. Insurance policies are signed directly, in certain cases as co-assurance and as reinsurance received.

Events during the year
In 2017 two new loans were taken out totaling USD 100 M (SEK 820 M) with Nordic Investment Bank and one loan with Svensk Exportkredit totaling USD 100 M (SEK 820 M). The commercial papers programs matured in 2017 in an amount totaling SEK 1,315 M issued in 2016. No new commercial papers were issued.

SFS also refinanced its syndicated bank loan. The new credit facility of EUR 600 M will mature in five years with an option to extend two times for one year at a time after the first and second year respectively. A syndicated credit facility with a green profile was also established in the amount of EUR 200 M expiring in two years with an option for a one-year extension.

In November the Parent Company's Board of Directors decided to sell the subsidiaries Skanska Försäkrings AB and Skanska Project Finance AB to Skanska Kraft AB, which in turn is owned by Skanska AB.

Anticipated future development
The core business 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 as the geopolitical environment remains uncertain.

Earnings and financial position SFS Group
The Group's net interest income amounted to SEK 538 M (412) in 2017. Increased intra-Group lending has resulted in a higher net interest income, which has also contributed to an increase in pre-tax profit of SEK 137 M after adjustment for a non-recurring item of SEK 107 M for the sale of the Group's reinsurance company in Luxembourg the previous year. Pre-tax profit in 2017 amounted to SEK 516 M (486).

Cash and cash equivalents amounted to SEK 4,636 M (4,035), which is an increase of SEK 601 M since the beginning of the year.

Interest-bearing assets amounted to SEK 36,329 M (31,397), SEK 30,147 M (25,427) of which constitutes intra-Group receivables. Interest-bearing financial liabilities amounted to SEK 35,985 M (30,589). SEK 31,324 M (26,351) of these are intra-Group liabilities.

Parent Company earnings and financial position

The Parent Company's net interest income for 2017 amounted to SEK 540 M (415).

Pre-tax profit amounted to SEK 533 M (869). The lower earnings, despite higher net interest income compared to the previous year, is mainly explained by the sale in the previous year of the SFS subsidiary in Luxembourg, Scem Reinsurance, which contributed to the unusually high earnings for 2016.

Information on financial risks

Through its operations, aside from business risk, the SFS Group is exposed to various financial risks such as credit, liquidity and market risk. These risks are associated with the Group'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 financial management and managing financial risks within the Group. The Financial Policy stipulates the division of responsibility between the Skanska Group Board and Group Leadership Team, SFS and the Business Units. SFS has operational responsibility for Skanska Group's financing and for managing liquidity, financial assets and liabilities.

Credit risk

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

Financial credit risk – the 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 of derivatives and consists of the risk that a potential gain will not be realized if the counterparty does not fulfill its contractual obligations.

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 rate risk). For the SFS Group, exposure to 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 SFS's income statement and statement of financial position due to exchange rate fluctuations. 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 subsidiaries.

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

Significant events after the closing day

In 2018 internal sales of the subsidiaries Skanska Försäkrings AB and Skanska Project Finance AB are expected to be executed after the necessary permits have been received from Finansinspektionen (Swedish financial supervisory authority).

Non-financial result indicators
To attract and retain employees, the Skanska Group has, among other things, developed the 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 SFS to get an idea of employee satisfaction and well-being, and the need for development measures. The survey results over the years have been consistently positive.

SFS 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 and the associated Compliance Guidelines. 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 13 percent (8).
The average number of employees in 2017 was 41 (39).

Proposed allocation of Parent Company earnings
The Board of Directors proposes that the available profit of SEK 211,677,677 be allocated as follows:

To be carried forward: SEK 211,677,677

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 OMX Stockholm.

SFS 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. 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 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 main 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 SFS's subsidiaries comply with the adopted guidelines and applicable rules. The President is responsible for keeping the Board informed on a ongoing basis of any non-compliance.

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

The Board of SFS 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 and counterparties, as well as the operational risk relating to dealing with the above risks. Middle Office reports on compliance with the risk instructions to Skanska's Group Leadership Team as to SFS's Board. To ensure that limits are not exceeded, Middle Office consults with SFS'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 SFS's Documentation of Financial Processes.

Financial reporting is done 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, 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**	**2017**	**2016**
Operating revenue			
Interest income	5	763	610
Interest expense	6	-225	-198
Net profit from financial transactions	7	12	1
Other operating revenue	10	61	57
Total operating revenue		**611**	**470**
Operating expenses			
General administrative expenses	8, 9	-94	-90
Depreciation/amortization and impairment losses, property, plant and equipment and intangible non-current assets		-1	-1
Total operating expenses		**-95**	**-91**
Income from holdings in Group companies	11	0	107
Operating revenue		**516**	**486**
Tax on profit for the year	12	-114	-88
Profit for the year		**402**	**397**

Consolidated statement of comprehensive income

SEK M	2017	2016
Profit for the year	**402**	**397**
Other comprehensive income		
Items that will not be reclassified to profit or loss for the period		
Remeasurement of defined benefit pension plans	-11	-11
Tax related to items that will not be reclassified to profit or loss for the period	2	2
	-9	**-9**
Items that have been or will be reclassified to profit or loss for the period		
Translation differences	0	9
Effect of cash flow hedges	47	28
Tax related to items that have been or will be reclassified to profit or loss for the period	-10	-6
	37	**31**
Other comprehensive income for the year after tax	**28**	**22**
Comprehensive income for the year	**430**	**420**

Consolidated statement of financial position

SEK M	Note	2017	2016
ASSETS			
Non-current assets			
Intangible non-current assets			
Capitalized expenses for development and similar work	13	3	3
		3	**3**
Property, plant and equipment			
Equipment	14	0	0
		0	**0**
Financial non-current assets			
Receivables from Group companies	15, 16	16,918	9,085
Other long-term investments	16	1,106	0
Deferred tax assets	12	22	26
		18,046	**9,110**
Total non-current assets		**18,049**	**9,113**
Current assets			
Receivables from Group companies	16	13,229	16,343
Other short-term investments	16	0	136
Financial current assets	16	643	1,933
Tax assets	12	4	1
Other receivables		6	1
Prepaid expenses and accrued income	17	28	59
		13,910	**18,473**
Cash and cash equivalents	18	4,636	4,035
Total current assets		**18,546**	**22,509**
TOTAL ASSETS		**36,595**	**31,622**
of which interest-bearing financial non-current assets		18,023	9,085
of which interest-bearing current assets		18,306	22,312
		36,329	31,397

Consolidated statement of financial position

SEK M	Note	2017	2016
EQUITY AND LIABILITIES			
Share capital		50	50
Reserves		-12	-49
Retained earnings[1]		158	600
Total equity		196	601
LIABILITIES			
Non-current liabilities			
Financial non-current liabilities		3,099	3,039
Liabilities to Group companies		17	31
Provisions for pensions	19	83	70
Deferred tax liabilities	12	13	19
		3,212	3,159
Current liabilities			
Financial current liabilities		1,724	1,363
Liabilities to Group companies		31,307	26,321
Provisions	20	85	80
Other liabilities		25	39
Accrued expenses and prepaid income	21	46	60
		33,187	27,862
Total liabilities		**36,399**	**31,021**
TOTAL EQUITY AND LIABILITIES		**36,595**	**31,622**
of which interest-bearing financial liabilities		35,902	30,589
of which interest-bearing pensions and provisions		83	70
		35,985	30,659

1) Reserve for development costs is reported as retained earnings for the Group and amounted to SEK 1 M (0) as of Dec. 31, 2017.

