Agria Djurförsäkring

Annual Report

2017

Agria Djurförsäkring

The 2017 fiscal year

The year in brief

- Profit before appropriations and tax amounted to SEK 274 M (285).
- The technical result amounted to SEK 268 M (290).
- The combined ratio amounted to 92% (90).
- Continued success in foreign business and Agria is now establishing new operations in France

Business volume: SEK M

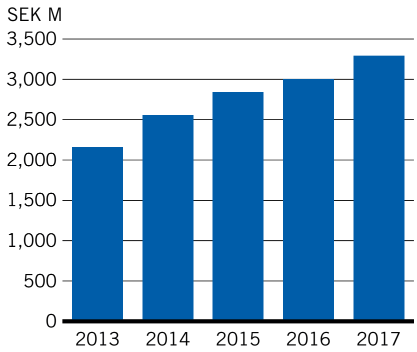
+10%

Key figures

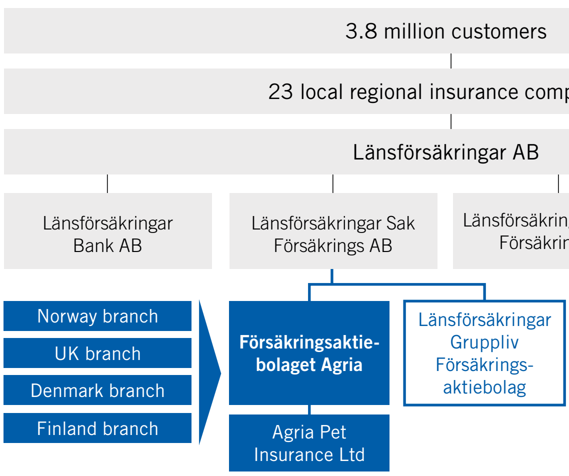
%	2017	2016	2015	2014	2013
Combined ratio	92	90	89	89	90
ROE[1]	22	22	24	22	15
Total investment income	0.5	1.1	-1.6	1.8	2.4
Solvency ratio, %[2]	175	159	210	–	–

1) Profit before appropriations less standard tax at a rate of 22.0% as a percentage of average equity including 78.0% of untaxed reserves.
2) The solvency ratio according to Solvency II rules (SII), applicable from 1 January 2016. The ratio is calculated by SII-valued own funds being divided by the SII solvency capital requirement based on the partial internal model.

Premium income

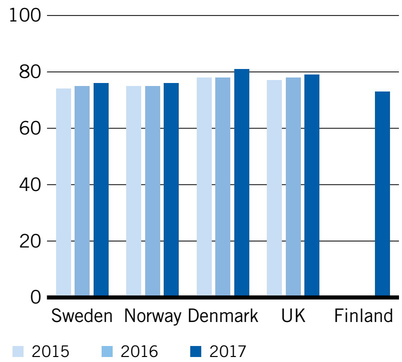


Premium income after ceded reinsurance (SEK M).



1)The company is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.

Customer Satisfaction Index (CSI)



The average Customer Satisfaction Index for all countries increased by 0.5% to 77.0.

Agria Djurförsäkring

Agria Djurförsäkring is the Länsförsäkringar Alliance's specialist company for pet and crop insurance and Länsförsäkringar's subsidiary brand. Our core values are sector expertise, animal friendliness and empathy. This specialisation involves a streamlined focus on and involvement in creating security for animals and their owners.

We immerse ourselves in the world of animals. The strong Agria brand is based on such factors as a deep commitment to animal health and research programmes. We also participate at various animal events, competitions, exhibitions, clinics and trade fairs. We maintain continuous dialogue with our customers through our partnerships with several animal-owner organisations, such as the Nordic kennel clubs and various pedigree clubs.

Our high market share in Sweden limits future growth and means that we are seeking out new markets. We currently operate in Denmark, Norway, the UK and Finland, where we are continuing to establish the Agria brand, building on the highly successful Swedish business model.

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Länsförsäkringar in brief

Local companies with customers who are owners and the only principal

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB with subsidiaries. Customers are provided with a complete solution for banking, insurance, pension and real-estate brokerage services through the regional insurance companies. The regional insurance companies are owned by the insurance customers – there are no external shareholders and customers' needs and requirements are always Länsförsäkringar's primary task. Long-term respect for customers' money and their security is fundamental. The Länsförsäkringar Alliance jointly has slightly more than 3.8 million customers and approximately 6,400 employees.

Statement by the President As the market leader in insurance for pets, horses and agriculture, with a presence in five countries, Agria holds a unique position. We have created security for animals and people for more than 125 years and we will now continue on this path by updating and modernising the offering, with great input from our customers and their animals.

High value in being part of Agria

To get to know the employees and learn about how our organisation works, I started my time as the new President of Agria in the spring of 2017 by visiting our operations in and outside Sweden. All around me at the company I saw a very positive situation, a sense of pride and wonderful confidence in the future. I met with many committed and skilled employees, most of whom have experience as animal owners themselves, possess knowledge about animals and have great understanding about animals and animal owners, making Agria unique in its interaction with customers.

Some of my first impressions were the need to provide better support to our branches and to increase Agria's presence in digital channels to come even closer to customers' everyday lives.

New organisation featuring clear focus areas

The structure of a more efficient and better adapted organisation started to take shape – with internationalisation at its core and an enhanced focus on innovation and digitisation as well as marketing and communication.

The international operations are our growth arena. The Agria concept will be established in a standard manner to drive profitable growth in new countries regardless of differences in market and culture. The experience of being part of Agria must be the same, both internally and externally in every country.

The most recent step in taking the Agria concept out into the world took place in the spring when we signed a partnership agreement with the French Kennel Club, Société Centrale Canine, in Paris. Intense work has been under way throughout the year, with sales in France scheduled to start in spring 2018.

Dedicated employees and managers

The plan for the next few years is thus in place, but the hard work is now ahead of us. Every team member is equally important in carrying out the changes that we have identified. As a step in further reaching out to our various geographic areas, we launched a new intranet and a digital channel featuring videos for internal communication for all of Agria. The result of our annual employee survey showed a very high commitment index among employees and managers. We are proud of the score which provide a platform to continue our successful operations.

Enhanced customer value

Using our large database of claims statistics, we were the first insurance company in the world to offer dog insurance policies customised for 423 different breeds. It is a concept that we are now bringing to French dog owners and offering a brand new type of product in the market.

Animal owners who are part of Agria should be completely satisfied with their choice. For this reason, it is gratifying that this year's customer satisfaction index showed an increase in all countries with an average score of 77, and Denmark topping the list at a fantastic 81.

A sustainable society for animals and people

Being a leader in pet insurance entails a broader responsibility for our surroundings: a sustainable society for both people and animals. Every year Agria sets aside a portion of its premiums earned for research. We support various initiatives to improve animal health and also to raise awareness of animals' contribution to society as a benefit to human well-being. A recent example is a study at Uppsala University into the reduced risk of heart and lung disease in dog owners. The study was financed by Agria SKK research fund and received widespread national and international attention.

When we see that an individual group of our horse claims accounts for an disproportionally high share and a share that is increasing year after year, it is our responsibility to act. We could call this the "endemic disease" of horses now that more then 50% of all horse claims to Agria derive from joints, tendons and ligaments in horse legs. What is positive is that claims from this group can largely be prevented. We are using our #stoppahältan campaign to raise awareness, educate and promote sustainable horsekeeping, focusing on the horses' best interests. To help us, we have our extensive network of researchers, veterinarians, trainers, breeders and elite equestrians. Agria's strength as the hub in the animal world comes into its own when we work together for animals' best interests.

Agria concept – a tool for growth

The future looks bright for Agria. Greater interest in animal ownership and everything associated with it is increasing the need for an insurance partner for animals. Agria's concept has been well received in our new markets and remains strong amongst the competition in our home market of Sweden. Based on great sensitivity to customers and their wishes, we are continuing our growth in existing and new markets with the vision of creating security for both animals and people – now in six different languages.

Stockholm, March 2018

Agnes Fabricius
President of Agria Djurförsäkring

Board of Directors' Report 2017

The Board of Directors and the President of Försäkringsaktiebolaget Agria (publ), Corporate Registration Number 516401-8003, hereby submit the 2017 Annual Report. The registered office of the company is in Stockholm.

In accordance with Chapter 7, Section 2 of the Swedish Annual Accounts Act, consolidated financial statements were not prepared since the company and its subsidiaries are included in the consolidated financial statements for Länsförsäkringar AB (publ), Corp. Reg. No. 556549-7020. Figures in parentheses pertain to the preceding year.

Ownership

Försäkringsaktiebolaget Agria (publ) (referred to below as Agria) is a wholly owned subsidiary of Länsförsäkringar Sak Försäkrings AB (publ) (referred to below as Länsförsäkringar Sak), Corp. Reg. No. 502010-9681. Länsförsäkringar Sak is wholly owned by Länsförsäkringar AB (publ), Corporate Registration Number 556549-7020, which is owned by 23 regional insurance companies and 16 local insurance companies.

Focus of operations

Agria is the Länsförsäkringar Alliance's specialist company for pet and crop insurance and Länsförsäkringar's subsidiary brand. Agria has a streamlined focus on and involvement with animals and their owners. The roots can be traced back more than 125 years and today the brand is Sweden's strongest in its specific field. Agria conducts operations in Sweden and has branches in Norway, Denmark, Finland and the UK. A branch has been established in France to commence operations in 2018. The subsidiary Agria Pet Insurance Ltd (API) also operates in the UK. The Swedish operations are divided into two business areas: Pet and Horse & Agriculture. Agria offers insurance cover for animals and crops to private individuals, the agricultural sector and other companies. Insurance cover comprises veterinary care insurance, life assurance and business interruption insurance. Products and services are developed in collaboration with customers, animal-owner organisations and suppliers of veterinary care services. Agria is the only insurance company to employ in-house veterinarians that provide advice to customers and claims adjusters. The Board of Agria has members appointed by the animal-owner organisations, the Federation of Swedish Farmers (LRF) and the Swedish Veterinary Association. Their duties include contributing expertise and the animal owner perspective to the Board. The operations are conducted in Länsförsäkringar AB's Non-life Insurance business unit, together with the Parent Company Länsförsäkringar Sak and its other operations.

