

ANNUAL REPORT
2013

The Board of Directors and the President and CEO of Skanska Financial Services AB (publ) hereby present the accounts for the 2013 financial year.

REPORT OF THE DIRECTORS

Operations

The Company is a wholly-owned subsidiary of Skanska AB with registered office in Stockholm Municipality (Corporate ID No. 556000-4615).

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

- Support the core activities of the Group by providing financial expertise, leading to greater competitiveness for the operational units of the Group
- To be responsible, strategically and ongoing, for the Group's borrowings and relationships with financial institutions. SFS is responsible for the Group's cash flow being managed rationally. The assignments also include managing and investing the Group's financial assets. Operations are conducted within strictly regulated limits which are set by the Group Board of Directors
- Analyse and manage the central financial risks that follow from the Group's operations

As regards certain other risk management, for example the risk of damage to or loss of Skanska's property or projects, the SFS Group works with well-adjusted insurance programmes. Through its own insurance companies (so-called captives) in Sweden and Luxembourg, SFS participates in insurance solutions, direct or via reinsurance.

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 2013 a bilateral loan of EUR 60 M with final maturity in 2020 was raised from Svensk Export Kredit (SEK). Also, the subsidiaries Renting AB and Renting Komplementär AB were disposed of during the year. The companies had been dormant. During 2013 an upgrade of the finance system was completed. The cost for the upgrade is amortized over five years.

Employee turnover during the year was 2.4%.

Earnings and position

The Company's net turnover for 2013 amounted to SEK 385 M (SEK 116 M). The increase is mainly due to increased margins from lending to the Skanska Group. Profit before appropriations and tax was SEK 290 M (SEK 123 M).

Five year summary, see Note 18.

Information on financial risks

The Skanska Group's finance 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 Skanska Group is exposed to various financial risks such as interest rate risk, currency risk, liquidity risk and credit risk.

Interest rate risk is the risk that changes in interest rates will adversely impact the Groups future earnings and cash flow. For the Group, exposure to interest-rate risk arises primarily from interest-bearing liabilities. To limit the risk, interest-rate maturities are to be distributed over time and have a weighted average residual refixing period of two years, with a mandate to diverge in +/-1 year. Interest rate risk is defined as a change in the fair value of interest-bearing assets and liabilities, including derivatives in the event of a one percentage-point increase in interest rates across all maturities. The change in fair value may not exceed SEK 100 M, measured as relative deviation against a comparative portfolio with a weighted average refixing period of two years, which is identified as a risk-neutral maturity.

Currency risk is defined as the risk of negative impact on the Group's income statement and statement of financial positions due to fluctuations in exchange rates. Currency risk in the Group's transactions exposure, i.e. the net of operating and financial flows, may amount in total to SEK 50 M. The risk is defined as the effect on earnings of a five percentage-point shift in the exchange rates.

Liquidity risk is defined as the risk that Skanska cannot meet its payment obligations due to lack of liquidity or difficulty in obtaining or rolling over external loans.

At any point of time the Group shall have the equivalent of at least SEK 4,000 M in available liquidity obtainable within one week, of which at least SEK 2,000 M shall constitute unutilised binding credit with a remaining term of at least 1.5 years.

Financial credit risk is the risk the Group runs in relation to financial counterparties in the deposit of surplus funds, balances in bank accounts and investment in financial assets. Credit risk also arises when using derivative instruments and consists of the risk that a potential gain may not be realized if the counterparty does not fulfil its part of the contract. Financial credit risk is identified, handled and reported in accordance with frameworks defined in the financial policy and the risk instructions that are established for SFS.

See also Note 15.

Important events after the Balance Sheet Date

No important events have occurred after the Balance Sheet Date.

Expected future developments

Basic operations will continue in their present form. Focus on control and handling of financial risks will continue to be important during the coming year.

Proposed allocation of earnings

The Board of Directors proposes that the profit at its disposal of SEK 44,410,786 shall be appropriated as follows:

Carried forward to new account: SEK: 44,410,786

As regards the Company's profit and its position at the end of the financial year, see the following income statements balance sheets and cash flow analyses.