Consolidated statement of changes in equity

SEK M	Share capital	Translation reserve	Reserve for cash flow hedge	Retained earnings	Total equity
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/ Equity, January 1, 2017	**50**	**-**	**-49**	**600**	**601**
Profit for the year	-	-	-	402	402
Other comprehensive income for the year	-	-	37	-9	28
Dividends provided	-	-	-	-400	-400
Group contributions	-	-	-	-558	-558
Group contributions, tax	-	-	-	123	123
Equity, December 31, 2017	**50**	**-**	**-12**	**158**	**196**

Consolidated cash flow statement

SEK M	2017	2016
Operating activities		
Pre-tax profit	516	486
Adjustments for items not included in cash flow, see supplementary information 2.	50	-80
Tax paid	-4	-3
Cash flow from operating activities before change in working capital	562	403
Cash flow from operations, contributions to pension fund	0	-2
Cash flow from change in working capital		
Change in interest-bearing receivables, Group companies	-4,911	-426
Change in other interest-bearing receivables	344	-1,558
Change in other non-interest-bearing receivables	22	-38
Change in interest-bearing liabilities, Group companies	4 973	47
Change in other non-interest-bearing liabilities	-28	-95
Cash flow from operating activities	962	-1 668
Investing activities		
Investment in intangible non-current assets	-1	0
Cash flow from investing activities	-1	0
Financing activities		
Group contributions provided	-365	-191
Dividend to Parent Company	-400	0
Borrowings	1,720	415
Repayment of debt	-1,315	-1,687
Cash flow from financing activities	-360	-1,463
Cash flow for the year	**601**	**-3,131**
Cash and cash equivalents, January 1, see supplementary information 3.	4,035	7,166
Cash and cash equivalents, December 31, see supplementary information 3.	4,636	4,035

Supplementary information

		2017	2016
1.	*Interest paid and dividends received*		
	Interest received	750	623
	Interest paid	-229	-192
2.	*Adjustments for items not included in cash flow*		
	Depreciation/amortization and impairment losses, assets	1	-1
	Provisions for pensions	5	6
	Unrealized exchange rate differences, financial liabilities	-64	25
	Unrealized change in value, derivatives, liabilities	128	-52
	Unrealized change in value, derivatives, assets	-20	-57
		50	-80
3.	*Cash and cash equivalents*		
	Cash and cash equivalents, December 31	4,636	4,035
		4,636	4,035

Parent Company income statement

SEK M	Note	2017	2016
Operating revenue			
Interest income	28	764	610
Interest expense	29	-224	-195
Net profit/loss from financial transactions	30	31	-19
Other operating revenue		53	49
Total operating revenue		**624**	**446**
Operating expenses			
General administrative expenses	31, 32	-91	-85
Depreciation/amortization and impairment losses, property, plant and equipment and intangible non-current assets		-1	-1
Total operating expenses		**-92**	**-86**
Income from holdings in Group companies	33	32	510
Impairment of financial assets	37	-31	-
Operating revenue		**533**	**869**
Tax on profit for the year	34	-125	-84
Profit for the year[1]		**408**	**785**

1) Profit for the year is the same as comprehensive income for the year

Parent Company balance sheet

SEK M	Note	2017	2016
ASSETS			
Non-current assets			
Intangible non-current assets			
Capitalized expenses for development and similar work	35	3	3
		3	**3**
Property, plant and equipment			
Equipment, tools and installations	36	0	0
		0	**0**
Financial non-current assets			
Holdings in Group companies	37	382	407
Receivables from Group companies	38	16,918	9,085
Other non-current receivables	40	17	0
		17,317	**9,492**
Total non-current assets		**17,320**	**9,494**
Current assets			
Current receivables			
Receivables from Group companies	40	14,690	18,024
Other receivables	40	206	138
Prepaid expenses and accrued income	41	28	187
		14,924	**18,349**
Short-term investments			
Other short-term investments	40	1,316	0
		1,316	**0**
Cash		3,320	4,032
Total current assets		**19,560**	**22,381**
TOTAL ASSETS		**36,880**	**31,876**
of which interest-bearing financial non-current assets		16,918	9,085
of which interest-bearing current assets		19,320	18,155
		36,238	27,240

EQUITY AND LIABILITIES

SEK M	Note	2017	2016
Restricted equity			
Share capital	42	50	50
Statutory reserve		10	10
Reserve for development costs		1	0
Unrestricted equity			
Retained earnings or loss		-196	-145
Profit for the year[1]		408	785
		273	**700**
Provisions			
Provisions for pensions and similar obligations	43	16	14
Other provisions	43	2	2
		18	**16**
Non-current liabilities			
Bonds	40, 44	850	2,349
Liabilities to credit institutions	40, 44	2,228	574
Liabilities to Group companies	40, 44	17	31
Other liabilities	40, 44	26	0
		3,121	**2,954**
Current liabilities			
Bonds	40, 44	1,500	0
Commercial papers	40, 44	0	1 315
Trade accounts payable		9	29
Liabilities to Group companies	40, 44	31,677	26,727
Other liabilities	40, 44	240	70
Accrued expenses and prepaid income	45	42	65
		33,468	**28,206**
Total liabilities		**36,607**	**31,176**
TOTAL EQUITY AND LIABILITIES		**36,880**	**31,876**
of which interest-bearing financial liabilities		36,272	30,995
of which interest-bearing pensions and provisions		18	16
		36,290	31,011

1) Profit for the year is the same as comprehensive income for the year

Parent Company statement of changes in equity (SEK M)

	Share capital	Reserve for development costs	Restricted reserves	Unrestricted equity	Total equity
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/ Equity, January 1, 2017	**50**	**-**	**10**	**640**	**700**
Profit for the year	-	-	-	408	408
Dividends provided	-	-	-	-400	-400
Group contributions	-	-	-	-558	-558
Group contributions, taxes	-	-	-	123	123
Reserve for development costs	-	1	-	-1	0
Equity, December 31, 2017	**50**	**1**	**10**	**212**	**273**

Parent Company cash flow statement

SEK M	2017	2016
Operating activities		
Earnings after financial items	533	869
Adjustments for items not included in cash flow, see supplementary information 2.	-29	25
Tax paid	-4	-3
Cash flow from operating activities before change in working capital	500	892
Contributions to pension fund	0	-2
Cash flow from change in working capital		
Change in interest-bearing receivables, Group companies	-4,692	-1,992
Change in other interest-bearing receivables	-17	116
Change in other non-interest-bearing receivables	90	-173
Change in interest-bearing liabilities, Group companies	4,936	-521
Change in other non-interest-bearing liabilities	153	81
Cash flow from operating activities	970	-1,599
Investing activities		
Group contributions/shareholder contributions provided	-5	-112
Intangible non-current assets	-1	0
Divestments of other non-current assets	0	43
Cash flow from investing activities	-6	-69
Financing activities		
Group contributions	-365	-191
Dividend to Parent Company	-400	0
Borrowings	1,720	415
Repayment of debt	-1,315	-1,687
Cash flow from financing activities	-360	-1,463
Cash flow for the year	**604**	**-3,131**
Cash and cash equivalents, January 1, see supplementary information 3.	4,032	7,162
Cash and cash equivalents, December 31, see supplementary information 3.	4,636	4,032

Supplementary information

		2017	2016
1.	*Interest paid and dividends received*		
	Income from holdings in Group companies	32	510
	Interest received	779	649
	Interest paid	-260	54
2.	*Adjustments for items not included in cash flow*		
	Depreciation/amortization and impairment losses, assets	33	-1
	Provisions for pensions	2	2
	Unrealized exchange rate differences, net	-64	25
		-29	25
3.	*Cash and cash equivalents, December 31*		
	Other short-term investments	1,316	-
	Cash	3,320	4,032
		4,636	4,032

Note 1. The Group’s accounting and valuation principles

Conformity with laws and standards
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 income statement is prepared according to the Act (1995:1559) on Annual Reporting for Credit Institutions and Securities Companies as the Group’s business is financial in nature and this gives a more fair and true view of the Group’s operations. The Parent Company applies the same accounting principles as the Group, except in the cases stated in the section “Parent Company accounting principles.”