Market and operations

Agria's Nordic market presence, comprising business activities in Sweden, Norway, Denmark and Finland, is now complete. Holding a clear position as a market leader in Sweden and Norway, Agria is building on its strong brand in new countries. Alongside the branch in the UK, additional steps are being taken into the non-Nordic European market. The establishment of operations commenced in France, with a country manager recruited and adjustments made to the offering. The French market comprises about 7.6 million dogs and 11.0 million cats and has a low level of insurance. A unique opportunity that was vital to establishing operations presented itself when the French Kennel Club contacted Agria to discuss a partnership.

Agria's customers remain satisfied with the company's offering and service, as seen in the high scores of the customer satisfaction index. Scores improved in all countries. The outcome for Finland, which was surveyed for the first time, was satisfactory. We are proud of these figures that show that our priority improvements are meeting the expectations on animal owners' wish lists.

Agria carried out a market survey into pets in Sweden together with the Swedish Kennel Club and Royal Canin during the year. Compared with the 2012 survey, the results revealed a 12% increase in the number of dogs to 881,000, while the number of cats rose 31% to a total of 1,441,000. The level of insurance for dogs also increased by 10 percentage points to 90%, and the level for cats increased substantially from 36% to almost 50%. Swedes are world champions at insuring their animals.

In our independent efforts to enhance added value for our customers, we now offer a free digital veterinary advice service for animal owners in Sweden via FirstVet, which Agria customers can use an unlimited number of times. The Agria card is a claims-adjustment card offering animal owners in Sweden greater financial security for visits to the vet. The claims-adjustment process is quicker and compensation is paid directly on to the card. In addition, customers have a SEK 300 lower deductible for veterinary care and the option of interest-free instalment payment. The card is being continuously developed and the number of card users has grown steadily in recent years. Customers can also receive animal-related offers, such as vaccine discounts.

In Sweden, the Pet business area continued to deliver healthy growth in cat and pet insurance and reported stable earnings. Agria launched new dog insurance policies customised for 423 different breeds on 1 April. A number of new features have been packaged into the product, such as rehab and medicines, the option of expanding the compensation limit for veterinary care during the insurance period and extending the deductible period to 135 days. Agria Mini Life Assurance and Veterinary Care Insurance is offered as an alternative product for dog owners from 1 December. Agria Cat Breeders Club that started at the end of last year has many new members and now has a total of about 1,500 breeders. Focus on cat insurance is continuing and a new collective veterinary-care insurance for cat shelters was launched at year-end. Two Agria charity dog walks were held in Djurgården in Stockholm. A total of SEK 137,500 was raised for homeless dogs that are temporarily living at the Hundstallet dog shelter.

We see a generally positive trend in equestrian sports in Sweden. Breeding figures increased, which is also reflected in a larger insurance portfolio. The wonderful successes of Swedish equestrians are spreading positive effects throughout the riding world. At the Agria-sponsored European Championships in Gothenburg – the highlight of the year – our brand scored the second highest in Swedish Television's viewer survey of brands associated with riding.

Agria's market share in farm animals is increasing, particularly regarding cattle. New products for cattle were launched during the year that met with a positive reception on the market. However, the crop insurance portfolio declined slightly.

The business in Norway reported a healthy earnings performance. More companies consider pet insurance to be an attractive niche in the insurance industry and the offering in the Norwegian market is increasing. Agria, like in Sweden, is the benchmark and market-leader in the pet insurance segment.

Agria in Denmark grew rapidly. Horse insurance, launched on 1 January 2017, was a success and the business growth has surpassed expectations. During the year, Agria signed a main sponsor agreement with the Danish Association for Civilian Dog Handlers, the largest player in dog training and competitions in Denmark.

The Finnish operations commenced in June 2016 with the head office in Espoo. In close collaboration with the Finnish Kennel Club, sales of both dog and cat insurance performed very positively. Animal-owner organisations have shown widespread interest and Agria's entry into the Finnish market matches customer needs for more extensive pet-insurance products.

The UK market is continuing to grow with heightened interest in animals and associated services for pets. Like in Agria's other markets, a persistent challenge is rising costs for veterinary care, which is being managed through active engagement and dialogue with the entire veterinary sector. We are closely following developments after the UK referendum to leave the EU and are making preparations for the changes that may be needed in connection with changes in business conditions that may arise with Brexit.

Digital communication with customers

The majority of customers prefer using digital channels. The number of visitors to the website agria.se increased by about one million during the year to a total of six million visitors. We can see that the focus on a responsive website in completely aligned with the times since more than 80% of visitors in digital channels contact us by mobile device. Customers can now log in to the "My Agria" service on agria.se and traffic to this service is gradually increasing.

Work on developing services and traffic via digital channels is continuing, for example, with customers in both Denmark and Sweden joining digital mailbox services. We can see a general increase in searches for information about animals, and Agria's position as an animal expert means that many owners seek information in our channels. Social media enhances customer commitment and the number of followers is increasing every month.

Research

Part of premium income is set aside for research into pets, horses and farm animals every year.

Agria and the Swedish Kennel Club's research fund donated SEK 4.6 M into dog and cat research, focusing on improving animal health for dogs with the common diagnoses of heart failure, arthrosis and back pain. The focus for cats is on raising awareness of damage to heart muscles, and on identifying the gene that leads to the ragdoll breed being born with dwarfism.

A one-off donation of SEK 4.2 M was made during the year to a PhD post at the Swedish University of Agricultural Sciences with the task of better diagnosing and treating knee-joint diseases in dogs.

In partnership with Swedish-Norwegian Foundation for Equine Research, SEK 1.7 M was granted to projects in Sweden and Norway. Focus areas were movement symmetry in horses and studies into the socio-economic effects of the equine industry.

Six episodes of the popular Pälspodden podcast were produced and published during the year.

SEK 1.4 M was reserved for agricultural research and distributed in collaboration with the Swedish farmers' foundation for agricultural research. Grants were awarded to two new projects that will contribute to more sustainable cattle farming and better animal welfare.

Significant events after the end of the fiscal year

On 2 February, Johan Agerman left his position as President and CEO of Länsförsäkringar AB and as Board Chairman of Länsförsäkringar Sak. In connection with this, Sören Westin was appointed President and CEO of Länsförsäkringar AB and the new Board Chairman of Länsförsäkringar Sak.

A new organisation was introduced on 1 January. Two new business areas (Nordic and Europe), new departments for Development & Innovation and Marketing & Communication were created.

Expectations regarding future development

The possibility of capitalising on even more customers' needs and requirements is rising in line with Agria's growth in both new markets and in Sweden. The various conditions of the markets provide a source of know-how that strengthens our entire offering. As a market leader, Agria endeavours to exceed customer expectations and be at the forefront of products, distribution, communication and service. As a leading player in the segment, we are also to work towards a sustainable society for animals and improved animal health.

Employees

Agria's high ambition is to be a responsible and attractive employer. Dedicated employees, a positive work climate and good leadership are the basis of the widespread customer confidence in Agria and its ability to develop in line with the expectations of animal owners. Agria strives to recruit employees who have a great love of animals. To support such interest in animals, Agria has a dog daycare centre run by personnel next to its office in Stockholm. Agria's internal attractiveness as an employer is measured according to an Employer Net Promotor Score (eNPS). This year's eNPS in the employee survey increased from 34 to 41. The benchmark is 29, which was the score for high-performing companies.

Employee skills are developed in accordance with the company's objectives and the short and long-term needs. Agria endeavours to nurture the conditions for a organisational culture focusing on learning and development. An e-coaching tool was introduced in 2017 to enhance employees' knowledge of change management. 80% (77) of Agria employees in Sweden believe that their skills are developed in pace with changed working requirements.

Diversity and integration centre on business value and help strengthen competitiveness and thus increase profitability. A current and external diversity analysis was performed in 2017 in order to realise a diversity shift. According to the employee survey, 82% (85) of employees believe that Agria is an equal opportunity workplace.

Agria applies a long-term approach to health and work environment, comprising the organisational, social and physical work environment as integrated parts of the operations, for many years. A structure has been established for work-environment cooperation between employers, managers, employees and health and safety representatives. The organisational and social work environment is regularly monitored. This year's Agria employee survey showed a positive trend with 66% (64) of employees believing that they have a reasonable stress level in their work and 85% (80) thinking that they have a good work/life balance.

Sustainability

Engagement in and responsibility for a sustainable society featuring animals are important parts in continuing to growth with satisfied customers and employees. Agria promotes improved animal health and raises awareness of animals' role in society and contribution to human well-being.

The company does not prepare a statutory sustainability report in accordance with Chapter 6, Section 10 of the Swedish Annual Accounts Act. Länsförsäkringar AB, Corporate Registration Number 556549-7020, with its registered office in Stockholm, prepares a Sustainability Report for the Group in which the company is included. The Group's Sustainability Report is available at lansforsakringar.se/sustainability-report2017

Capital situation

The introduction of the EU's new Solvency II rules for insurance operations on 1 January 2016 significantly changed the rules on capital requirements for insurance operations.

Länsförsäkringar AB and its insurance subsidiaries have had permission from the Swedish Financial Supervisory Authority since May 2016 to calculate the capital requirement for insurance operations using a partial internal model. Capital requirements for most market risks, non-life insurance risks are calculated using an internal model, whereas other types of risk are calculated by applying the standard formula.

