

ANNUAL REPORT  
2011

The Board of Directors and the President and CEO of Skanska Financial Services AB hereby present the accounts for the 2011 financial year.

.

## DIRECTORS' REPORT

Operations

The company is a wholly owned subsidiary of Skanska AB, whose registered offices are in the municipality of Solna (corporate ID no. 556000-4615).

Skanska Financial Services AB (publ.) (SFS) is responsible for the Skanska Group's central financial operations. The primary tasks of SFS are to:

- support the Group's core business by providing financial know-how, resulting in greater competitiveness for the Group's operating units,
- assume strategic and ongoing responsibility for the Group's borrowing and the relationships with financial institutions. SFS is responsible for the efficient handling of the Group's cash flows. Its duties also include managing and investing the Group's financial assets. The operations are conducted within strictly regulated frameworks established by the Group's Board,
- analyse and manage the central financial risks that arise from the Group's operations.

SFS employs carefully balanced insurance programmes, often entailing risk participation in those of its own subsidiaries engaged in direct insurance or reinsurance in Sweden and Luxembourg, with regard to some other risk management, e.g. in relation to the risk of damage to or loss of Skanska's property or projects

Operations in the USA are conducted by four locally employed members of staff who service the US operations.

SFS has also not only assisted with numerous financing solutions on behalf of the Group's customers in the construction industry, the project development sector and within infrastructure development, but has also been actively involved in conducting counterparty checks on customers and subcontractors.

During the year a bilateral loan was raised from the Nordic Investment Bank (NIB) of 100 MEUR, of which 25 MEUR runs until 2017 and 75 MEUR until 2018. The aim of the loan is to finance Skanska's property development of LEED Platinum or EU GreenBuilding certified offices.

During the year, SFS participated in the procurement of a new Surety programme for the Group's American operations.

The staff turnover rate during the year was 13%.

Results and position

The company's net sales for 2011 totalled SEK 148 million (129 m). The profit before appropriations and tax was SEK153 million (94 m). The net profit for the year includes dividends from subsidiary companies of SEK 83 million (39 m) and the result from the disposal of SCG Rückversicherung AG of SEK 1 million (0 m).

See Note 16 for a five-year summary.

Financial risk information

The Skanska Group's financial policy lays down guidelines, objectives and limits for the management of financial risks within the Group. SFS is responsible for ensuring compliance with the financial policy. The financial risks can be divided into interest risk, currency risk, liquidity risk and credit risk.

Interest risk comprises the risk that changes in interest rates will impact the Group's future profits and cash flow. The interest risk is defined as the possible negative income effect on net financial items of a one per cent increase in the interest rate over all terms. The risk must never exceed SEK 100 million.

Currency risk is defined as the risk of a negative income effect of exchange rate fluctuations. The total currency risk in the Group's transaction exposure, i.e. the net of operating and financial flows, may not exceed SEK 50 million. The risk is defined as the income effect entailed by a five percentage points change in exchange rates.

Liquidity risk is defined as the risk that Skanska will be unable to meet its payment undertakings as a result of deficient liquidity or difficulties in raising or converting external loans.

The Group shall, at all times, have access to the equivalent of a minimum of SEK 5,000 million in cash liquidity or

confirmed bank funding within a period of one week, at least SEK 2,000 million of which shall comprise unutilised binding overdraft facilities with a remaining term of at least 3 years.

Financial credit risk is the risk that the Group runs in relation to financial counterparties in the investment of surplus funds, deposits in bank accounts and investment in financial assets. Credit risk also arises in the use of derivative instruments and consists of the risk that a potential profit may not be realised if the counterparty does not fulfil his part of the contract.

Financial credit risk is identified, handled and reported in accordance with frameworks defined in the finance policy and the risk instructions provided for SFS.

See Note 15 for further details.

#### Important events after the balance sheet date

On 28 February and 1 March 2012 respectively, two bilateral credit facilities of a total of SEK 2,000 million were established. The facilities, which are primarily considered as back-up credits, will fall due in June 2015.

#### Anticipated future performance

The core operations will continue as they are. A continued focus on the control and management of financial risks will

#### Proposed appropriation of profits

The Board of Directors proposes that the available profits, totalling SEK 233,978,125 be allocated as follows:

Carried forward: SEK 233,978,125

Please see the following Income Statements, Balance Sheets and Cash Flow Statements for details of the company's results and position at the end of the financial year.