The annual accounts and the consolidated annual accounts were approved for issuance by the Board of Directors on April 16, 2018. The consolidated income statement and statement of financial position and the Parent Company’s income statement and balance sheet will be subject to adoption by the Annual General Meeting on April 27, 2018.

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 statements are therefore presented in Swedish kronor. Amounts are rounded off to the nearest million unless otherwise stated. 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 period in question and future periods. Judgments made by management when applying IFRS that have a substantial impact on the financial statements and estimates made that may lead to significant adjustments in the financial statements of 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 Group’s financial statements. The Group’s accounting principles have also been consistently applied by the Group companies.

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 and financial assets classified as financial assets 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.

Changed accounting principles
The changes applied by the Group with effect from January 1, 2017 are described below. Other IFRS amendments applying from January 1, 2017 have not had any material effect on the Group’s financial reporting.

The amended IAS 7 Statement of Cash Flows is being applied as of the beginning of 2017. Disclosures have been added to Note 25 and 46 respectively for the Parent Company where the change in liabilities for the year attributable to financing activities is reconciled with specifications of, among other things, new lending, loan repayment, changes linked to divestments/acquisitions of subsidiaries and currency effects. Disclosures are provided for both changes that affect cash flow and changes that do not affect cash flow. The change is being applied prospectively and there are therefore no disclosures for the comparison year.

New standards and amendments of standards that have not yet begun to be applied

IFRS 9 Financial Instruments
Skanska Financial Services AB is applying IFRS 9 Financial Instruments as of January 1, 2018. Skanska Financial Services AB has assessed the expected effect of the transition to IFRS 9 on the consolidated financial statements. The effect that the standard will have on the Group's equity as of January 1, 2018 is based on assessments made and is summarized below.

IFRS 9 involves changes in how financial assets are classified and measured, with an impairment model based on anticipated credit losses instead of losses that have occurred. The model also changes the principles for hedge accounting for the purpose of, among other things, simplifying and increasing concordance with the company's internal risk management strategies. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement. In 2017 SFS evaluated the effects of the new standard. The evaluation was made based on currently known information and may need to be adjusted as and when additional information becomes known in 2018 to the company when Skanska Financial Services AB begins to apply the standard. The new criteria for classification and measurement are not expected to have any material effect. See also the information below.

Financial assets
Skanska Financial Services AB's assessment is that the new categories of financial assets introduced in connection with IFRS 9 will not have any material effect on the reporting of trade accounts receivable and loan receivables or on held-to-maturity investments. Held-to-maturity investments and loan receivables are expected to be held to maturity and will give rise to cash flows in the form of nominal amounts and possible interest. Skanska Financial Services AB has analyzed the nature of the cash flow from these financial instruments and has determined that the criteria for recognition at amortized cost have been met. The carrying amount of Skanska Financial Services AB's financial assets upon transition to IFRS 9 (January 1, 2018) are thus not expected to be affected by the transition to the new categories under IFRS 9.

Financial liabilities
SFS has determined that there are no material effects of the classification of financial liabilities as of January 1, 2018.

Impairment of financial assets
IFRS 9 replaces the incurred loss model with a model based on expected future credit losses (expected credit loss model). The new impairment model will be applied to financial assets measured at amortized cost or at fair value through other comprehensive income, except for investments in equity instruments (shares and participations) and contract assets.

According to IFRS 9 a loss allowance is made in one of the following ways.
- expected to occur within 12 months: recognized for loss events that can be expected to occur within 12 months.
- expected to occur during the full lifetime of the asset: recognized for loss events that can be expected to occur during the full lifetime of the asset.

A loss allowance for the full lifetime of the assets is made if the credit risk of the financial asset, as of the reporting date, has increased significantly since initial recognition and a loss allowance within 12 months is made if this is not the case. A loss allowance is always made for the asset's full lifetime for trade accounts receivable and contract assets with no significant financial component. Based on the loss allowance method according to IFRS 9, SFS expects to recognize additional impairment losses of SEK 12 M, of which SEK 4 M will relate to internal and SEK 8 M to external interest-bearing receivables. The impairment losses will be recognized directly in equity after tax at the time of the transition.

Hedge accounting
IFRS 9 requires the Group to ensure that hedge accounting is consistent with the Group's risk management and strategy goals and applies a more qualitative and forward-looking approach to evaluate the effects of hedges. IFRS 9 also introduces new requirements for rebalancing of hedging relationships and does not permit voluntary ending of hedge accounting.

The types of hedging relationships that the Group has identified at this time meet the requirements in IFRS 9 and are consistent with the company's risk management strategy and goals.

Transition
Changes to accounting principles relating to the introduction of IFRS 9 will mainly be applied retroactively with the following exceptions:
SFS will apply the exception of not remeasuring comparative information for earlier periods with respect to changes in classification and measurement (including impairment losses). The differences in carrying amounts of financial assets and liabilities in connection with the introduction of IFRS 9 will be recognized in retained earnings and reserves as of January 1, 2018.
The new hedge accounting requirements will be applied prospectively.

IFRS 16 Leases
IFRS 16 Leases replaces existing IFRSs relating to reporting of leases, such as IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. The Group plans to apply the standard from January 1, 2019.

IFRS 16 mainly affects lessees and the key effect is that all leases that are currently reported as operating leases will be reported in a way that resembles how financial leases are currently reported. This also means that for operating leases, assets and liabilities need to be reported including the cost of depreciation and interest, unlike today when there is no reporting required for leased assets and related liabilities, and lease payments are recognized on an accrual and straight-line basis as lease costs. There are exceptions for reporting right of use and lease liabilities for leases of lesser value and contracts with a maximum term of 12 months. It has been determined that this new standard will not impact SFS to any significant extent.

Other new and amended IFRSs to be applied prospectively are not expected to have any material effect on the company'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 component of the Group that carries out business operations which 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. See Note 3 for a more detailed description of how operating segments are categorized and presented.

Consolidation principles and business combinations

Subsidiaries
Subsidiaries are companies over which Skanska Financial Services AB has a controlling influence. There is a controlling influence if Skanska Financial Services AB has power over the investment object, is exposed to and has a right to variable returns from its involvement, and can use its influence over the investment to impact the return. In determining if a controlling influence exists, potential shares with voting rights are taken into account as well as whether de facto control exists.

Subsidiaries are recognized according to the acquisition method. With this method an acquisition of a subsidiary is regarded as a transaction through which the Group indirectly acquires the assets of the subsidiary and assumes its liabilities. In the acquisition analysis the fair value is established on the acquisition date for identifiable assets acquired and liabilities assumed as well as any non-controlling interests. Transaction fees, with the exception of transaction fees pertaining to issuance of equity instruments or debt instrument, are recognized directly in profit or loss for the year.