Own funds valued according to the Solvency II rules increased by SEK 164 M during the year to SEK 984 M. Own funds includes a dividend of SEK 50 M in accordance with the appropriation of profit.

The Solvency II capital requirement (SCR) at the start of the year was SEK 516 M and increased to SEK 563 M, primarily driven by higher business volumes.

The solvency ratio (own funds as a percentage of the solvency capital requirement) was 159% at the start of the year and 175% on 31 December 2017.

Earnings and financial position

Profit before appropriations and tax amounted to SEK 274 M (285) and the combined ratio to 92% (90). The technical result amounted to SEK 268 M (290). Agria's largest business line in terms of volume – pet insurance – continued to deliver stable, positive earnings. The horse insurance business line posted weaker earnings, while earnings in the UK improved. Profit in the preceding year included slightly higher run-off gains. Earnings for asset management improved to SEK 7 M (–3).

Premiums earned after ceded reinsurance rose 8% to SEK 3,136 M (2,891). Volume increases were noted in all business areas due to both premium adjustments and a higher number of animals insured. Claims payments after ceded reinsurance amounted to SEK 2,143 M (1,964) and the claims ratio was unchanged at 68% (68). Average claims costs for veterinary care displayed a stable trend, although the frequency of veterinary visits is rising for all types of animals and in all countries. Operating expenses amounted to SEK 727 M (639) and the expense ratio to 23% (22). The main reason for the increase was costs for establishing the French branch and the effect of a new calculation model for capitalised acquisition costs.

The total return on investment assets in 2017 was 0.5% (1.1). The investment portfolio mainly consists of interest-bearing assets comprising housing credits and corporate loans. The trend in these has been favourable since both housing and credit spreads narrowed during the year. The lower return was mainly due to the negative contribution from the currency exposure of the portfolio.

Proposed appropriation of profit

According to the balance sheet of Försäkringsaktiebolaget Agria (publ), the following non-restricted equity is at the disposal of the Annual General Meeting.

Retained earnings	97,344,394
Net profit for the year	164,869,993
Total	**262,214,387**

The Board of Directors and the President propose that SEK 1,250 per share of this profit, corresponding to SEK 50,000,000, be distributed to the Parent Company. SEK 212,214,387 is to be carried forward. The Board of Directors believes that this distribution of profit is justified taking into consideration the demands on the amount of equity imposed by the nature, scope and risks associated with the operations, and the company's solvency requirements, liquidity and financial position, in accordance with Chapter 17, Section 3 of the Swedish Companies Act.

Five-year summary

Earnings, SEK M	2017	2016	2015	2014	2013
Premiums earned (after ceded reinsurance)	3,135.6	2,891.4	2,721.1	2,395.5	1,590.6
Investment income transferred from financial operations	1.8	0.9	8.3	14.5	13.1
Claims payments (after ceded reinsurance)	-2,142.5	-1,963.9	-1,852.8	-1,656.3	-1,112.9
Operating expenses	-727.4	-639.1	-573.3	-470.3	-324.8
Other technical revenue	0.5	0.4	–	–	–
Technical result for insurance operations	**268.0**	**289.7**	**303.2**	**283.4**	**166.0**
Net profit for the year	**164.9**	**175.1**	**168.3**	**159.9**	**102.7**
Interest rate of technical provisions, %	0.10	0.05	0.5	1.0	1.4
Key figures for insurance operations					
Claims ratio	68.3	67.9	68.1	69.1	70.0
Expense ratio	23.2	22.1	21.1	19.6	20.4
Combined ratio	91.5	90.0	89.2	88.7	90.4
Key figures for asset management					
Direct yield, %[1]	-0.4	-0.1	0.1	-0.1	1.6
Total return, %	0.5	1.1	-1.6	1.8	2.4
FINANCIAL POSITION, SEK M	**2017**	**2016**	**2015**	**2014**	**2013**
Investment assets measured at fair value	1,676.6	1,626.0[6]	1,679.6	1,816.9	1,579.2
Technical provisions (after ceded reinsurance)	1,814.6	1,705.2	1,602.0	1,453.8	953.0
Solvency capital					
– equity	316.6	502.5	324.3	557.8	531.7
– deferred tax	-3.8	-1.1	-0.1	1.4	-0.6
– untaxed reserves	833.1	783.1	729.1	662.3	579.9
Solvency capital	**1,145.9**	**1,284.5**	**1,053.3**	**1,221.5**	**1,111.0**
Solvency margin, %	**35**	**43**	**37**	**48**	**66**
Own funds (according to FRL wording on 31 Dec 2015)	–	–	1,048	1,011	1,099
Required solvency margin (according to FRL wording on 31 Dec 2015)	–	–	466	420	280
Own funds for insurance group (according to FRL wording on 31 Dec 2015)[4]	–	–	–	–	967
Required solvency margin for insurance group (according to FRL wording on 31 Dec 2015)[4]	–	–	–	–	405
Own funds	984[5]	820	989[2]	–	–
Solvency capital requirement	563	516	472[2]	–	–
Minimum capital requirement	253	232	212[2]	–	–
Solvency ratio, %	175%	159%	210%[2]	–	–
Own funds for the insurance group[3]	44,172	40,602	36,905[2]	–	–
Solvency capital requirement for the insurance group[3]	33,441	30,121	28,233[2]	–	–

1) The direct yield for 2015–2013 was restated in accordance with FFFS 2011:28.
2) Opening balance on 1 January 2016 under Solvency II, partial internal model. There are no comparative figures since the regulations came into effect on 1 January 2016.
3) The group under the insurance-operation rules comprises the Parent Company Länsförsäkringar AB, all of the insurance companies in the Group, Länsförsäkringar Bank AB, Wasa Kredit AB, Länsförsäkringar Hypotek AB and Länsförsäkringar Fondförvaltning AB. The financial conglomerate also includes Länsförsäkringar Liv Försäkrings AB, despite the Länsförsäkringar Liv Group not being consolidated in the Länsförsäkringar AB Group. As stated in the EU Solvency II Directive, the calculations are made in accordance with the consolidation method, except where the insurance-operation rules require deductions from surplus capital in subsidiaries that are not transferable to another company unless the subsidiary in question is an insurance company.
4) An insurance group together with the subsidiary Agria International prior to the merger.
5) Of which SEK 964 M is Tier 1 capital.
6) Comparative figures for 2016 (but not 2013–2015) have been restated because accrued interest is recognised together with financial instruments measured at fair value. See note 1 for further information.

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Income statement

Technical recognition of non-life insurance operations, SEK M	Note	2017	2016
Premiums earned (after ceded reinsurance)			
Premium income (before ceded reinsurance)	3	3,299.2	3,004.4
Premiums for ceded reinsurance		-4.9	-4.2
Change in provision for unearned premiums and unexpired risks		-158.7	-108.7
Reinsurers' portion of change in provision for premium reserve		-0.0	0.0
Total		**3,135.6**	**2,891.4**
Investment income transferred from financial operations	4	1.8	0.9
Other technical revenue		0.5	0.4
Claims payments (after ceded reinsurance)			
Claims paid			
Before ceded reinsurance		-2,179.3	-1,967.4
Reinsurers' portion		0.3	–
Total	5	**-2,179.0**	**-1,967.4**
Change in provision for claims outstanding			
Before ceded reinsurance		34.0	3.2
Reinsurers' portion		2.5	0.2
Total		**36.5**	**3.5**
Claims payments (after ceded reinsurance)		**-2,142.5**	**-1,963.9**
Operating expenses	6, 7, 8	-727.4	-639.1
Technical result for non-life insurance operations		**268.0**	**289.7**
Non-technical recognition			
Technical result for non-life insurance operations		268.0	289.7
Investment income, revenue	9, 13	30.2	41.8
Unrealised gains on investment assets	10, 13	1.6	0.2
Investment income, expenses	11, 13	-22.1	-37.5
Unrealised losses on investment assets	12, 13	-2.3	-8.4
Investment income transferred to non-life insurance operations	4	-1.8	-0.9
Profit before appropriations and tax		**273.6**	**284.9**
Appropriations			
Change in untaxed reserves	25	-50.0	-54.0
Profit before tax		**223.6**	**230.9**
Deferred tax	14	2.7	-4.1
Tax on net profit for the year	14	-61.4	-51.7
Net profit for the year		**164.9**	**175.1**

Statement of comprehensive income

SEK M	2017	2016
Net profit for the year	164.9	175.1
Other comprehensive income		
Items that may subsequently be transferred to profit and loss		
Translation difference for the year in foreign branch	-0.8	3.1
Other comprehensive income for the year	**-0.8**	**3.1**
Comprehensive income for the year	**164.1**	**178.2**