Income statement (kSEK)	Note	<u>2013</u>	<u>2012</u>
Net sales	1	385 286	116 344
Administration costs	2,3	<u>-95 359</u>	<u>-85 520</u>
OPERATING PROFIT		289 927	30 824
Profit from participations in Group companies	4	<u>194</u>	<u>92 067</u>
PROFIT BEFORE TAX		290 121	122 891
Tax on profit for the year	5	<u>-65 043</u>	<u>-9 319</u>
NET PROFIT FOR THE YEAR		225 078	113 571

Balance sheet as of 31 December (kSEK)	Note	<u>2013-12-31</u>	<u>2012-12-31</u>
ASSETS			
<u>Fixed assets</u>			
Tangible fixed assets			
Equipment	6	<u>214</u>	<u>316</u>
		214	316
Intangible fixed assets	7	<u>6 659</u>	<u>0</u>
		6 659	0
Financial fixed assets			
Participations in Group companies	8	93 361	98 361
Receivables from Group companies	9	2 478 620	0
Other long-term receivables	10	<u>549 790</u>	<u>624 411</u>
		3 121 771	722 772
Total fixed assets		3 128 644	723 088
<u>Current assets</u>			
Current receivables			
Receivables from Group companies		18 710 041	23 387 914
Prepaid tax		2 588	1 973
Other receivables		2 208	1 896
Prepaid expenses and accrued income	11	<u>76 889</u>	<u>135 649</u>
		18 791 726	23 527 431
Cash and bank balances		<u>4 443 902</u>	<u>2 282 252</u>
		4 443 902	2 282 252
Total current assets		23 235 628	25 809 684
TOTAL ASSETS		26 364 272	26 532 771

SHAREHOLDERS' EQUITY AND LIABILITIES

		<u>2013-12-31</u>	<u>2012-12-31</u>
<u>Shareholders' equity</u>	12		
Restricted equity			
Share capital (500,000 shares)		50 000	50 000
Statutory reserve		10 000	10 000
Total restricted equity		60 000	60 000
Non-restricted equity			
Profit brought forward		-180 668	208 746
Net profit for the year		225 078	113 571
Total non-restricted equity		44 411	322 317
Total equity		104 411	382 317
<u>Provisions</u>	13		
Provisions for pensions		55 404	47 233
Other provisions		1 439	1 915
		56 843	49 148
<u>Long-term liabilities</u>			
Bond loans		3 353 824	2 604 873
Liabilities to credit institutions	14	2 311 843	1 717 076
Liabilities to Group companies		79 764	1 929
Total long-term liabilities		5 745 431	4 323 879
<u>Current liabilities</u>			
Accounts payable		3 425	4 526
Liabilities to Group companies		19 598 968	18 954 719
Bond loans		749 899	500 000
Commercial paper		0	2 260 279
Other liabilities		3 316	3 389
Accrued expenses and prepaid income	15	101 980	54 515
Total current liabilities		20 457 588	21 777 427
TOTAL EQUITY AND LIABILITIES		26 364 272	26 532 771
Pledged assets		None	None
<u>Contingent liabilities</u>			
Guarantee commitments FPG/PRI		942	872

CASH FLOW STATEMENT

2013

2012

Operating activities

Profit after net financial income/expense	290 121	122 891
Adjustments for non-cash items, see Supplementary Disclosure 2.	87 611	-23 613
Tax paid	-3 143	-655
Cash flow from operating activities before changes in working capital	374 589	98 622
Cash flow from changes in working capital		
Changes in interest-bearing receivables Group companies	2 199 252	57 749
Changes in other interest-bearing receivables	75 615	150 901
Changes in other non-interest-bearing receivables	57 833	-26 538
Changes in other interest-bearing liabilities Group companies	722 084	-5 120 729
Changes in other non-interest-bearing liabilities	46 290	17 261
Cash flow from operating activities	3 475 663	-4 822 734

Investing activities

Shareholders' contribution provided	0	0
Acquisition of other fixed assets	-6 989	-26
Sale of other fixed assets	5 000	-
Cash flow from investing activities	-1 989	-26

Financing activities

Group contribution/shareholders' contribution	-285 879	-34 236
Dividend to parent company	-280 000	0
Borrowings/Repayment of debt	-746 142	4 333 559
Cash flow from financing activities	-1 312 021	4 299 323

Cash flow for the year	2 161 653	-523 437
Cash and cash equivalent at the beginning of the year, see Supplementary Disclosure 3.	2 282 252	2 805 690
Cash and cash equivalents at the end of the year, see Supplementary Disclosure 3.	4 443 905	2 282 252