In business combinations where transferred compensation, any non-controlling interests and fair value on previously owned interests (in step acquisitions) exceed the fair value of the acquired assets and assumed liabilities which are recognized separately, the difference is recognized as goodwill. When the difference is negative, so-called low-price acquisitions, this is recognized directly in profit/loss for the year.

Compensation transferred in connection with the acquisition does not include payments to pay for previous business dealings. This type of payment is usually reported in profit or loss.

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

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.

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.

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.

For interest rate derivatives that hedge financial assets, the paid and accrued interest is recognized as interest income and for interest rate derivatives that hedge financial liabilities, it is recognized as a portion of interest expense. Unrealized changes in the value of derivatives are recognized in the item net profit from financial transactions.

Net profit from financial transactions

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

- Realized and unrealized changes in fair value of the assets and liabilities that are recognized according to the fair value option
- 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

The item covers personnel expenses, including salaries and fees, bonuses, pension costs, payroll costs and other social insurance contributions. This item 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

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 entity becomes a party to the contractual provisions of the instrument. A receivable is recognized when the entity has performed and there is a contractual obligation to pay, even if the invoice has not yet been sent. 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 performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Trade accounts payable are 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 there is an intention to settle the items at a net amount or where 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 entity. 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 upon 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 described below. Where derivatives are used in hedge accounting and to the extent that this is effective, changes in 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 income or expense in net profit from financial transactions.

Cash and cash equivalents consist of cash and immediately available deposits at banks and equivalent institutions, as well as 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 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 place in 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 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 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 interest rate calculated at the time of acquisition. Trade accounts receivable are reported at the amounts expected to be received, i.e. after deductions for doubtful receivables. Held-to-maturity investments are financial assets with payments that are fixed or can be fixed and have a fixed term, and 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 risk and currency risk 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, hedged 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 varies depending 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 net profit from financial transactions except when hedge accounting is applied. In hedge accounting, unrealized gains or losses are recognized under the item other comprehensive income. The effectiveness of hedging is assessed regularly, and hedge accounting is applied only for hedges that are deemed effective. If hedging is not deemed effective, the amount is adjusted for the hedging instrument.

Foreign exchange rate fluctuations for financial receivables and liabilities are recognized in net profit from financial transactions. Interest rate swaps are used to hedge the uncertainty in highly likely forecast interest flows relating to borrowing at variable rates 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 in net profit from financial transactions.

Property, plant and equipment
Property, plant and equipment are recognized within the Group 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
The Group's 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 IAS 39, available-for-sale assets and divestment groups which are recognized according to IFRS 5, investment properties recognized at fair value according to IAS 40, plan assets used to finance employee benefits, biological assets and deferred tax assets. The carrying amounts of the assets in the exceptions above are assessed according to the respective standard. If there is any indication of impairment, the asset's recoverable amount is calculated. For goodwill, other intangible assets with indefinite useful lives and intangible assets that are not yet ready for use, the recoverable amount is also calculated annually. If it is not possible to establish essentially independent cash flows linked to an individual asset and its fair value less selling costs cannot be used, the assets are grouped when testing for impairment to the lowest level at which it is possible to identify essentially independent cash flows – a so-called cash-generating unit. An impairment loss is recognized when the carrying amount of the asset or the cash-generating unit (group of units) 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.

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 when the employee performs services for the company for a period of time.

Defined benefit pension plans

The Group's net obligation relating to defined benefit plans is calculated separately for each plan by estimating the the future compensation that the employees have earned from their employment in both the current and previous periods; this compensation 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.

The Group's net obligation consists of the present value of the obligation less the fair value of the plan assets adjusted for any restrictions on assets.

The net interest expense/income on the defined benefit obligation/asset is recognized in profit/loss for the year under the item net profit from other financial transactions. Net interest items are based on the interest that arises when discounting the net obligation, i.e. interest on the obligation, plan assets and interest on the effect of any restrictions on assets. Other components are recognized in the item general administrative expenses.

Remeasurement effects consist of actuarial gains and losses, the difference between actual return on plan assets and the total included in net interest items and any changes in effects of restrictions on assets (excl. interest included in net interest items). The remeasurement effects are recognized in other comprehensive income.

Share-based payment

The Seop employee ownership program is recognized as share-based payments 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 the Group'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 to sister companies 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 2 Accounting for Legal Entities. Under RFR 2 the Parent Company is required to apply the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), issued by the International Accounting Standards Board (IASB), where these have been approved by the EU, to the extent it is possible within the framework of the Annual Accounts Act and taking into consideration 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 parent's business is financial in nature and this gives a more fair and true view of the Parent Company's operations.

Differences between the Group's and the Parent Company's accounting principles

The differences between the Group's and the Parent Company's accounting principles are described below. The accounting principles described below for the Parent Company have been consistently applied in all periods presented in the Parent Company's financial statements.

In light of the relationship between accounting and taxation, the rules on financial instruments and hedge accounting according to IAS 39 are not applied and by the Parent Company as a legal entity. The Parent Company's financial 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 by the Parent Company from subsidiaries are recognized as the Parent Company's financial income. Group contributions provided by the Parent Company to subsidiaries are recognized as an increase in holdings in Group companies. Group contributions from the Parent Company to sister companies are recognized in equity.

Reporting of pension plans

The Parent 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. The Parent Company uses a different basis for calculating defined benefit plans than the basis according to IAS 19, where the plans are financed by being entered as a liability in the balance sheet, so-called unfunded plans. The Parent Company follows 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 for the Parent Company 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.

Effects of changes in accounting principles

Unless stated otherwise below, the Parent Company's accounting principles applied in 2017 have been changed in accordance with what is stated above for the Group.

Note 2. Key estimates and judgments

Management has discussed with the Board of Directors the developments, choices and disclosures relating to the Group's important accounting principles and estimates, as well as the application of these principles and estimates.

Significant 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.

Pension obligations

SFS has defined benefit pension plans. The plans are reported according to IAS 19, which means that the pension obligations are calculated using actuarial assumptions and that the plan assets are assigned a fair value on the closing day. The effect of changed actuarial assumptions and the fair value of plan assets are reported as remeasurements in other comprehensive income. The remeasurements impact interest-bearing pension liabilities and equity. Note 19 Provisions for pensions describes the assumptions and criteria that form the basis for reporting pension liabilities.

Provisions for claims outstanding

Provisions for claims outstanding are intended to cover anticipated future payments for all damage events including events that have occured but have not yet been reported, a so-called IBNR (incurred but not reported) provision. The provision is calculated using statistical methods or through individual assessments in specific cases. These provisions are important in order to assess the Group's reported profit and financial position, since any deviation from actual future payments will give rise to prior-year results reported in subsequent years. Actuarial provisions are checked on an ongoing basis against reinsurers' and coinsurers' deductions. Assessments are made regularly of the sufficiency of these provisions.

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. The SFS Group is not required to disclose information according to IFRS 8 on operating segments, but has voluntarily chosen to present a summarized income statement divided between the two business streams.

2017	Finance	Insurance	Eliminations	Total
Net interest items	538	0	-	538
Net profit/loss from financial transactions	12	0	-	12
Other operating revenue	53	10	-2	61
Operating expenses	-93	-4	2	-95
Pre-tax profit	510	6	-	516
Tax on profit for the year	-113	-1	-	-114
Profit for the year	397	5	-	402

2016	Finance	Insurance	Eliminations	Total
Net interest items	412	0	-	412
Net profit/loss from financial transactions	0	1	-	1
Other operating revenue	49	10	-2	57
Operating expenses	-88	-5	2	-90
Profit from holdings in Group companies	107	0	-	107
Pre-tax profit	480	6	-	486
Tax on profit for the year	-88	-1	-	-89
Profit for the year	393	4	-	397

Note 4. Financial instruments and financial risk management

Through its operations, aside from business risk, the SFS Group and the Parent Company are 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 managing 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.