Performance analysis 2017

SEK M	Total	Direct insurance Swedish risks	Other property	Direct insurance, foreign risks
Technical result for non-life insurance operations				
Premiums earned (after ceded reinsurance)	3,135.6	2,107.7	2,107.7	1,027.9
Investment income transferred from financial operations	1.8	1.2	1.2	0.6
Claims payments (after ceded reinsurance)	-2,142.5	-1,399.5	-1,399.5	-743.0
Operating expenses	-727.4	-493.5	-493.5	-233.9
Other technical revenue	0.5	0.4	0.4	0.1
Technical result for non-life insurance operations, 2017	**268.0**	**216.3**	**216.3**	**51.7**
Run-off result (before ceded reinsurance)	54.4	45.1	45.1	9.3
Technical provisions (before ceded reinsurance)				
Provision for unearned premiums and unexpired risks	1,555.2	1,025.9	1,025.9	529.3
Provision for claims outstanding	266.0	131.9	131.9	134.1
Total technical provisions (before ceded reinsurance)	**1,821.2**	**1,157.8**	**1,157.8**	**663.4**
Reinsurers' portion of technical provisions				
Provision for unearned premiums and unexpired risks	0.0	0.0	0.0	0.0
Provision for claims outstanding	6.6	0.7	0.7	5.9
Total technical provisions (before ceded reinsurance)	**6.6**	**0.7**	**0.7**	**5.9**
Notes to performance analysis				
Premium income (before ceded reinsurance)	3,299.2	2,188.8	2,188.8	1,110.4
Premiums for ceded reinsurance	-4.9	-4.0	-4.0	-0.9
Change in provision for unearned premiums and unexpired risks	-158.7	-77.0	-77.0	-81.6
Reinsurers' portion of change in provision for premium reserve	0.0	0.0	0.0	0.0
Premiums earned (after ceded reinsurance)	**3,135.6**	**2,107.7**	**2,107.7**	**1,027.9**
Claims payments (after ceded reinsurance)				
Claims paid				
Before ceded reinsurance	-2,179.3	-1,453.4	-1,453.4	-725.9
Reinsurers' portion	0.3	–	–	0.3
Change in provision for claims outstanding (after ceded reinsurance)				
Before ceded reinsurance	34.0	54.8	54.8	-20.8
Reinsurers' portion	2.5	-1.0	-1.0	3.5
Claims payments (after ceded reinsurance)	**-2,142.5**	**-1,399.5**	**-1,399.5**	**-743.0**

Balance sheet

SEK M	Note	31 Dec 2017	31 Dec 2016
Assets			
Intangible assets			
Other intangible assets	15	10.6	5.6
Total		**10.6**	**5.6**
Investment assets			
Investments in Group companies and associated companies			
Shares and participations in Group companies	16	273.2	273.2
Interest-bearing securities issued by Group companies	17	102.1	48.9
Shares and participations in associated companies	18	–	1.3
Other financial investment assets			
Shares and participations	19	61.4	0.0
Bonds and other interest-bearing securities	20	1,236.0	1,283.0
Derivatives	21, 32	3.9	4.4
Other financial investment assets		–	15.2
Total		**1,676.6**	**1,626.0**
Reinsurers' portion of technical provisions			
Unearned premiums and unexpired risks		–	0.0
Claims outstanding	27	6.6	4.0
Total		**6.6**	**4.0**
Receivables			
Receivables, direct insurance		1,283.3	1,122.4
Receivables, reinsurance		0.3	–
Other receivables	22	242.4	434.5
Total		**1,526.0**	**1,556.9**
Other assets			
Tangible assets and inventories	23	20.7	18.5
Cash and bank balances		87.9	85.2
Deferred tax assets	14	3.8	1.4
Total		**112.3**	**105.1**
Prepaid expenses and accrued income			
Accrued interest and rental income		–	–
Prepaid acquisition costs	24	162.7	181.8
Other prepaid expenses and accrued income		10.1	8.5
Total		**172.8**	**190.4**
Total assets		**3,505.0**	**3,488.0**

Balance sheet, cont.

SEK M	Note	31 Dec 2017	31 Dec 2016
Equity, provisions and liabilities			
Equity			
Share capital (40,000 shares)		40.0	40.0
Statutory reserve		5.5	5.5
Development Expenditures Fund		8.9	2.6
Retained earnings		97.3	279.3
Net profit for the year		164.9	175.1
Total		**316.6**	**502.5**
Untaxed reserves	25		
Equalisation reserve		35.2	35.2
Contingency reserve		464.9	464.9
Tax allocation reserve		333.0	283.0
Accumulated excess depreciation/amortisation		–	–
Total		**833.1**	**783.1**
Technical provisions (before ceded reinsurance)			
Unearned premiums and unexpired risks	26	1,555.2	1,407.3
Claims outstanding	27	266.0	301.9
Total		**1,821.2**	**1,709.2**
Other provisions			
Pensions and similar commitments	28	–	0.9
Deferred tax liabilities	14	–	0.3
Other provisions		2.8	1.6
Total		**2.8**	**2.7**
Liabilities			
Liabilities, direct insurance		18.2	6.2
Liabilities, reinsurance		0.1	0.0
Derivatives	21, 32	2.3	3.2
Current tax liabilities		4.0	4.8
Other liabilities	29	48.9	49.7
Total		**73.6**	**63.9**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	30	457.7	426.7
Total		**457.7**	**426.7**
Total equity, provisions and liabilities		**3,505.0**	**3,488.0**

Statement of changes in equity

SEK M	Share capital	Statutory reserve	Development Expenditures Fund	Revaluation reserve	Retained earnings	Net profit for the year	Total equity
	Restricted equity			Non-restricted equity			
Opening equity, 1 January 2016	**40.0**	**5.5**		**-7.1**	**117.6**	**168.3**	**324.3**
Net profit for the year						175.1	175.1
Other comprehensive income for the year				3.1			3.1
Comprehensive income for the year				*3.1*		*175.1*	*178.2*
Provision to Development Expenditures Fund			2.6		-2.6		–
Dividends							
Appropriation of profit					168.3	-168.3	–
Closing equity, 31 December 2016	**40.0**	**5.5**	**2.6**	**-4.0**	**283.3**	**175.1**	**502.5**
Opening equity, 1 January 2017	**40.0**	**5.5**	**2.6**	**-4.0**	**283.3**	**175.1**	**502.5**
Net profit for the year						164.9	164.9
Other comprehensive income for the year				-0.8			-0.8
Comprehensive income for the year				*-0.8*		*164.9*	*164.1*
Provision to Development Expenditures Fund			6.3		-6.3		–
Dividends					-350.0		-350.0
Appropriation of profit					175.1	-175.1	–
Closing equity, 31 December 2017	**40.0**	**5.5**	**8.9**	**-4.8**	**102.1**	**164.9**	**316.6**

Cash-flow statement

SEK M	2017	2016
Operating activities		
Profit before tax	223.6	230.9
Tax paid	-92.8	-52.7
Adjustment for non-cash items	180.5	150.9
Cash flow from operating activities before changes in assets and liabilities	**311.3**	**329.1**
Cash flow from changes in working capital		
Investments in investment assets, net	66.3	45.1
Increase (–)/Decrease (+) in operating receivables	107.5	-291.4
Increase (+)/Decrease (–) in operating liabilities	9.4	-72.8
Cash flow from operating activities	**494.5**	**10.0**
Investing activities		
Divestment of associated companies	1.3	–
Acquisition of intangible assets	-6.8	-2.6
Acquisition of tangible assets	-3.7	-0.4
Cash flow from investing activities	**-9.2**	**-3.1**
Financing activities		
Dividends to Parent Company	-350.0	–
Cash flow from financing activities	**-350.0**	**–**
Net cash flow for the year	2.6	6.9
Cash and cash equivalents, 1 January	85.2	78.3
Cash and cash equivalents, 31 December	**87.9**	**85.2**

Supplementary information to cash-flow statement

SEK M	2017	2016
Cash and cash equivalents		
The following sub-components are included in cash and cash equivalents:		
Cash and bank balances	87.9	85.2
Interest paid and dividends received		
Dividends received	0.3	0.3
Interest received	6.3	9.7
Interest paid	-7.3	-5.8
Adjustment for non-cash items, etc.		
Depreciation/amortisation and impairment of assets	3.1	3.6
Change in value of exchange rates, investment assets	-1.9	10.8
Unrealised changes in value of investment assets	0.7	8.2
Changes in provisions for insurance contracts	109.5	103.2
Change in prepaid acquisition costs	19.1	-17.1
Provision for tax allocation reserve	50.0	60.0
Excess depreciation of assets	–	-6.0
Other	0.1	-11.8
Total adjustment for non-cash items, etc.	**180.5**	**150.9**

Notes to the financial statements

All figures in SEK M unless otherwise stated.

Note 1 Accounting policies

Company information

The Annual Report for Försäkringsaktiebolaget Agria (publ), Corp. Reg. No. 516401-8003, pertains to the 1 January – 31 December 2017 fiscal year. Försäkringsaktiebolaget Agria is an insurance company registered in Sweden, with its registered office in Stockholm. The address of the head office is Box 70306, SE-107 23 Stockholm, Sweden.

The company is a wholly owned subsidiary of Länsförsäkringar Sak Försäkrings AB (publ), Corp. Reg. No. 502010-9681, with its registered office in Stockholm. The Parent Company in the largest Group in which Försäkringsaktiebolaget Agria is the subsidiary and in which the consolidated financial statements are prepared is Länsförsäkringar AB (publ), Corp. Reg. No. 556549-7020, with its registered office in Stockholm. Försäkringsaktiebolaget Agria does not prepare its own consolidated financial statements in accordance with Chapter 7, Section 2 of the Swedish Annual Accounts Act.

Compliance with standards and legislation

Försäkringsaktiebolaget Agria's Annual Report was prepared in accordance with the Annual Accounts Act for Insurance Companies (ÅRFL), the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2015:12) and its amendments, and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Agria applies legally restricted International Financial Reporting Standards (IFRS). This means that all IFRS and interpretations approved by the EU are applied as far as possible within the framework of Swedish legislation and taking into consideration the connection between accounting and taxation. The Financial Supervisory Authority's regulations refer to certain exceptions to and limitations in IFRS.

The Annual Report was approved for publication by the Board of Directors and President on 6 March 2018. Final adoption of the Annual Report will take place at the 2018 Annual General Meeting.

Conditions relating to the preparation of the financial statements

The company's functional currency is Swedish kronor (SEK) and the financial statements are presented in SEK. All amounts are rounded to the nearest million with one decimal point (SEK M), unless otherwise stated. Assets and liabilities are recognised at cost, except for most of the company's financial assets and liabilities that are measured at fair value. The accounting policies stated below have been applied to all periods presented in the financial statements, unless otherwise stated.