Supplementary disclosures

1.	Interest paid and dividends received		
	Result from participations in Group companies	194	92 067
	Interest received	662 895	412 468
	Interest paid	-274 929	-293 842
2.	Adjustments for non-cash items		
	Depreciation and write-downs of assets	431	139
	Provisions for pensions	8 171	7 452
	Other provisions	-475	1 749
	Unrealised exchange rate differences net	79 484	-32 954
		87 611	-23 613
3.	Cash and cash equivalents at the end of the year		
	cash and bank	4 443 902	2 282 252
		4 443 902	2 282 252

ACCOUNTING PRINCIPLES

General accounting principles

The Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and the general guidelines of the Swedish Accounting Standards Board, apart from BFNAR 2008:1 annual report for smaller companies (K2 rules). If general advice from Swedish Accounting Standards Board is lacking, in appropriate cases guidance has been obtained from the recommendations from the Swedish Financial Accounting Standards Council.

Assets, provisions and liabilities have been valued at acquisition value 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 acquisition value. Financial liabilities, where the acquisition value differs from the nominal value, are reported at accrued acquisition value, and the premium or discount is periodised (linearly) over the term.

Recalculation of assets and liabilities in foreign currencies is made at closing day rate in accordance with the Swedish Financial Accounting Standards Council's Recommendation 8, Reporting of changed exchange rates.

Forward currency contracts and currency swaps are used for hedging against fluctuations in exchange rates. Contracts entered into are valued at closing date rate. Any futures premiums are allocated to periods over the life and reported as interest income or interest expense.

Forward interest transactions and interest rate swaps are used for hedging against fluctuations in interest rates. These instruments are not booked at market value in the balance sheet. Results which arise are periodised over their term and reported as interest income or interest expense.

Equipment

Equipment and computer equipment are depreciated according to plan by 20% per year.

Group information

The Company, which constitutes the parent company of a group with subsidiaries in accordance with Note 7, does not prepare consolidated accounts pursuant to the provisions of Chapter 7, Section 2, of the Swedish Annual Accounts Act. The Company is a wholly-owned subsidiary of Skanska AB, Corporate ID No. 556000-4615 with registered office in Stockholm. Skanska AB prepares consolidated accounts for both the largest and the smallest group that the Company is part of as subsidiary.
43% of the company's total purchases and 90% of its total sales, measured in Swedish kronor, refer to other companies throughout the corporate Group to which the company belongs.

Taxes

Total tax consists of current tax and deferred tax. For items reported in the Income Statement associated tax effects are also reported in the Income Statement.
Deferred tax is calculated in accordance with the balance sheet method on all temporary differences that arise between reported and tax base values of assets and liabilities.

Skanska Employee Ownership Program (SEOP)

The Skanska Employee Ownership Program (SEOP) is the Skanska Group's share saving programme. For the initial share saving programme, SEOP 1, with 2008 - 2010 as investment years, the participants have been allotted shares during 2013 for the shares which employees invested in during 2010 and retained during the three year locking-in period. SEOP 2, has 2011 - 2013 as investment years, where allotment commences in 2014.

The cost of SEOP 1 is reported as an operating cost when Skanska AB charges SFS for the shares which were issued to the participants. The cost is the same as the fair value and conforms to the participants' taxable benefit value. Social security expenses on SEOP 1 are calculated and charged to the benefits obtained for the participants.

The cost of SEOP 2 is allocated to periods and valued in accordance with IFRS 2 Share related compensation. The amount has been reported as an operating cost and non-interest-bearing liability to Skanska AB. Social security contributions in respect of SEOP 2 have been calculated in accordance with UFR 7 IFRS 2 and social security contributions for listed companies. This means that social security contributions as regards the year's cost of SEOP 2 are booked as an operating cost and other provisions this year.

NOTES TO THE ANNUAL REPORT 31-12-2013 (kSEK)

Note 1 Net sales

	<u>2013</u>	<u>2012</u>
Interest income from other external assets	26 731	28 479
Interest income from other assets with Group companies	628 835	385 837
	<u>655 565</u>	<u>414 316</u>
Interest expenses to external counterparties	-157 723	-49 909
Interest expenses to Group companies	-139 950	-263 575
Exchange rate differences net	9 125	-6 432
Other financial expenses	-28 721	-26 808
	<u>-317 269</u>	<u>-346 724</u>
Total profit from trading in securities	338 297	67 592
Fees for financial advice	46 989	48 751
	<u>385 286</u>	<u>116 344</u>