The Parent Company 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 the Group.

Financial credit risk – the 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. In order to reduce credit risk associated with derivatives, the Parent Company has signed standardized netting arrangements (ISDA agreements) with all financial counterparties with which it enters into derivative contracts. Most of the Group'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 to the fair value of the assets and amounts to SEK 36,535 M. Of this amount, SEK 30,152 M consists of receivables from Skanska companies. Other external interest-bearing assets amounted to SEK 6,383 M.

Liquidity 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 due to lack of liquidity or due to difficulties in obtaining or rolling over external loans. The Parent Company of the SFS Group 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 first be used to pay down loans.

Financing

The Parent Company 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 2017 the Parent Company of the SFS Group refinanced the syndicated bank loan. The new credit facility of EUR 600 M will mature in five years with an option to extend two times for one year each time after the first and second year respectively. A syndicated credit facility with a green profile was established in the amount of EUR 200 M expiring in two years with a one-year extension. To extend the maturity profile in the debt portfolio and to ensure access to USD, a bilateral loan was taken out during the year from Svensk Exportkredit (SEK) in the amount of USD 100 M expiring in 2024 and two bilateral loans from Nordiska Investeringsbanken (NIB) for USD 50 M each expiring in 2023 and 2024 respectively.

No new medium-term note (MTN) loans were issued in 2017. Short-term liquidity requirements due to seasonal variations in cash flow were covered by borrowing through the commercial paper (CP) program. No commercial papers were outstanding as of December 31, 2017.

2017

	Maturity	Currency	Limit	Nominal	Utilized
Market funding programs					
Commercial paper (CP) program, maturities 0-1 years		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	2,350
				14,000	2,350
Committed credit facilities					
Green syndicated bank loan	2019	SEK/EUR/USD	EUR 200 M	1,967	-
Syndicated bank loan	2022	SEK/EUR/USD	EUR 600 M	5,901	-
Bilateral loan agreements	2020	EUR	EUR 60 M	590	590
Bilateral loan agreements	2023/2024	USD	USD 200 M	1,638	1,638
Other credit facilities				413	-
				10,509	2,228

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 555 M	5,312	0
Bilateral loan agreements	2020	EUR	EUR 60 M	574	574
Other credit facilities				401	0
				6,287	574

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 2017, cash and cash equivalents and committed credit facilities amounted to about SEK 13 (10) billion, of which about SEK 12 billion (10) 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, 2017 the average maturity of the borrowing portfolio was 3.5 years (2.0), if unutilized credit facilities are weighed in.

The maturity structure, including interest payments, of the SFS Group's financial interest-bearing liabilities and derivatives relating to borrowing 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.

2017 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	35,902	36,335	32,331	550	1,719	1,735
Derivatives: Currency forward contracts						
In flow	-99	-10,296	-9,924	-330	-42	-
Out flow	97	10,292	9,920	331	41	-
Derivatives: Interest rate swaps						
In flow	-1	-5	-	4	-9	-
Out flow	59	63	24	25	14	-
Total	**35,958**	**36,389**	**32,351**	**580**	**1,723**	**1,735**

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						
In flow	-177	-4,342	-4,085	-255	-2	-
Out flow	48	4,295	4,046	247	2	
Derivatives: Interest rate swaps						
In flow	0	10	0	8	2	-
Out flow	116	108	24	32	52	
Total	**30,576**	**30,743**	**27,628**	**61**	**3,054**	**-**

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 rate risk). For the SFS Group, exposure to interest rate risk arises primarily from interest-bearing borrowing. To limit the 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 +/- one year. Changes in fair value are 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 one half of a percentage point. Changes 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 fixed interest 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 38–61 M, assuming that the volume and fixed interest period is the same as of December 31, 2017. The relative interest rate risk is SEK 8–9 M lower than in a comparative portfolio with a risk of around SEK 46–70 M and is attributable to the fact that the fixed interest period is shorter than the comparative portfolio's two years. The change in fair value would affect financial items by around SEK 20–24 M and other comprehensive income by around SEK 18–37 M when hedge accounting is applied. All amounts are stated before tax. Equity would thus be affected by around SEK 30–48 M taking tax into account.

An average one percentage point increase in market interest rates from the level at the year-end would have an estimated positive effect on SFS's financial items of around SEK 11 M (23) for the upcoming 12-month period, 2018.

The average fixed interest period for external interest-bearing assets was 0.0 (0.0) years, taking derivatives into account. The interest rate for these was 0.34 (0.43) percent at year-end. Of SFS's external interest-bearing financial assets, 28 (3) percent carry fixed interest rates and 72 (97) percent variable interest rates.

The average fixed interest period for external interest-bearing liabilities, taking into account derivatives but excluding pension liabilities, was 2.9 (1.2) years. The interest rate for interest-bearing liabilities amounted to 1.67 (0.71) percent at year-end. Taking into account derivatives, the interest rate was 2.45 (1.29) percent. Of the total interest-bearing financial liabilities, after taking into account derivatives, 39 (64) percent carry fixed interest rates and 61 (36) percent variable interest rates.

On December 31, 2017 there were outstanding interest rate swap contracts amounting to a nominal value of SEK 3,585 M (3,836). All of the contracts were entered into by the Parent Company in order to swap the Group's borrowing from variable to fixed interest. For half of these interest rate swaps SFS uses hedge accounting. 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 -36 M (-68) as of December 31, 2017. The fair value of interest rate swaps for which hedge accounting is not applied totaled SEK -22 M (-48) on December 31, 2017. 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 exchange rate fluctuations. 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 subsidiaries.

Transaction exposure
The foreign exchange rate risk for the SFS Group is in general limited to a total of SEK 5 M, with risk calculated as the effect on earnings of a five percentage point shift in exchange rates. A higher risk level is permitted if it is within the total foreign exchange rate risk for the Skanska Group which is SEK 50 M. As of December 31, 2017 foreign exchange rate risk accounted for SEK 14.8 M (0.3) of transaction exposure for the SFS Group and SEK 35 M for the Skanska Group.

Financial instruments in the statement of financial position

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

Assets	At fair value through profit or loss	Hedge-accounted derivatives	Held-to-maturity investments	Loans and trade receivables	Total carrying amount
2017					
Financial instruments					
Interest-bearing assets and derivatives					
Financial assets					
Financial investments at					
fair value	197	0	-	-	197
Financial investments at	-	-	-	-	-
amortized cost	-	-	25	-	25
Financial interest-bearing receivables	-	-	-	31,670	31,670
	197	0	25	31,670	31,892
Short-term investments at fair value	-				-
Cash and cash equivalents				4,636	4,636
	197	0	25	36,306	36,528
Trade accounts receivable	-	-	-	4	4
Total financial instruments	197	0	25	36,310	36,532
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
Short-term investments at fair value	-	-	-	-	-
Cash and cash equivalents	-	-	-	4,035	4,035
	177	0	25	31,325	31,527
Trade accounts receivable				5	5
Total financial instruments	177	0	25	31,331	31,533

The fair value is SEK 2 M (16) higher than the carrying amount for financial assets. Of these, SEK 2 M (16) relate to loan receivables and trade accounts receivable (financial interest-bearing receivables). For other financial assets, which are financial investments measured at amortized cost, cash and cash equivalents as well as trade accounts receivable, the fair value is the same as the carrying amount.