Income Statement (SEK k)	Note	<u>2011</u>	<u>2010</u>
Net sales	1	148 260	129 211
Administrative expenses	2,3	<u>-79 678</u>	<u>-73 638</u>
OPERATING PROFIT/LOSS		68 582	55 573
Profit/loss from participations in Group companies	4	<u>84 372</u>	<u>38 600</u>
PROFIT/LOSS BEFORE TAX		152 954	94 173
Tax on the profit/loss for the year	5	<u>-19 378</u>	<u>-15 664</u>
NET PROFIT/LOSS FOR THE YEAR		133 576	78 509

Balance Sheet, as of 31st December (SEK k)	Note	<u>2011-12-31</u>	<u>2010-12-31</u>
<b>ASSETS</b>			
<u>Fixed assets</u>			
Tangible fixed assets			
Equipment	6	429	297
		<u>429</u>	<u>297</u>
Financial fixed assets			
Participations in Group companies	7	98 361	78 130
Other long-term investments	8	774 973	914 540
		<u>873 333</u>	<u>992 670</u>
Total fixed assets		873 762	992 967
<u>Current assets</u>			
Current receivables			
Receivables from Group companies		23 445 663	19 951 292
Tax receivables		3 761	3 239
Other receivables		1 931	1 697
Prepaid costs and accrued income	9	107 288	34 701
		<u>23 558 643</u>	<u>19 990 928</u>
Cash and bank balances		<u>2 805 690</u>	<u>2 912 288</u>
		2 805 690	2 912 288
Total current assets		26 364 332	22 903 216
<b>TOTAL ASSETS</b>		<b>27 238 095</b>	<b>23 896 183</b>

SHAREHOLDERS' EQUITY & LIABILITIES		<u>2011-12-31</u>	<u>2010-12-31</u>
<u>Shareholders' equity</u>	10		
Restricted equity			
Share capital (500,000 shares)		50 000	50 000
Statutory reserve		10 000	10 000
Total restricted equity		<u>60 000</u>	<u>60 000</u>
Non-restricted equity			
Profit brought forward		100 402	74 775
Net profit/loss for the year		133 576	78 509
Total non-restricted equity		<u>233 978</u>	<u>153 284</u>
Total shareholders' equity		293 978	213 284
<u>Provisions</u>	11		
Pension provisions		39 781	29 034
Other provisions		166	-
		<u>39 946</u>	<u>29 034</u>
<u>Long-term liabilities</u>	12		
Liabilities to credit institutions		891 676	630 889
Liabilities to Group companies		529	-
Total long-term liabilities		<u>892 205</u>	<u>630 889</u>
<u>Current liabilities</u>			
Accounts payable		2 876	3 318
Liabilities to Group companies		24 076 849	22 934 505
Other liabilities		1 893 133	2 530
Accrued costs and prepaid income	13	39 107	82 624
Total current liabilities		<u>26 011 965</u>	<u>23 022 977</u>
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		27 238 095	23 896 183
Pledged assets		None	None
<u>Contingent liabilities</u>			
FPG/PRI guarantee undertakings		809	682

CASH FLOW STATEMENT	<u>2011</u>	<u>2010</u>
<u>Operating activities</u>		
Profit/loss after net financial items	152 954	94 173
Adjustments for items not included in cash flow, see supplementary information # 2.	4 114	-83 388
Tax paid	-847	-925
Cash flow from operating activities before change in working capital	<u>156 221</u>	<u>9 860</u>
Cash flow from change in working capital		
Change in interest-bearing receivables, Group companies	-3 494 372	4 177 438
Change in other interest-bearing receivables	139 908	-914 739
Change in other non-interest-bearing receivables	-73 344	103 844
Change in interest-bearing liabilities, Group companies	1 142 873	-6 209 202
Change in other non-interest-bearing liabilities	1 846 644	-83 512
Cash flow from operating activities	<u>-282 069</u>	<u>-2 916 311</u>
<u>Investment activities</u>		
Shareholders' contributions made	-20 231	-
Acquisition of other fixed assets	-279	-32
Cash flow from investment activities	<u>-20 510</u>	<u>-32</u>
<u>Financing activities</u>		
Group contributions/shareholders' contributions	-71 752	-56 143
Loans raised	898 621	-
Amortisation of liabilities	-630 889	-
Cash flow from financing activities	<u>195 980</u>	<u>-56 143</u>
Cash flow for the year	-106 599	-2 972 486
Opening liquid assets, see supplementary information #3	2 912 288	5 884 774
Closing liquid assets, see supplementary information # 3	2 805 690	2 912 288
Supplementary information		
1. Interest paid and dividends received		
Dividend received	84 372	38 600
Interest received	512 534	343 878
Interest paid	-389 893	-221 873
2. Adjustments for items not included in the cash flow		
Depreciation and write-downs of assets	147	127
Pension provisions	10 747	6 458
Other provisions	166	-
Unrealised exchange rate differences, net	-6 945	-89 973
	<u>4 114</u>	<u>-83 388</u>
3. Closing liquid assets		
Cash and bank	<u>2 805 690</u>	<u>2 912 288</u>
	2 805 690	2 912 288