Interest expenses to external counterparties includes interest differences in currency swaps for borrowing of kSEK 37 720 (kSEK 85 956), and interest rate differences in respect of hedging of foreign net investments of kSEK 3 020 (kSEK 20 633)

Note 2 Employee and personnel costs

	<u>2013</u>	<u>2012</u>
The average number of employees was	41	40
The number of women was	25	23
<i>Men and women on the Board of Directors and executive management per balance sheet date</i>		
Board of Directors	7	7
The number of women was	1	1
Other executive management	5	5
The number of women was	2	2
Wages, salaries and compensation were (kSEK)	39 877	35 740
Of which to members of the executive management	10 932	12 631
Social security contributions	12 669	11 417
	<u>52 546</u>	<u>47 157</u>
The above includes earnings-related compensation of which to members of the executive management	3 376	2 608
The cost of pensions amounts to	8 324	7 005
of which to members of the executive management	2 584	2 199
<i>Benefits for the Board of Directors and the President & CEO</i>		
<i>Magnus Paulsson, President and CEO</i>		
Wages, salaries and other compensation	2 903	2 871
Earnings-related compensation	1 066	667
Pensions	1 110	922
	<u>5 080</u>	<u>4 461</u>

Note 3 Fees and cost compensation, auditors

	<u>2013</u>	<u>2012</u>
KPMG		
Audit assignments	500	520
Tax advice	31	30
Other services	-	-
Total	<u>531</u>	<u>550</u>

Note 4 Profit from participations in Group companies

	<u>2013</u>	<u>2012</u>
Dividend from SCEM Reinsurance S.A	-	92 067
Profit/loss from closure Renting AB and Renting Komplementär AB	194	-
	<u>194</u>	<u>92 067</u>

Note 5 Tax on profit for the year

	<u>2013</u>	<u>2012</u>
Current tax	-2 149	-316
Reported tax in respect of group contributions received or provided	-62 894	-9 003
Total tax expense	-65 043	-9 319

Note 6 Equipment

	<u>2013-12-31</u>	<u>2012-12-31</u>
Acquisition value opening balance	2 135	2 109
Purchases for the year	101	26
Disposals for the year	-1 798	0
Acquisition value closing balance	437	2 135
Accumulated depreciation according to plan, opening balance	-1 819	-1 680
Disposals for the year	1 799	0
Depreciation according to plan for the year	-202	-139
Accumulated depreciation according to plan, closing balance	-223	-1 819
Book value	214	316

Note 7 Intangible fixed assets

	<u>2013-12-31</u>	<u>2012-12-31</u>
Acquisition value, opening balance	0	0
Purchases for the year	6 888	0
Acquisition value closing balance	6 888	0
Accumulated depreciation according to plan, opening balance	0	0
Depreciation according to plan for the year	-230	0
Accumulated depreciation according to plan, closing balance	-230	0
Book value	6 659	0

Note 8 Participations in Group companies

<u>Subsidiary</u>	<u>Corporate ID No.</u>	<u>Reg. office</u>	<u>No. shares</u>	<u>Prop. of equity</u>	<u>Book value</u>
Skanska Försäkrings AB	516401-8664	Stockholm	50 000	100%	50 000
SCEM Reinsurance S.A.	---	Luxemburg	750	100%	43 361
					93 361
<u>Accumulated acquisition value</u>					
At beginning of year				98 361	98 361
Closure of Renting AB and Renting Komplementär AB				-5 000	0
Book value at end of year				93 361	98 361

Note 9 Long-term receivables from Group companies

	<u>2013-12-31</u>	<u>2012-12-31</u>
Accumulated acquisition value		
At beginning of year	0	0
Additional/settled receivables	2 478 620	0
Book value at end of year	2 478 620	0

Note 10 Other long-term investments

	<u>2013-12-31</u>	<u>2012-12-31</u>
Accumulated acquisition value		
At beginning of year	624 411	774 973
Additional/settled receivables	-74 621	-150 561
Book value at end of year	549 790	624 411

Long-term investment refers to seven-year construction financing of Nya Karolinska Solna.