Reconciliation with statement of financial position	2017-12-31	2016-12-31
Assets		
Financial instruments	36,532	31,533
Other assets		
Property, plant and equipment and intangible assets	3	3
Tax assets	26	27
Other receivables	6	1
Prepaid expenses and accrued income	28	59
Total assets	36,595	31,622

Liabilities	At fair value through profit or loss	Hedge-accounted derivatives	At amortized cost	Total carrying cost
2017				
Financial instruments				
Interest-bearing liabilities and derivatives				
Financial liabilities				
Financial liabilities measured at fair value	208	37	-	245
Financial liabilities measured at amortized cost	-	-	35,902	35,902
	208	37	35,902	36,147
Operating liabilities				
Trade accounts payable	-	-	9	9
Total financial instruments	**208**	**37**	**35,911**	**36,156**
2016				
Financial instruments				
Interest-bearing liabilities and derivatives				
Financial liabilities				
Financial liabilities measured at fair value	96	68	-	164
Financial liabilities measured 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**

The fair value is SEK 83 M (65) higher than the carrying amount for financial liabilities. Of this amount, SEK 83 M (65) relates to financial liabilities measured at amortized cost (financial liabilities at amortized cost). For other financial liabilities, which are trade accounts payable, the fair value is the same as the carrying amount.

Reconciliation with statement of financial position	2017-12-31	2016-12-31
Liabilities		
Financial instruments	36,156	30,781
Other liabilities		
Equity	196	601
Pensions	83	70
Tax liabilities	13	19
Provisions	85	80
Other liabilities	16	11
Accrued expenses and prepaid income	46	60
Total liabilities	36,595	31,622

Disclosures concerning offsetting of financial instruments

	2017		2016	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Gross amounts	36,532	36,156	31,533	30,781
Amounts offset	0	0	0	0
Recognized in balance sheet	36,532	36,156	31,533	30,781
Amounts covered by netting arrangements	-53	-53	-61	-61
Net amount after netting arrangements	36,479	36,103	31,472	30,720

Financial assets and liabilities measured at fair value through profit or loss
Financial assets and liabilities measured 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. The amounts for 2017 and 2016 relate to derivatives.

Hedge-accounted derivatives
Derivatives belong to the category financial assets and liabilities measured at fair value through profit or loss. SFS reports hedge-accounted derivatives separately. The amounts reported for hedge accounting are for interest rate swaps to hedge loans 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.

The fair values of financial assets measured at fair value, amounting to SEK 197 M (177) and financial liabilities measured at fair value, amounting to SEK 245 M (164) are the categories measured at fair value through profit or loss and hedge-accounted derivatives. These have been measured at level 2.

Financial assets not carried at fair value, amounting to a book value of SEK 36,335 M (31,356) and financial liabilities not carried at fair value, amounting to a book value of SEK 35,911 M (30,617) relate to the following categories: held-to-maturity investments, loan receivables and trade accounts receivable, and measured at amortized cost. When calculating the fair value of these financial assets and liabilities on page 27 and 28, level 2 has been used. The carrying amounts of trade accounts receivable, other receivables, cash and cash equivalents as well as trade accounts payable constitute a reasonable approximation of fair value.

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

	2017	2016
Interest income on financial assets measured at fair value through profit or loss	0	0
Interest income on held-to-maturity investments	0	0
Interest income on loan receivables	761	608
Interest income on cash	2	2
Change in market value of financial assets/liabilities at fair value through profit or loss	0	0
Financial items from hedging of net investments in foreign subsidiaries	0	0
Total income in financial items	763	610
Interest expense on financial liabilities measured at fair value through profit or loss	-45	-84
Interest expense on financial liabilities measured at amortized cost	-180	-114
Change in market value of financial assets/liabilities at fair value through profit or loss	24	21
Financial items from hedging of net investments in foreign subsidiaries	0	3
Financial expense, pensions	-2	-2
Net exchange rate differences	7	-3
Expense for borrowing programs	-15	-17
Bank-related expenses	-2	-1
Total operating revenue in operating expenses	-213	-197
Net income and expense from financial instruments recognized in the income statement	550	413

Income and expense from financial instruments recognized under other comprehensive income

Cash flow hedges recognized directly in equity	37	22
Translation differences for the year	0	9
Total	37	31

Note 5. Interest income

	2017	2016
Interest income, external	23	9
Interest income from Group companies	740	601
	763	610
Geographic breakdown of interest income		
Sweden	246	216
USA	427	291
Poland	39	44
Other	51	58
	763	610

Note 6. Interest expense

	2017	2016
Interest expense, external	-108	-133
Interest expense, Group companies	-117	-65
	-225	-198

Note 7. Net profit from financial transactions

	2017	2016
Financial expense, pensions	-2	-2
Exchange rate fluctuation	7	-3
Other financial expense	-17	-18
Other financial instruments	24	24
	12	1

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.

	2017	2016
Average number of employees	41	39
Number of women	22	23
Men and women on the Parent Company's Board of Directors and leadership team on the closing day		
Board of Directors	10	9
Number of women	6	4
Other senior executives	3	4
Number of women	1	2
Paid as salaries and other remuneration	41	38
of which for senior executives	7	9
Social insurance contributions	15	12
	56	51
Bonuses included above		
of which for senior executives	2	2
Pension expenses amounted to	8	8
of which for senior executives	2	3
Benefits for Board of Directors and President		
Wages, salaries and other remuneration	2	2
Bonuses	1	1
Pensions	1	1
	4	4
Men and women on Board of Directors in Group in total on closing day		
Board of Directors	19	17
Number of women	11	8

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 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. Seop 2, Seop 3 and Seop 4 are essentially the same as Seop 1. The costs of Seop 2, Seop 3 and Seop 4 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, Seop 3 and Seop 4 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

In case of termination or resignation, the normal notice period is six months combined with severance pay equivalent to a maximum of 12 months' fixed salary for the President of the Parent Company.

Note 9. Fees and expense compensation for auditors

Ernst & Young AB	2017	2016
Audit assignments	1	1
Tax advisory services	0	0
Total	1	1

Note 10. Other operating revenue

	2017	2016
Fees for financial advice	51	47
Insurance technical result	10	10
	61	57

Note 11. Income from holdings in Group companies

	2017	2016
Income from the sale of Scem Reinsurance S.A.	-	107
	-	107

Note 12. Taxes

Recognized in the income statement and in other comprehensive income

Tax expense	2017	2016
Current taxes	-118	-85
Tax on previous years' profits	0	0
Deferred tax on temporary differences	4	-3
Total	-114	-88

Taxes recognized in other comprehensive income	2017	2016
Deferred taxes attributable to pensions	2	2
Deferred taxes attributable to derivatives for hedging	-10	-6
Total	-8	-4

The Group's recognized tax rate amounted to 22.3 (18.2) percent. The Group's aggregated nominal tax rate has been estimated at 22 (22) percent.