## ACCOUNTING PRINCIPLES

### General accounting principles

The Annual Accounts have been prepared in accordance with the provisions of the Swedish Annual Accounts Act and the general guidelines of the Swedish Accounting Standards Board. In the absence of any general guideline on the part of the Swedish Accounting Standards Board, guidance has, where appropriate, been taken from the Swedish Financial Reporting Board's recommendations.

Assets, provisions and liabilities have been valued at the acquisition values unless otherwise stated below.

Fixed assets, long-term liabilities and provisions comprise, in every significant respect, only those amounts that the company anticipates will be recovered or paid later than twelve months after the closing day.

Current assets and current liabilities comprise, in every significant respect, only those amounts that the company anticipates will be recovered or paid within twelve months of the closing day.

### Group contributions

Group contributions, tax attributable to the same, and capital contributions made in conjunction with the receipt of Group contributions, are booked directly to the profit carried forward.

### Financial instruments

Financial assets and liabilities are booked at the acquisition value. Financial liabilities, where the acquisition value differs from the nominal value, are reported at the accrued acquisition value, and the surplus or deficit value is periodised (linearly) over the term.

Assets and liabilities in foreign currencies are recalculated at the closing day rate in accordance with the Swedish Financial Reporting Board's recommendation no. 8, Reporting of changed exchange rates.

Currency forwards and currency swaps are used to hedge fluctuations in exchange rates.

Contracts entered into are valued at the closing day rate. Any futures premiums are periodised over their term and reported as interest income or interest expenses.

Interest swaps and interest futures are used to hedge fluctuations in interest rates. These instruments are not booked at market value in the Balance Sheet. Profits/losses arising are periodised over their term and reported as interest income or interest expenses.

### Equipment

Equipment and computer equipment are depreciated according to plan at 20% per annum.

### Group information

The company, which constitutes the Parent Company of a Group with subsidiaries, as specified in Note 7, does not, with reference to the provisions of chapt. 7, §2. of the Swedish Annual Accounts Act, prepare Consolidated Accounts. The company is a wholly owned subsidiary of Skanska AB, corporate ID no. 556000-4615, whose registered offices are in Solna. Skanska AB prepares Consolidated Accounts for both the largest and smallest corporate Groups of which the company is a subsidiary.

34% of the company's total purchases and 93% of its total sales, measured in Swedish kronor, refer to other companies throughout the corporate Group to which the company belongs.

### Taxes

Total tax comprises current tax and deferred tax. Associated tax effects are, therefore, also reported in the Income Statement for Income Statement items.

Deferred tax is calculated on all temporary differences arising between reported and fiscal values of assets and liabilities, using the Balance Sheet method.

### Skanska Employee Ownership Program (SEOP)

The Skanska Employee Ownership Program (SEOP) is the Skanska Group's share investment program.

For the initial share investment program, SEOP 1, with 2008 - 2010 as investment years, the participants have been allotted shares during 2011 for the shares that the employees invested in during 2008 and retained during the three year lock-in period. During the year a new program was also started, SEOP 2, with 2011 - 2013 as investment years.

The cost of SEOP 1 is recorded as an operating cost when Skanska AB charges SFS for the shares that have been provided to the participants. The cost is equal to the fair value and conforms to the value of the taxable benefit with the participants. Social insurance contributions on SEOP 1 are calculated and charged to the benefit received by the participant.

The cost of SEOP 2 is allocated to periods and valued in accordance with IFRS 2 Share-based Payment. The amount has been reported as an operating cost and non-interest-bearing liability to Skanska AB.

Social insurance contributions in respect of SEOP 2 have been calculated in accordance with UFR 7 IFRS 2 and social insurance contributions for listed companies. This means that social insurance contributions in respect of the year's cost for SEOP 2 have been booked as an operating cost and other provisions this year.