Judgements and estimates in the financial statements

The preparation of accounts in accordance with legally restricted IFRS requires that corporate management make judgements and estimates, and make assumptions that affect the application of the accounting policies and the recognised amounts of income, expenses, assets, liabilities and contingent liabilities presented in the financial statements. These judgements and estimates are based on previous knowledge and experiences and the information available on the balance-sheet date. The actual outcome may deviate from these judgements and estimates, but estimates are regularly evaluated to reduce deviations. Changes in the abovementioned estimates are recognised in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods.

Significant judgements applied to the company's accounting policies

An area in which corporate management makes significant judgements is the classification of insurance contracts. Under IFRS 4, contracts that transfer significant insurance risk are classified as insurance contracts. Agria has assessed all insurance contracts, and all significant contracts are classified as contracts with significant insurance risk. The level of insurance risk was assessed by considering whether one or more scenarios of commercial significance exist in which the company would be obligated to pay a significant amount of compensation. For further information, see the section Insurance contracts below. The company bases the classification of financial assets and liabilities on the purpose of the holding. The categories of financial assets and liabilities are described below under the section Financial assets and liabilities, which also describes the company's classification.

Significant sources of estimation uncertainty

Provisions for claims outstanding and the depreciation period for prepaid acquisition costs are two areas that involve a certain level of uncertainty. When calculating technical provisions, an actuarial estimate of anticipated additional costs for claims incurred and expenses for claims that may be incurred during the remaining term of the insurance policy is made. The valuation of the company's provisions is described in the section below concerning the recognition of technical provisions and in note 2 Risks and risk management. The assumption for the depreciation period for prepaid acquisition costs is based on statistics relating to the terms of the insurance contracts.

The valuation techniques described below in the accounting policies for investment assets are used in the measurement of financial assets for which no observable market data is available. Measurement is based on the most recent information, which normally involves quarterly measurement, one quarter in arrears. Special follow-ups are performed during periods of major turbulence in the financial market. Pension provisions are calculated on an actuarial basis according to insurance guidelines and assumptions on average annual pensions per age group and a probability assessment of the utilisation of early retirement. Accounting policies for defined-benefit pension plans are described below under the section Remuneration of employees

Changed estimates and judgements

The assessment of capitalised acquisition costs and allocation of prepaid acquisition costs changed during the accounting period. The earnings effect for the period in question is SEK –10.7 M. No disclosures are provided regarding the effect on future periods since this is not possible in practice.

New and amended accounting policies

In order to conform with the classification in the solvency regulations, Agria has decided to recognise financial instruments measured at fair value including accrued interest from 1 January 2017. The change affects comparative figures in the balance sheet as per 31 December 2016. The asset items impacted are: bonds and other interest-bearing securities by SEK 14.3 M, interest-bearing securities issued by Group companies by SEK 0.5 M and prepaid expenses and accrued income by SEK –14.8 M. Comparative figures and performance measures have been updated to the new reporting method. The amendment did not impact profit or equity.

New standards and amendments to standards adopted by the EU and that are to be applied from 1 January 2017 did not entail any significant changes to the company's earnings or financial position.

New accounting regulations that have not yet been applied

A number of new or amended standards and interpretations described below will not take effect until forthcoming fiscal years, and have not been applied in advance when preparing these financial statements. The expected effects that the application of these new or amended standards may have on the company's financial statements are described below. Other than those, no other new or revised IFRS and interpretations not yet in force are deemed to have any significant effect on the financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains new requirements for the classification and measurement of financial instruments, an expected loss impairment model and simplified conditions for hedge accounting.

IFRS 9 has been approved by the EU and will take effect for fiscal years beginning on or after 1 January 2018 and early adoption is permitted. Agria has chosen not to apply the standard in advance and does not intend to restate comparative figures for 2017 in the 2018 Annual Report caused by IFRS 9.

In September 2016, the IASB amended IFRS 4 to allow insurance companies to use an exception to start applying IFRS 9 which is to be applied for fiscal years beginning on or after 1 January 2018. This exemption has been approved by the EU and means that insurance companies can instead choose to start applying IFRS 9 at the same time as the future standard IFRS 17, that is from the 2021 fiscal year. Agria has not made use of this exemption.

The categories in IAS 39 will be replaced by three measurement categories: assets measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The classification for financial assets is determined based on the company's business model for the holdings and the cash flow characteristics that the assets give rise to. Equity instruments are to be measured at fair value through profit and loss, with the option of recognising changes in value in other comprehensive income. The rules regarding financial liabilities are largely consistent with the IAS 39 rules. Based on the analysis performed, the classification of financial assets under IFRS 9 is determined as follows in the table below. With the exception of enhanced disclosure requirements, the effect of the classification of financial assets and liabilities under IFRS 9 is expected to have a minor impact on the consolidated financial statements.

Financial asset	Fair value through profit and loss	Amortised cost	Fair value through other comprehensive income
Interest-bearing securities issued by Group companies	X		
Shares and participations	X		X
Bonds and other interest-bearing securities	X		
Derivatives	X		
Other financial investment assets	X		
Other receivables		X	
Cash and bank balances		X	

New principles are introduced for the impairment of financial assets, which, based on the company's business model for the holdings and the cash flow characteristics that the assets give rise to, are measured at either amortised cost or fair value through other comprehensive income. The impairment model requires recognition of 12-month expected credit losses and, in the event of a significant increase in the credit risk, the loss allowance is to be based on the full lifetime expected credit losses. A method has been established for calculating expected credit losses for other receivables and cash and bank balances measured at amortised cost and is not deemed to have any material impact on Agria's financial statements.

The rules on hedge accounting entail, for example, simplified assessments for the effectiveness of a hedging relationship, and expanded limits for what may be identified as a hedging instrument and a hedged item. Hedge accounting is not applied, and therefore these changes are not deemed to have any effect on the company's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers will take effect for fiscal years beginning on or after 1 January 2018 and will then replace all previously issued standards and interpretations on income. The standard contains a single, five-step model for recognising revenue from contracts with customers that is not encompassed by other standards.

Länsförsäkringar has carried out a Group-wide project on the implementation of IFRS 15 and analysed the effects. The analysis did not identify any effects that require adjustments of retained earnings.

IFRS 16 Leases

IFRS 16 Leases was issued on 13 January 2016 and is to replace IAS 17 Leases. The new standard comes into effect on 1 January 2019 and early adoption is permitted provided that IFRS 15 Revenue from Contracts with Customers is also applied. IFRS 16 has been approved by the EU.

For lessees, the new standard means that essentially the same lease agreements are to be recognised in the statement of financial position. Leases are not to be classified as operating or finance for the lessee. The standard provides certain recognition exemptions for lessees for assets of low value and for leases with a term of 12 months or less. The standard contains more extensive disclosure requirements compared with the current standard. The evaluation of the effects of IFRS 16 on the company's reporting is under way and has not yet been completed.

IFRS 17 Insurance contracts

IFRS 17 Insurance Contracts was published on 18 May 2017 and will replace the existing standard IFRS 4 Insurance Contracts. The new standard has not yet been approved by the EU but is expected to come into effect for fiscal years beginning on or after 1 January 2021. The standard will eliminate contradictions and weaknesses in the existing method by providing a principle-based set of rules for recognising insurance contracts. The new standard will also impose expanded disclosure requirements to increase comparability between different companies.

Länsförsäkringar is running a project in the Group to analyse the effects of the new standard. The project is in the pilot study stage.

Shareholders' and Group contributions

Shareholders' contributions are recognised in the equity of the recipient and in shares and participations in Group companies with the donor.

Group contributions are recognised in accordance with the main rule of RFR 2. Group contributions received from subsidiaries are recognised according to the same principles as for recognising dividends. Group contributions paid to a subsidiary are recognised as an increase in shares and participations in Group companies. Group contributions paid or received from the Parent Company aimed at reducing the Group's total tax are recognised in equity after deductions for current tax effects since the Group contributions are equated with dividends and shareholders' contributions.

Related parties

Related legal entities include the Länsförsäkringar AB Group's and the Länsförsäkringar Liv Försäkrings AB Group's companies, all subsidiaries and associated companies, Länsförsäkringar Mäklarservice AB and the 23 regional insurance companies. Related key persons are Agria's Board members, senior executives and their close family members and companies owned by them. See note 35 Disclosures on related parties for further information.

Translation of foreign currencies

Transactions in foreign currency are translated to SEK at the exchange rate on the transaction date. Monetary assets and liabilities in foreign currency are translated to SEK by applying the exchange rates on the balance-sheet date. Non-monetary assets and liabilities are recognised at the rate in effect on the date of the transaction.

Unrealised exchange-rate differences are recognised in profit and loss as exchange-rate gains/losses net under investment income, income or investment income, expenses.

The currency futures utilised to financially hedge currency exposure in the balance sheet are measured at fair value and effects on earnings are recognised under both interest income and exchange-rate gains/losses.

Financial statements of foreign operations

Assets and liabilities in the branches are translated from the functional currency of the foreign operations (NOK, DKK, EUR and GBP) to the Group's presentation currency, SEK, at the exchange rate applicable on the balance-sheet date. Income and expenses in a foreign operation are translated to SEK at the average exchange rate for the year. Gains/losses on currency translations are recognised in other comprehensive income and accumulated in the revaluation reserve under non-restricted equity.

Insurance contracts

Insurance contracts are contracts in which Agria undertakes a significant insurance risk by committing to compensate the policyholder if a predetermined, insured event were to occur.