Reconciliation of effective tax	2017	2016
Pre-tax profit	516	486
Tax according to aggregation of nominal tax rates, 22 (22) percent	-113	-88
Tax attributable to previous years	0	0
Non-deductible costs	-1	-1
Non-taxable revenues	0	1
Recognized tax expense	-114	88

Reported in the statement of financial position

Tax assets (+) and tax liabilities (-)

	2017	2016
Tax assets	4	1
Tax liabilities	0	0
	4	2

Deferred tax assets and deferred tax liabilities

	2017	2016
Deferred tax assets according to the statement of financial position	22	26
Deferred tax liabilities according to the statement of financial position	-13	-19
	9	7

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

	2017	2016
Deferred tax assets for provisions for pensions	19	15
Deferred tax assets for other assets	3	10
	22	26

	2017	2016
Deferred tax liabilities related to other liabilities	0	0
Deferred tax liabilities related to untaxed reserves	13	19
	13	19

Change in net deferred tax assets(+), liabilities (–)	2017	2016
Net assets, January 1	7	-134
From the income statement for pensions	1	1
Recognized in other comprehensive income	-8	-4
From the income statement for fair value measurement of financial instruments	3	-4
Recognized in the income statement for untaxed reserves	6	-
Recognized for sale of subsidiaries	0	144
Exchange rate differences	-	5
Net assets, December 31	9	7

Note 13. Intangible non-current assets

	2017	2016
Cost, January 1	7	7
Purchases during the year	1	0
Cost, December 31	8	7
Accumulated amortization according to plan, January 1	-4	-3
Amortization for the year according to plan	-1	-1
Accumulated amortization according to plan, December 31	-5	-4
Book value	3	3

Note 14. Property, plant and equipment

	2017	2016
Cost, January 1	0	0
Purchases during the year	-	-
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 15. Non-current receivables from Group companies

Accumulated cost	2017	2016
January 1	9,085	6,066
Receivables added/settled	7,833	9,054
Reclassified as current receivables	-	-6,035
Book value, December 31	16,918	9,085

Note 16. Financial assets

Financial non-current assets	2017	2016
Financial investments		
Financial assets measured at fair value through profit or loss		
Derivatives	2	-
Hedge-accounted derivatives	0	-
	2	0
Financial receivables, interest-bearing		
Receivables from Group companies	16,918	9,085
Other interest-bearing receivables	1,104	-
	18,022	9,085
Total	**18,024**	**9,085**

Financial current assets	2017	2016
Financial investments		
Financial assets measured at fair value through profit or loss		
Derivatives	195	177
Hedge-accounted derivatives	-	
	195	177
Financial receivables, interest-bearing		
Receivables from Group companies	13,229	16,343
Other short-term investments	-	136
Restricted cash	87	75
Other interest-bearing receivables	361	1,817
	13,677	18,371
Total	**13,872**	**18,548**

Note 17. Prepaid expenses and accrued income

	2017	2016
Accrued interest income	-	13
Accrued exchange gains, forward contracts	-	21
Prepaid administrative expenses	6	22
Prepaid financial expense	22	3
	28	59

Note 18. Cash and cash equivalents

	2017	2016
Cash and bank balances	3,320	4,035
Short-term investments, equal to cash and cash equivalents	1,316	-
	4,636	4,035

Note 19. Provisions for pensions

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

Interest-bearing pension liability, net	2017	2016
Net pension liability, January 1	70	57
Pension expenses	5	6
Benefits paid by employer	-1	-1
Funds contributed by employer	0	-1
Remeasurements	9	9
Curtailments and settlements	0	0
Net pension liability according to the statement of financial position	83	70
Pension obligations		
January 1	116	98
Pensions earned during the year	3	3
Interest on obligations	3	3
Benefits paid by employer	-1	-1
Remeasurements	10	12
Curtailments and settlements	0	0
	131	116
Plan assets		
January 1	46	41
Estimated return on plan assets	1	1
Funds contributed by employer	0	1
Difference between actual return and estimated return	1	3
Plan assets, fair value	48	46

Actuarial assumptions

Financial assumptions		
Discount rate, January 1	2,5%	3,0%
Discount rate, December 31	2,5%	2,5%
Estimated return on plan assets for the period	2,5%	2,5%
Expected pay increase, December 31	3,0%	3,0%
Expected inflation, December 31	2,0%	1,5%
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

	2017	2016
Technical provisions - provision for claims outstanding	67	64
Provision for social insurance contributions, pensions	16	14
Provision for social insurance contributions, Seop	2	2
	85	80

Note 21. Accrued expenses and prepaid income

	2017	2016
Accrued administrative expenses	28	27
Accrued interest expense	18	23
Accrued exchange losses, forward contracts	-	11
	46	60

Note 22. Assets pledged

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

	2017	2016
Municipal bonds	25	25
Treasury bills	0	-
Cash	62	54
	87	79

Note 23. Contingent liabilities

	2017	2016
PRI	1	1
	1	1

Note 24. Related party disclosures

The SFS Group is related to all companies within the Skanska Group. 96.8 percent of the SFS Group's interest income as well as operating revenue is revenue from other companies within the Skanska Group. 12.8 percent of general administrative expenses relate to purchases from other companies within the Skanska Group.

	2017	2016
Receivables from Group companies	30,147	25,428
Liabilities to Group companies	31,324	26,351
Interest income, Group companies	740	601
Interest expense, Group companies	117	65
Other operating revenue from Group companies	58	58
Purchases from Group companies	12	6

Note 25. Reconciliation of liabilities originating from financing activities

	Dec 31 2016	Cash flow	Changes not affecting cash	Dec 31 2017
			Exchange rate differences	
Financial non-current liabilities	2,923	235	-80	3,078
Financial current liabilities	1,314	170	16	1,500
Total	**4,237**	**405**	**-64**	**4,578**

Note 26. Events after the closing day

In 2018 internal sales of the subsidiaries Skanska Försäkrings AB and Skanska Project Finance AB are expected to be executed after the necessary permits have been received from Finansinspektionen (Swedish financial supervisory authority).

Note 27. Definitions of key indicators

Total operating revenue	Net of interest income, pension interest, interest expense, change in fair value as well as 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, remeasurement of defined benefit pension plans, the effect of cash flow hedges and tax attributable to other comprehensive income.

Notes for the Parent Company

Note 28. Interest income

	2017	2016
Interest income, external	9	7
Interest income from Group companies	755	603
	764	610
Geographic breakdown of interest income		
Sweden	247	217
USA	427	291
Poland	39	44
Other	51	58
	764	610

Note 29. Interest expense

	2017	2016
Interest expense, external	-108	-129
Interest expense, Group companies	-116	-65
	-224	-195

Note 30. Net profit/loss from other financial transactions

	2017	2016
Financial expense, pensions	-1	-1
Exchange gains/losses	23	-20
Other financial expense	-16	-18
Other financial instruments	25	20
	31	-19

Note 31. Employees and personnel expenses

	2017	2016
Average number of employees	41	39
Number of women	22	23
Men and women on Board of Directors and ledership team as of the closing day		
Board of Directors	10	9
Number of women	6	4
Other senior executives	3	4
Number of women	1	2
Paid as salaries and other remuneration	41	38
of which for senior executives	7	9
Social insurance contributions	15	12
	56	51
Bonuses included above		
of which for senior executives	2	2
Pension expenses amounted to	8	8
of which for senior executives	2	3
Benefits for Board of Directors and President		
Wages, salaries and other remuneration	2	2
Bonuses	1	1
Pensions	1	1
	4	4

Note 32. Fees and expense compensation for auditors

Ernst & Young AB	2017	2016
Audit assignments	1	1
Tax advisory services	0	0
Total	1	1

Note 33. Income from holdings in Group companies

	2017	2016
Income from the sale of Scem Reinsurance S.A.	-	477
Dividend from Scem Reinsurance S.A.	-	20
Group contributions from Skanska Försäkrings AB	32	13
	32	510