## NOTES TO THE ANNUAL ACCOUNTS, 31ST DECEMBER 2011 (SEK k)

<u>Note 1</u> <u>Net sales</u>	<u>2011</u>	<u>2010</u>
Interest income from other external assets	35 883	22 598
Interest income from Group companies' other assets	464 160	292 782
	<u>500 043</u>	<u>315 380</u>
Interest expenses payable to external counterparties	17 464	53 124
Interest expenses payable to Group companies	-400 112	-244 922
Exchange rate differences, net	-2 790	-3 897
Other financial expenses	-12 724	-30 647
	<u>-398 163</u>	<u>-226 342</u>
Total profit/loss on securities trading	101 880	89 037
Fees for financial consultancy	46 380	40 174
Net sales	<u>148 260</u>	<u>129 211</u>

Interest expenses to external counterparties include interest differences in currency swaps for borrowing of SEK 48,174 k (SEK107,102 k) and interest differences in respect of hedging of foreign net investments of SEK 28,458 k (SEK -37,969 k)

<u>Note 2</u> <u>Employees and staff overheads</u>	<u>2011</u>	<u>2010</u>
The average number of employees	39	38
Of whom women numbered	20	18
<i>Male and female Board Members and senior executives on the closing day</i>		
Board of Directors	7	7
Of whom women numbered	1	1
Other senior executives	7	8
Of whom women numbered	5	5
Amounts paid in salaries and remuneration (SEK k)	32 379	32 738
of which, to senior executives	11 864	12 059
Social security contributions	10 528	10 567
	<u>42 907</u>	<u>43 306</u>
The above includes bonuses paid		
of which, to senior executives	2 907	3 085
Pension costs total	12 083	8 922
of which, to senior executives	3 274	3 035
Benefits for the Board and the President & CEO		
<i>Magnus Paulsson, President &amp; CEO</i>		
Salaries and remuneration	2 127	1 940
Bonuses	919	920
Pensions	860	835
	<u>3 906</u>	<u>3 695</u>

<u>Note 3</u> <u>Fees and reimbursement of auditors' expenses</u>	<u>2011</u>	<u>2010</u>
KPMG		
Audit engagement	491	501
Tax consultancy	105	38
Other services	-	-
Total	<u>596</u>	<u>539</u>

<u>Note 4</u> <u>Profit/loss from participations in Group companies</u>	<u>2011</u>	<u>2010</u>
Distribution from SCEM Reinsurance S.A	83 031	38 600
Profit/loss on termination of SCG Rückversicherung AG	1 341	-
	<u>84 372</u>	<u>38 600</u>

<u>Note 5 Tax on the profit/loss for the year</u>	<u>2011</u>	<u>2010</u>
Current tax	-412	-1 123
Reported tax in respect of Group contributions made/received	-18 871	-14 541
Tax in respect of previous years	-95	-
Total tax expense	<u>-19 378</u>	<u>-15 664</u>

<u>Note 6 Equipment</u>	<u>2011-12-31</u>	<u>2010-12-31</u>
Acquisition value, opening balance	1 830	1 798
Year's purchases	279	32
Acquisition value, closing balance	<u>2 109</u>	<u>1 830</u>
Accumulated depreciation according to plan, opening balance	-1 533	-1 406
Year's depreciation according to plan	-147	-127
Accumulated depreciation according to plan, closing balance	<u>-1 680</u>	<u>-1 533</u>
Book value	429	297

Note 7 Participations in Group companies

<u>Subsidiary company</u>	<u>Corporate ID no.</u>	<u>Reg. office</u>	<u>No. participations</u>	<u>Capital share</u>	<u>Book value</u>
Skanska Försäkrings AB	516401-8664	Solna	50 000	100%	50 000
SCEM Reinsurance S.A.	---	Luxemburg	750	100%	43 361
Skanska Renting AB	556579-1489	Solna	50 000	100%	<u>5 000</u>
					<u>98 361</u>
				<u>2011-12-31</u>	<u>2010-12-31</u>
<i>Accumulated acquisition values</i>					
At beginning of year				78 130	78 130
Capital contribution, SCEM Reinsurance S.A				20 231	-
Book value at year end				<u>98 361</u>	<u>78 130</u>

<u>Note 8 Other long-term investments</u>	<u>2011-12-31</u>	<u>2010-12-31</u>
<i>Accumulated acquisition values</i>		
At beginning of year	914 540	-
Additional receivables/receivables paid	-139 568	914 540
Book value at year end	<u>774 973</u>	<u>914 540</u>

Long-term receivables refer to a seven-year bridging financing of Nya Karolinska Solna.