In accordance with IFRS 4 Insurance Contracts, insurance contracts are divided into either insurance contracts or non-insurance contracts based on the level of insurance risk. All significant insurance contracts have been deemed to transfer a sufficiently high level of risk to allow them to be classified as insurance under the definition stipulated by IFRS 4.

Premium income

Premium income is recognised as the total gross premium for direct insurance that has fallen due for payment or can be credited to the company for insurance contracts for which the insurance period commenced prior to the end of the fiscal year.

Gross premium is the contractual premium for the entire insurance period after deductions for standard customer discounts. Renewal premiums for contracts with renewal before the end of the fiscal year but that are not confirmed by the policyholder and premiums for recently signed insurance contracts for which the insurance period begins before the end of the fiscal year are included at the amounts at which they are expected to be received. Cancellations reduce the premium income as soon as the amount is known. Additional premiums are included at the amounts at which they are expected to be received. Premiums for insurance periods commencing after the end of the fiscal year are also recognised as premium income, if according to contract they fall due for payment during the fiscal year. Premium income is recognised excluding tax and other public fees charged to the insurance premium.

Premiums earned

Premiums earned are recognised as the portion of premium income attributable to the accounting period. The portion of premium income from insurance contracts pertaining to periods after the balance-sheet date is recognised as Technical provisions in the statement of financial position. Provision for unearned premiums is usually calculated by strictly allocating premium income based on the term of the underlying insurance contract. Reinsurers' portion of premium income is also allocated and the portion attributable to the period after the balance-sheet date is recognised as a receivable, Reinsurers' portion of technical provisions.

Claims payments

Claims payments correspond to claims paid during the accounting period and changes in provisions for claims outstanding. In addition to claims paid, claims payments include expenses for claims adjustment. Claims recoveries are recognised as a reduction of claims costs.

Operating expenses

All operating expenses are classified in profit and loss according to the following functions: acquisition, claims adjustment, administration, commission and profit shares in ceded reinsurance, investment income expenses and, in certain cases, other technical expenses. Operating expenses for claims adjustment are recognised under Claims paid. Operating expenses for financial management are recognised under Investment income, expenses.

Investment income

Investment income transferred from financial operations

The insurance operations have been assigned an interest rate based on the total of half of the premiums earned after ceded reinsurance and the average of opening and closing provisions for claims outstanding after ceded reinsurance during the year. The interest rate is risk-free interest, which for 2017 was set at 0.1% for short-term contracts and 1.25% for long-term contracts.

Investment income, revenue and expenses

Investment income includes interest income, interest expense, exchange-rate gains and exchange-rate losses on investment assets, cash and bank balances and loans. Dividends received, any impairment of financial assets, asset management expenses including costs for own personnel and premises, etc. that can be attributed to asset management, and other financial expenses including various fees and external expenses for asset management are included in investment income. Investment income also includes realised gains or losses on investment assets. Realised profit and loss is calculated as the difference between the purchase consideration received and the cost of the asset.

Unrealised gains and losses on investment assets

Unrealised gains and losses on investment assets and derivatives are included in the items unrealised gains and unrealised losses on investment assets. Unrealised gains and losses comprise changes for the year in the difference between cost and fair value. In the event of a sale, the accumulated unrealised changes in value is reversed as unrealised gain and loss.

Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in profit and loss, except when the underlying transaction is recognised directly against equity, whereby the related tax effect is recognised in equity.

Current tax is tax to be paid or received in the current year, with the application of the tax rates established or decided in practice on the balance-sheet date, and any adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. Temporary differences are not taken into account for initial recognition of goodwill or for initial recognition of assets and liabilities that are not business combinations and, at the time of the transaction, do not affect recognised or taxable earnings. The valuation of deferred tax is based on how underlying assets and liabilities are expected to be realised or settled. Deferred tax is calculated with application of the tax rates and tax rules established or decided in practice on the balance-sheet date.

Deferred tax assets on deductible temporary differences and tax loss carryforwards are only recognised to the extent that it is likely that it will be possible to utilise these. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Any additional income tax arising on dividends is recognised at the same time as when the dividend is recognised as a liability.

Other intangible assets

Other intangible assets comprise proprietary and acquired IT investments and partnership agreements with determinable useful lives. These assets are recognised at cost less accumulated amortisation and impairment. Amortisation is commenced when the asset becomes available for use.

The company's proprietary intangible assets are recognised only if the asset is identifiable and if the company has control of the asset.

The carrying amount of proprietary intangible assets includes all directly attributable expenses. Other development expenses are recognised as an expense in the period in which they arise. Additional expenses for capitalised intangible assets are recognised as an asset in the balance sheet only when these expenses increase the future economic benefits of the specific asset to which they pertain.

The periods of amortisation are determined based on a useful life of five years. Amortisation takes place in the income statement according to the straight-line method. Impairment testing takes place annually.

The corresponding amount for capitalised development expenditures is reserved in equity to the Development Expenditures Fund.

Investment assets

Shares and participations in Group and associated companies

Shares and participations in Group and associated companies are recognised at cost adjusted for impairment requirements.

Financial assets and liabilities

Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the contract in accordance with the instrument's contractual conditions. A financial asset is derecognised from the balance sheet when the rights in the contract are realised, expire or the company loses control of the asset. A financial liability is derecognised from the balance sheet when the obligation in the contract is met or extinguished in another manner.

Business transactions in the monetary, bond and equities markets are recognised in the balance sheet on the transaction date, which is the time when the significant risks and rights are transferred between the parties.

Offsetting financial assets and liabilities

A financial asset and a financial liability are offset and reported as a net amount in the balance sheet only when a legal right exists to offset the amounts and the intention is present to simultaneously realise the asset and settle the liability or to settle the items in a net amount. Information about offsetting conducted in the balance sheet is provided in note 32 on Information about offsetting.

Classification and measurement

A financial instrument is classified on initial recognition on the basis of the purpose of the acquisition of the instrument and on the options contained in IAS 39. After initial recognition, the classification determines how the financial instrument is measured. For instruments classified as Financial assets measured at fair value through profit and loss, the cost corresponds to the fair value without additions for transaction costs.

Financial instruments are continuously measured at fair value or amortised costs depending on the category that the instrument belongs to.

Financial assets measured at fair value through profit and loss

This category comprises two sub-groups: Held for trading and Financial assets measured according to fair value option. The "Held for trading category" comprises derivatives that have a positive market value. The "Financial assets measured according to fair value option" category includes assets that are managed and valued based on the fair values of the assets. The fair value also forms the basis of internal monitoring and reporting to senior executives. Since these assets are managed and valued at fair value, the company has chosen to classify these instruments as financial assets measured at fair value through profit and loss. The category of Financial assets measured according to fair value option comprises the items of Interest-bearing securities issued by Group companies, Shares and participations, Bonds and other interest-bearing securities and Other financial investment assets. Changes in fair value of these assets are recognised in profit and loss as Unrealised gains and unrealised losses on investment assets.

Loans and receivables

Loans and receivables are financial assets that have fixed or fixable payments and that are not derivatives or quoted in an active market. Assets in this category are measured at amortised cost. Loans and receivables in the balance sheet comprise the items of Other receivables, Cash and bank balances and Other prepaid expenses and accrued income.

Financial liabilities measured at fair value through profit and loss

This category comprises two sub-groups: Held for trading and Financial liabilities measured according to fair value option. A financial liability held for trading is classified in this category if acquired principally for the purpose of selling in the short term. The company has chosen to classify derivatives that have a negative market value in the category of Held for trading. Changes in fair value of financial liabilities measured at fair value through profit and loss are recognised as Unrealised gains and Unrealised losses on investment assets, respectively. The company has no financial liabilities in the category of Financial liabilities measured according to fair value option.

Other financial liabilities

The category of Other financial liabilities comprises Other liabilities and Other accrued expenses and deferred income. Liabilities in this category are measured at amortised cost.

Methods for determining fair value

The note on Financial assets and liabilities by category describes the valuation techniques for financial instruments measured at fair value, and states the level of the valuation hierarchy from which inputs are used for determining the fair value.

Financial instruments quoted in an active market

The largest portion of the company's financial instruments are measured at fair value using prices quoted in an active market. No additions for transaction costs (for example, brokerage commission) or future transaction costs in connection with potential divestment are made. A financial instrument is considered to be quoted in an active market when transactions take place at sufficient frequency and volume in order to provide continuous price information. If the market for the asset or liability is the most advantageous market and if a company on the measurement date can perform a transaction with the asset or liability at this price on this market, the holding is classified as Level 1 in the fair value hierarchy. Instruments quoted in an active market and found in Level 1 of the fair value hierarchy are found in the balance sheet as Interest-bearing securities issued by Group companies Bonds and other interest-bearing securities, Derivatives and Other financial investment assets.

Financial instruments not quoted in an active market

If the market for a financial instrument is not active, the fair value is determined by using a valuation technique. The company has OTC derivatives, for example, that are not traded in an active market. The valuation techniques applied are based on market data as far as possible, while company-specific information is used as little as possible. The instruments for which all material inputs required for measurement at fair value are observable are found in Level 2 of the fair value hierarchy. Instruments whose fair value has been determined by using a valuation technique based on market data are found in the balance sheet as Derivatives. If one or more significant inputs are not based on observable market data, the instrument in question is classified as Level 3 in the fair value hierarchy. Instruments whose fair value has not been able to be determined based on observable market data are found in the balance sheet as Shares and participations.

Impairment testing of intangible assets and shares and participations in associated companies

If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated. The recoverable amount of intangible assets that are not finished for use are calculated annually. If it is not possible to determine the substantially independent cash flow of a specific asset, the assets are to be grouped in the impairment test at the lowest value where it is possible to identify the substantially independent cash flows known as a cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. Impairment is recognised in profit and loss. The impairment of assets attributable to a cash-generating unit is distributed proportionally in relation to assets included in the unit.