Note 34. Taxes

Tax expense	2017	2016
Current taxes	-125	-84
Tax on previous years' profits	0	0
	-125	-84

Reconciliation of effective tax	2017	2016
Pre-tax profit	533	869
Tax based on tax rate in effect for the Parent Company, 22 percent	-117	-191
Tax effect of non-taxable revenues	0	108
Tax effect of non-deductible costs	-8	0
Recognized tax expense	-125	-84

Note 35. Intangible non-current assets

	2017	2016
Cost, January 1	7	7
Purchases during the year	1	0
Cost, December 31	8	7
Accumulated amortization according to plan, January 1	-4	-3
Amortization for the year according to plan	-1	-1
Accumulated amortization according to plan, December 31	-5	-4
Book value	3	3

Note 36. Property, plant and equipment

	2017	2016
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 37. 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	377
Skanska Project Finance AB	559067-6309	Stockholm	50 000	100	5
					382

Accumulated cost	2017	2016
January 1	407	450
Purchasing,	-	1
Divestments	-	-43
Group contribution/unconditional shareholder contribution	6	0
December 31	**413**	**407**
Accumulated impairment losses		
January 1	-	-
Impairment losses for the year	-31	-
December 31	**-31**	**-**
Carrying amount, December 31	**382**	**407**

Pre-tax profit	2017	2016
Skanska Försäkrings AB	32	13
Skanska Project Finance AB	0	0

Equity	2017	2016
Skanska Försäkrings AB	330	330
Skanska Project Finance AB	5	0

Note 38. Non-current receivables from Group companies

Accumulated cost	2017	2016
January 1	9 085	6 066
Receivables added/settled	7 833	9 116
Reclassified as current receivables	-	-6 097
Book value, December 31	16 918	9 085

Note 39. Other non-current receivables

Accumulated cost	2017	2016
January 1	0	116
Receivables added/settled	17	-
Reclassified as current receivables	-	-116
Book value, December 31	17	0

Note 40. Financial instruments

Financial instruments are presented in accordance with IFRS 7 Financial Instruments: Disclosures. This note contains figures for the Parent Company's financial instruments. See also notes to the consolidated financial statements, Note 1 Accounting and valuation principles and Note 4 Financial instruments and financial risk management.

Financial instruments in the balance sheet	**2017**	**2016**	**2017**	**2016**
	Carrying amount		Fair value	
Assets				
Non-current receivables, Group companies	16,918	9,085	16,918	9,085
Current receivables, Group companies	14,685	18,019	14,685	18,019
Other non-current and current receivables	217	136	217	137
Short-term investments	1,316	-	1,316	-
Cash	3,320	4,032	3,320	4,032
	36,456	**31,272**	**36,456**	**31,273**
Trade accounts receivable	5	5	5	5
Total financial instruments, assets	**36,461**	**31,277**	**36,461**	**31,278**
Liabilities	Carrying amount		Fair value	
Non-current liabilities to Group companies and credit institutions	2,245	605	2,311	639
Long-term and short-term bonds	2,350	2,349	2,367	2,378
Long-term and short-term commercial papers	-	1,315	-	1,316
Other non-current and current receivables	247	-	247	-
Current liabilities to Group companies	31,677	26,727	31,677	26,727
	36,519	**30,996**	**36,602**	**31,060**
Trade accounts payable	9	29	9	29
Total financial instruments, liabilities	**36,528**	**31,025**	**36,611**	**31,089**

All assets belong to the category loan receivables and trade accounts receivable. No assets have been measured at fair value through profit or loss. All liabilities belong to the category measured at amortized cost.

Reconciliation with the balance sheet	**2017**	**2016**
Assets		
Financial instruments	36,461	31,277
Other assets		
Property, plant and equipment and intangible assets	3	3
Holdings in Group companies	382	407
Other non-current and current receivables	6	2
Prepaid expenses and accrued income	28	187
Total assets	**36,880**	**31,876**
Liabilities		
Financial instruments	36,528	31,025
Other liabilities		
Equity	273	700
Provisions	18	16
Other non-current and current receivables	19	70
Accrued expenses and prepaid income	42	65
Total equity and liabilities	**36,880**	**31,876**

Impact of financial instruments on the Parent Company income statement	**2017**	**2016**
Interest income on receivables	764	610
Interest expense on financial liabilities measured at amortized cost	-224	-195
Total	**540**	**415**

The Parent Company has no income or expense from financial instruments that are recognized directly in equity.

Note 41. Prepaid expenses and accrued income

	2017	2016
Accrued interest income	0	15
Accrued exchange gains, forward contracts	-	147
Prepaid administrative expenses	6	22
Prepaid financial expense	22	3
	28	187

Note 42. Equity, Parent Company

According to Swedish law, equity must be allocated between restricted and unrestricted equity. Restricted equity consists of share capital and reserves for development costs. 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 1 M in development costs, SEK -196 M in retained earnings and SEK 408 M in profit for the year. The number of shares amounted to 500,000 with a quota (par) value of SEK 100.

Note 43. Provisions

	2017	2016
Provisions for pensions and similar obligations	16	14
Other provisions	2	2
	18	16

Other provisions are employee-related provisions. The normal cycle for other provisions is about one to three years.
Employee-related provisions are social security contributions for Seop.

Note 44. Maturity profile for liabilities

	> 5 years	< 5 years; >1 year	<1 year; > 3 months	< 3 months	Total
Bonds	-	850	500	1,000	2,350
Liabilities to credit institutions	1,638	590	-	-	2,228
Commercial papers	-	-	-	-	-
Liabilities to Group companies	-	17	-	31,677	31,694
Other liabilities	-	26	-	-	26
	1,638	1,483	500	32,677	36,298

Note 45. Accrued expenses and prepaid income

	2017	2016
Accrued administrative expenses	24	0
Accrued interest expense	18	54
Accrued exchange losses, forward contracts	-	11
	42	65

Note 46. Reconciliation of liabilities originating from financing activities

	Dec 31 2016	Cash flow	Changes not affecting cash flow	Dec 31 2017
			Exchange rate differences	
Financial non-current liabilities	2,923	235	-80	3,078
Financial current liabilities	1,314	170	16	1,500
Total	**4,237**	**405**	**-64**	**4,578**

Note 47. Appropriation of profits

The Board of Directors proposes that the available profit of SEK 211,677,677 shall be allocated as follows:

To be carried forward: SEK 211,677,677

Note 48. Events after the closing day

In 2018 internal sales of the subsidiaries Skanska Försäkrings AB and Skanska Project Finance AB are expected to be executed after the necessary permits have been received from Finansinspektionen (Swedish financial supervisory authority).

Note 49. Sustainability report

The SFS Group 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 50. Contingent liabilities

	2017	2016
Capital coverage guarantee for Skanska Project Finance AB	10	-
PRI	1	1

Note 51. Transactions with related parties

SFS is related to all companies within the Skanska Group, including SFS's own subsidiaries. 98.7 percent of SFS's rental income and operating revenue is revenue from other companies within the Skanska Group. 15.4 percent of general administrative expenses relates to purchases from other companies within the Skanska Group.

	2017	2016
Receivables from Group companies	31,608	27,109
Liabilities to Group companies	31,694	26,757
Interest income from Group companies	755	603
Interest expense to Group companies	116	65
Other operating revenue from Group companies	51	48
Purchases from Group companies	14	6

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.

Stockholm, April 16, 2018

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 April , 2018

Ernst & Young AB

Mona Alfredsson
Authorized Public Accountant