<u>Time of maturity</u>	<u>> 5 years</u>	<u>< 5 yrs; >1 yr</u>	<u>< 1 year</u>	<u>Total</u>
	-	369 723	180 068	549 790

Note 11 Prepaid expenses and accrued income

	<u>2013-12-31</u>	<u>2012-12-31</u>
Accrued interest income	3 999	11 328
Accrued exchange rate profit, forward transactions	57 098	97 385
Prepaid administration expenses	1 132	2 181
Prepaid financial expenses	14 660	24 754
	<u>76 889</u>	<u>135 649</u>

Note 12 Shareholders' equity

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Accumulated profit/loss</u>	<u>Net profit/loss for the year</u>
Opening balance 1/1-2013	50 000	10 000	208 746	113 571
Allocation of profits			113 571	-113 571
Net profit/loss for the year				225 078
Dividend			-280 000	
Group contribution received			1 118	
Group contribution provided			-286 997	
Tax effect of Group contribution received/provided			62 894	
Closing balance 31/12 2013	<u>50 000</u>	<u>10 000</u>	<u>-180 668</u>	<u>225 078</u>

Note 13 Provisions

	<u>2013-12-31</u>	<u>2012-12-31</u>
Provisions for pensions	55 404	47 233
of which to leading executive personnel	12 318	12 226
Provisions for social security contributions	1 173	606
Other provisions	266	1 309
	<u>56 843</u>	<u>49 148</u>

Note 14 Maturity of liabilities

	<u>> 5 years</u>	<u>< 5 yrs; >1 yr</u>	<u>Total</u>
Bond loans	-	3 353 824	3 353 824
Liabilities to credit institutions	532 986	1 778 857	2 311 843
	<u>532 986</u>	<u>5 132 681</u>	<u>5 665 667</u>

Note 15 Accrued expenses and deferred income

	<u>2013-12-31</u>	<u>2012-12-31</u>
Accumulated administration costs	23 650	19 757
Accrued interest expenses	57 501	34 757
Accrued exchange rate losses, forward transactions	20 829	0
	<u>101 980</u>	<u>54 515</u>

Note 16 Financial derivative instruments

SFS uses forward currency transactions and currency swaps to secure the Skanska Group against fluctuations in exchange rates. These transactions refer to transaction exposure and translation exposure in respect of foreign subsidiaries' equity in foreign currency.

Interest rate derivatives, mainly interest swaps, are used to secure against changes in interest rates.

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

<u>Fair value</u>	<u>2013-12-31</u>	<u>2012-12-31</u>
Positive values interest derivatives	6 012	545
Positive values currency derivatives	235 542	247 234
Total positive values	<u>241 554</u>	<u>247 779</u>
Negative values interest derivatives	-49 073	-48 680
Negative values currency derivatives	-249 470	-286 355
Total negative values	<u>-298 543</u>	<u>-335 035</u>
Total net values	<u>-56 989</u>	<u>-87 256</u>

of which booked in SFS kSEK -38 014 (kSEK -4 314). The difference between fair value and book value is attributable to changes in value of the derivatives arising from changes in market interest rates. This component is only reported in the Skanska Group.

Note 17 Information on financial risks (MSEK)

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 2013, SFS' and the Group's financial risks totalled:

	Skanska	
	<u>SFS</u>	<u>Group</u>
Interest rate risk, deviation from comparison portfolio (maximum risk MSEK 100)	41	41
Currency risk (maximum risk MSEK 50)	2	19
Liquidity risk (minimum of MSEK 4,000 in available cash liquidity and binding credit commitments)	10 387	13 024

The interest refixing period as of 31-12-2013 is 2.5 years which gives an interest rate risk that is MSEK 41 higher than in the comparative portfolio which has a risk of MSEK 113 and a interest refixing period of 2 years.

Note 18 Five year summary (MSEK)

	2013	2012	2011	2010	2009
Average number of employees	41	40	39	38	37
Net sales	385	116	148	129	139
Administration costs	-95	-86	-80	-74	-68
Operating profit/loss	290	31	69	56	71
Result from participations in Group comp.	0	92	84	39	10
Profit/loss before tax	290	123	153	94	81
Total assets	26 364	26 533	27 238	23 896	30 235
Total shareholders' equity	104	382	294	213	176
Total provisions and liabilities	26 260	26 150	26 944	23 683	30 059

Stockholm

Peter Wallin
Chairman of the board

Katarina Bylund

Jari Mäntylä

Thomas Henriksson

Anders Lilja

Roger Bayliss

Magnus Paulsson
President and CEO

Our Auditors' Report was submitted on

KPMG AB

George Pettersson
Authorized public accountant