The recoverable amount is the higher of fair value less selling expenses and value in use.

Impairment testing of financial assets

On each reporting occasion, the company assesses whether a financial asset is in need of impairment by evaluating objective evidence of whether a financial asset requires impairment. Objective evidence comprises observable circumstances that have occurred and affect the possibility of recovering the cost.

The recoverable amount for assets belonging to the category of Loans and receivables, which are recognised at amortised cost, is calculated as the present value of future cash flows discounted by the effective interest rate that applied when the asset was initially recognised. Assets with a duration of less than one year are not discounted. Impairment losses are charged against profit and loss.

Reversal of impairment losses

Recognised impairment is reversed when there is no longer an indication that the impairment requirement still exists and a change has occurred in the assumptions that formed the basis of the calculation of the recoverable amount. A reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, less depreciation/amortisation where applicable, if no impairment had been applied.

Impairment of Loans and receivables recognised at amortised cost are reversed if a later increase of the recoverable amount can be attributed to an event that occurred after the impairment was applied.

Inventories

Inventories are measured at the lower of cost and the net selling price, taking into account obsolescence. Cost is calculated by applying the First In, First Out method (FIFO) and includes expenses arises in connection with the inventory items and to bring them to their current location and in their current condition. The net selling price is the calculated sales price under normal circumstances in the operating activities after deductions for estimated costs for completion and to achieve a sale.

Cash and bank balances

Cash and bank balances comprise cash funds and immediately available balances at banks and similar institutions. Balances in Group account and balances with Länsförsäkringar Bank AB (publ) are recognised as "Other receivables" in the balance sheet.

Prepaid acquisition costs

Costs that have a clear connection to underwriting insurance contracts are capitalised as Prepaid acquisition costs in the balance sheet and are depreciated over the useful life. A condition for capitalisation is that the acquisition costs are attributable to a certain insurance contract, or homogeneous groups of contracts that can be followed up, and are deemed to generate a margin that covers at least the acquisition costs intended to be capitalised. These costs capitalised are commission expense and expenses for sales that are directly related to acquisitions or renewals of insurance contracts. The capitalised cost is allocated in a manner corresponding to the allocation of unearned premiums. The depreciation period does not exceed 12 months.

Untaxed reserves

Changes in untaxed reserves are recognised in profit and loss under appropriations.

Untaxed reserves are offset, where appropriate, against loss carryforwards or are subject to taxation when they are dissolved.

The purpose of the equalisation reserve is to even out changes in the profit from insurance operations over time. New provisions may not be made to the equalisation reserve.

The contingency reserve is a collective contingency-related strengthening of technical provisions. Access is limited and requires official permission in certain cases.

An accounting unit can make a provision to the tax allocation reserve to reduce its taxable earnings during an income year, but must reverse the same tax allocation reserve for taxation during the sixth year following the provision year.

Technical provisions

Technical provisions comprise Unearned premiums and unexpired risks and Claims outstanding and correspond to commitments in accordance with signed insurance contracts. All changes in technical provisions are recognised in profit and loss.

Unearned premiums and unexpired risks

The provision for unearned premiums and unexpired risks is designed to cover the expected claims cost and operating expenses during the remaining time to maturity of insurance contracts already in force. Normally, the provision is strictly proportional to time, referred to as a pro rata temporis calculation. If the provision for unearned premiums is deemed to be insufficient to cover expected remaining claims costs and operating expenses, it is strengthened with a supplement for unexpired risks.

Claims outstanding

The provision for claims outstanding should cover anticipated future payments for all claims incurred, including claims that have not yet been reported to the company, known as IBNR provisions. The provision also includes anticipated future payments including all expenses for claims adjustment. Accepted actuarial methods are generally used as a basis for estimating provision requirements. Individual assessments are made in the case of major separate claims and claims involving complex liability conditions. The provision for claims outstanding is not discounted.

Provisions for claims outstanding are significant to assessments of the company's reported earnings and financial position since a deviation from actual future payments will lead to a run-off result being reported in future years. An account of the company's run-off result is found in the performance analysis. The risk of making incorrect provisions is described in more detail in note 2 Risk and risk management, which is where current provisions for claims outstanding are clarified by descriptions of the trend in claims costs over time.

Review of losses

The sufficiency of technical provisions is tested on an ongoing basis in conjunction with the annual accounts. The provisions established for claims outstanding and for unearned premiums are evaluated individually. Provisions for claims outstanding are based on estimated future payment flows. Accepted actuarial methods for the basis of forecasts of provision requirements. These methods include assessments of the current status of all contractual cash flows and other associated cash flows, for example, claims adjustment costs. Future cash flows are calculated without discounting. If testing reveals that the provisions are insufficient, the change is recognised in profit and loss.

The sufficiency of provisions for unearned premiums is tested by line of business. Any insufficiency observed in the premium liability is corrected by establishing a provision for unexpired risks.

Reinsurance

Contracts signed between Försäkringsaktiebolaget Agria (publ) and reinsurers through which the company is compensated for losses on contracts issued by the company and that meet the classification requirements for insurance contracts as stated above are classified as ceded reinsurance.

Expenses for reinsurance are recognised in profit and loss under the item Premiums for ceded reinsurance. For ceded reinsurance, the benefits to which the company is entitled under the reinsurance contract are recognised as the reinsurers' portion of technical provisions and deposits with companies that have ceded reinsurance. Receivables from and liabilities to reinsurers are valued in the same manner as the amounts linked to the reinsurance contract and in accordance with the conditions of each reinsurance contract.

The reinsurers' portion of technical provisions corresponds to the reinsurers' liability for technical provisions in accordance with signed contracts.

If the recoverable amount is lower than the carrying amount of the asset, the asset is impaired to the recoverable amount and the impairment loss is expensed in profit and loss.

Remuneration of employees

Current remuneration

Current remuneration of employees is calculated without discount and recognised as an expense when the related services are received. The anticipated cost of commission is recognised when there is a legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

Remuneration for termination of employment

A cost for remuneration in connection with termination of employment of personnel is recognised at the earliest point in time at which the company can no longer withdraw the offer to the employees or when the company recognises expenses for restructuring. Remuneration expected to be paid after 12 months is recognised at its present value. Remuneration not expected to be fully paid within 12 months are recognised in accordance with long-term remuneration.

Defined-contribution pension plans

The company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The company's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer.

The largest pension plan of which the company's employees are part is the FTP plan, a multi-employer pension plan. The plan is a defined-benefit plan for employees born in 1971 or earlier and a defined-contribution plan for employees born in 1972 or after. The defined-benefit portion is insured through the Insurance Industry's Pension Fund (FPK). This pension plan entails that a company, as a rule, recognises its proportional share of the defined-benefit pension commitment and of the plan assets and expenses associated with the pension commitment. The accounts should also include information in accordance with the requirements for defined-benefit pension plans.

The FPK is currently unable to provide necessary information, which is why the pension plan above is recognised as a defined-contribution plan. Nor is any information available on future surpluses and deficits in the plan, and whether these surpluses and deficits would then affect the contributions for the plan in future years. All pension plans in the company's branches are defined-contribution.

Defined-benefit pension plans

The company has a defined-benefit pension plan. The plan is a pension agreement for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at the age of 62. The company has established provisions for the potential future cost that will arise if an employee takes advantage of the benefit of retiring between the ages of 62 and 65. Provisions are calculated on an actuarial basis according to assumptions on average annual pensions per age group and a probability assessment of the utilisation of early retirement.

Cash-flow statement

The cash-flow statement is reported using the indirect method, which means that operating profit is adjusted for transactions that do not involve receipts or payments during the period specified by the various insurance classes.

Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not recognised as a liability or provision because it is unlikely that an outflow of resources will be required, or cannot be measured with sufficient reliability.

Note 2 Risks and risk management

Risk-management system at Agria

Agria conducts business operations in pet and crop insurance.

The main purpose of risk management is to ensure that risks are identified and managed, that risk assessment is impartial, and that own funds are adequate in relation to the risks taken. A shared risk-management system, which forms part of the internal-control system, has been established in the Länsförsäkringar AB Group. The risk-management system is defined as the strategies, processes, procedures, internal rules, limits, controls and reporting procedures needed to ensure that the company is able to continuously identify, measure, monitor, govern, manage, report and have control over the risks to which the companies are, or could become, exposed to.

Prospective analyses in the form of own risk and solvency assessments (ORSA) are performed every year. The overall aim of an ORSA is to ensure that own funds are and remain sufficient for bearing the risks associated with realising the business plan. Ongoing activities include handling known risks and identifying new risks. A complete report of all risks in the company's operations is submitted every quarter to the Board.

Risk-management organisation

A shared risk-management system has been established in the Länsförsäkringar AB Group. The Group's risk-management system is described in the Group instructions and a Group-wide risk policy adopted by the Board of Länsförsäkringar AB and approved by the Board of each subsidiary. Each insurance subsidiary then prepares a company-specific risk policy based on the Group-wide policy. Based on this Group-wide risk-management system, the subsidiaries also prepare more detailed rules for managing company-specific risks.

The risk-management system comprises an integrated part of the organisational structure and decision-making processes and helps the operations to meet its targets with a higher degree of certainty. In addition to risk management in the operations, it also encompasses the independent risk-management function in the second line of defence. The Compliance and Actuarial functions also have a role to play in risk management. The President is responsible for incorporating the governance documents decided by the Board and each manager in the company is responsible for risks in their field of operations.

The risk-management function is responsible for independent risk control and provides support for the President, management and operating units in fulfilling their responsibility to conduct operations with a high level of risk control. Regular risk reports are submitted to the President, management and, where applicable, the Risk and Capital Committee and Audit Committee, and to the Board.