Maturity date	<u>&gt; 5 yrs</u>	<u>&lt; 5 yrs; &gt;1 yr</u>	<u>&lt; 1 yr</u>	<u>Total</u>
	116 136	464 448	194 389	774 973

<u>Note 9 Prepaid costs &amp; accrued income</u>	<u>2011-12-31</u>	<u>2010-12-31</u>
Accrued interest income	9 480	21 971
Accrued exchange rate profits, forwards	95 966	5 088
Prepaid administrative expenses	1 841	6 611
Prepaid financial costs	-	1 030
	<u>107 288</u>	<u>34 701</u>

Note 10 Shareholders' equity

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Profit brought forward</u>	<u>Net profit/loss for the year</u>
Opening balance, 1/1-2011	50 000	10 000	74 775	78 509
Allocation of profits			78 509	-78 509
Net profit/loss for the year				133 576
Shareholders' contribution made				
Group contribution received			2 250	
Group contribution made			-74 002	
Fiscal effect of Group contribution received/made			18 871	
Closing balance, 31/12 2011	50 000	10 000	100 402	133 576

Note 11 Provisions

	<u>2011-12-31</u>	<u>2010-12-31</u>
Pension provisions	39 781	29 034
of which, for senior executives	10 442	4 764
Provisions for social insurance contributions	166	-
	<u>39 946</u>	<u>29 034</u>

Note 12 Liabilities' due dates

	<u>&gt; 5 yrs</u>	<u>&lt; 5 yrs; &gt;1 yr</u>	<u>&lt; 1 yr</u>	<u>Total</u>
Liabilities to credit institutions	891 676	-	-	891 676

Note 13 Accrued costs & prepaid income

	<u>2011-12-31</u>	<u>2010-12-31</u>
Accrued administrative expenses	23 992	19 791
Accrued interest expenses	15 115	22 360
Accrued exchange rate losses, forwards	-	40 473
	<u>39 107</u>	<u>82 624</u>

Note 14 Financial derivative instruments

Skanska Financial Services AB uses currency forwards and currency swaps to hedge the Skanska Group against exchange rate fluctuations. The hedging transactions refer to transaction exposure and conversion exposure in respect of foreign subsidiaries' shareholders' equity in foreign currencies.

Interest derivatives (mainly interest swaps, FRAs and futures) are used to hedge against changes in interest rates.

The fair value of derivatives entered into is shown in the table below. The fair value does not include underlying capital sums.

<u>Fair value</u>	<u>2011-12-31</u>	<u>2010-12-31</u>
Positive values, interest derivatives	-	9 068
Positive values, currency derivatives	333 556	351 988
Total positive values	<u>333 556</u>	<u>361 056</u>
Negative values, interest derivatives	-2 210	-621
Negative values, currency derivatives	-300 297	-386 563
Total negative values	<u>-302 507</u>	<u>-387 185</u>
Total net values	31 050	-26 129

of which booked in Skanska Financial Services AB, SEK 32 760 k (SEK - 31 854 k). The difference between fair value and book value is attributable to changes in the value of the derivatives arising from changes in market interest rates. This component is only reported in the Skanska corporate group.

Note 15 Financial risk information

The Group's financial policy lays down guidelines, goals and limits for the management of financial risks within the Group. SFS is responsible for monitoring compliance with the financial policy. As of 31st December 2012, SFS' and the Group's financial risks totalled:

	<u>SFS</u>	<u>The Skanska Group</u>
Interest risk (max. risk SEK 100,000 k)	19	44
Currency risk (max. risk SEK 50,000 k)	0	16
Liquidity risk (a minimum of SEK 5,000 million in available cash liquidity and binding credit guarantees)	10 642	12 411

Note 16 Five-year summary

	2011	2010	2009	2008	2007
Average number of employees	39	38	37	37	36
Net sales	148	129	139	131	85
Administrative expenses	-80	-74	-68	-70	-67
Operating profit/loss	69	56	71	61	18
Profit/loss from participations in Group compa	84	39	10	16	-
Profit/loss before tax	153	94	81	77	18
Total assets	27 238	23 896	30 235	25 120	21 387
Total shareholders' equity	294	213	176	163	139
Total provisions and liabilities	26 944	23 683	30 059	24 957	21 248

Solna April 3rd, 2012

Peter Wallin  
Chairman of the Board

Katarina Bylund

Jari Mäntylä

Peter Lundström

Anders Lilja

Pontus Winqvist

Magnus Paulsson  
President & CEO

Our Audit Report was submitted on April 3rd, 2012

KPMG AB

George Pettersson  
Authorised Public Accountant