The Actuarial function is responsible for coordinating and ensuring the quality of the technical calculations and investigations and assisting the Board and President in actuarial matters. The Actuarial function is also responsible for reporting, on its own initiative, to the Board and President on matters pertaining to methods, calculations and assessments of the technical provisions, the valuation of insurance risks, reinsurance cover and other risk-reducing techniques.

The Compliance function is an independent control function responsible for monitoring and controlling regulatory compliance in the licensable operations. The function identifies and reports on risks that may arise as a result of non-compliance with regulations and provides recommendations for action to relevant personnel, the President and the Board.

Internal Audit is an independent review function that comprises the Board's support in quality assurance of the organisation's risk management, governance and controls.

Capital planning

The management of risk-taking is closely related to the control of the use of Agria's capital. An ORSA including a plan for financing the company's operations is prepared in conjunction with the annual business planning, and in the interim wherever necessary. The aim of this plan, which sets out the planned structure of own funds and risks, is to ensure that, at any given time, the company has a sufficient buffer of capital to meet the risks generated by the operations.

Agria has own funds that exceed the statutory
solvency capital requirement (Solvency II) requirement by a healthy margin. The overall risk profile under Solvency II is also reported quarterly to the Board and regulatory requirements are taken into account to a great extent in the governance and follow-up of business decisions.

Quantitative information on own funds, capital requirements and the solvency ratio is provided in the Board of Directors' Report on page 5 under Capital situation.

Risk map and risk profile

Agria is exposed to a variety of risks that impact the company's financial position, earnings and target fulfilment. The following points describe Agria's operations and risk-taking:

- Conducting non-life insurance operations, specifically pet and crop insurance
- Focusing primarily on private individuals and, to a lesser extent, agricultural companies
- Conducting operations in Sweden, Norway, Denmark, the UK and Finland
- Relatively low retention in all operations
- The risks in the investment assets managed by Agria for own account are held at a relatively low level.
- Agria own the insurance broker company subsidiary Agria Pet Insurance Ltd that conducts operations in the UK.

Figure 1. Classification of risk at Agria

Insurance risk
- Premium risk
- Reserve risk
- Catastrophe risk

Market risk
- Interest-rate risk
- Equities risk
- Spread risk
- Currency risk

Credit risk
- Counterparty risk

Operational risk
- Product and process risk
- Personnel risk
- Security risk
- Legal risks
- Compliance risk
- IT risk
- Model risk

Business risk
- Strategic risk
- Reputation risk
- Conduct risk

Liquidity risk

Emerging risk

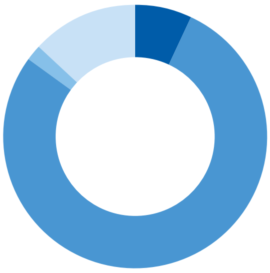
Climate risk

Concentration risk

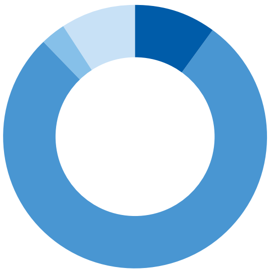
Agria's largest gross risk exposure is estimated to be commitments in crop insurance, farm animals insurance and horse insurance (in this order), which are limited with reinsurance cover. The figure below shows the allocation of risk in Agria on 30 December 2017 classified by risk categories.

Figure 2. Risk profile

Capital requirement allocation 2017 Q4



Capital requirement allocation Q4 2016



Non-life insurance risk

Non-life insurance risk refers to premium, reserve and catastrophe risk.

- Premium risk refers to the risk of losses arising due to the coming year's claims being greater than expected.
- Reserve risk refers to the risk of losses arising due to a negative outcome in the settlement of provisions for claims outstanding.
- Catastrophe risk refers to the risk of losses arising due to natural disasters, epidemics or disasters caused by human activities leading to very large claims payments.

Risk exposure

Agria's business comprises insurance for Pets (dogs, cats and other pets), Horses and Livestock and Crop insurance, and is conducted to varying extents in Sweden, Norway, Denmark, Finland and the UK. From a non-life insurance perspective, the business has very short lead times, meaning that the time from claim to final payout is short. As a result, claims reserves at any given time are very small in relation to the premium portfolio and reserve risk is relatively small. Instead, Agria's insurance risk is heavily dominated by premium risk.

Concentration of risk (accumulation risk) is when the insurance business is not sufficiently diversified, leading to a single exposure, homogeneous group of exposures or a specific market event threatening the solvency of the company or its financial position. On 31 December 2017, approximately 66% of the operations, measured in premium income, were conducted in Sweden, 16% in the UK, 12% in Norway, 4% in Denmark and 1% in Finland. The product range contains a number of different products, divided into several different animal types without any clear risk correlation.

The product range contains a number of different products, divided into several different animal types without any clear risk correlation. There is no covariance in the significance between life assurance and veterinary care or between types of animals.

Management

Agria's reinsurance cover comprises an important tool in providing protection from large individual claim incidents (catastrophe risk) and high total claims costs in the more volatile business in the company. Agria takes out reinsurance for Dogs (liability) in foreign branches, Horse, and for a certain portion of Livestock and Crop. The Board regulates the risk levels for reinsurance in the insurance policy by regulating the maximum risk exposure per claim incident and individual risk. The Board decides on the retention and reinsurance conditions, etc. of the stipulated reinsurance at least once a year.

Regarding concentrations (accumulations), Sweden, which has the largest premium income in the company, benefits from the fact that the country is sparsely populated and has a cold climate, which makes it difficult for infectious diseases in horses and farm animals to spread. Concentration risk is also taken into account today regarding the location of sensitive breeding plants for livestock, swine and poultry.

Other factors that affect insurance risks are the product composition including diversification, structure of insurance terms and conditions, risk selection rules and risk inspections.

Risk sensitivity

Table 1 shows the sensitivity of the company's earnings and equity to changes in premium levels, claims frequency and claims inflation. Table 2 shows the distribution of claims costs by term.

Table 1. Sensitivity analysis, non-life insurance risks, SEK M

	Impact on profit before tax		Impact on equity	
Assumption	**2017**	**2016**	**2017**	**2016**
10% lower premium level	-329.4	-300.0	-256.9	-234.0
10% increased claims frequency	-214.3	-196.4	-167.2	-153.2
1% higher annual claims inflation	-10.3	-9.7	-8.0	-7.6

Table 2. Estimated claims costs before and after reinsurance, per claim year

SEK M	2011	2012	2013	2014	2015	2016	2017	Total
At end of claim year	1,440.1	1,489.4	1,442.3	1,563.6	1,711.6	1,870.1	2,041.1	
One year later	1,398.4	1,492.2	1,428.5	1,549.6	1,678.9	1,852.2		
Two years later	1,392.5	1,482.2	1,405.0	1,517.8	1,644.3			
Three years later	1,390.3	1,475.2	1,401.3	1,520.1				
Four years later	1,386.8	1,477.6	1,402.4					
Five years later	1,386.8	1,475.4						
Six years later	1,386.9							
Seven years later								
Eight years later								
Nine years later								
Ten years later								
Estimated claims costs	1,385.7	1,474.1	1,402.4	1,520.1	1,644.3	1,852.2	2,041.1	
Accumulated claims payments	1,385.7	1,472.8	1,400.5	1,510.3	1,637.2	1,836.0	1,826.5	
Provision for claims payments	0.0	1.3	1.9	9.8	7.1	16.2	214.6	251.0
Provision for claims payments, older year classes								0.9
Provision for claims payments for assumed reinsurance								0.0
Total provision for claims payments, gross								251.9
Claims adjustment reserve, gross								14.1
Provision for claims outstanding, gross								266.0
Provision for claims payments, reinsurers' portion								6.6
Claims adjustment reserve, reinsurers' portion								–
Provision for claims outstanding, reinsurers' portion								6.6
Provision for claims outstanding, for own account								259.4

Market risk

Market risk pertains to the risk of loss arising that is directly or indirectly caused by changes in the level or volatility in the market price of assets, liabilities and financial instruments, including losses caused by shortcomings in the matching between assets and liabilities.

- Interest-rate risk is the risk of losses arising due to changes in the level or volatility of market interest rates.
- Currency risk is the risk of losses arising due to changes in the level or volatility of exchange rates.
- Spread risk is the risk of losses arising due to changes in the level of volatility of spreads between market interest rates.
- Equities risk is the risk of losses arising due to changes in the level or volatility of share prices.
- Concentration risk is the risk of losses arising due to investment assets not being well-diversified.

Risk exposure

Market risk in the company primarily derives from investment assets and to a lesser extent from insurance liabilities. The main classes in the investment assets are interest-bearing instruments.

The interest-bearing asset portfolios include interest-rate risk from government bonds, credit bonds and derivative instruments. Interest-rate risk is also inherent in insurance liabilities by provisions being discounted by the current market interest rate. Agria also has spread-risk exposure in Swedish mortgage bond and based on its holdings in mainly global and US Investment Grade and High Yield funds. The currency exposure that exists is due to insurance liabilities and investment assets in other currencies and the risk is limited by the use of currency derivatives Concentration risk could lead to the company's being exposed to a homogeneous group of exposures or a specific market event threatening the solvency of the company or its financial position. However, Agria has a well-diversified asset portfolio with small concentration risk.

Management

The Board of Agria decides on the framework for risk-taking, for example, by adopting investment guidelines, allocation mandates and up-to-date sub-limits for various market-risk categories in the investment assets.

The main risk-reduction technique applied to the management of assets in the Group's companies is diversification. The companies' investments are spread over several classes of assets and segment in these classes, leading to exposure to various risk factors that react in different ways to fluctuations in the financial markets. This means that as a whole the portfolio is less sensitive to market fluctuations than its portfolio components.

Derivative instruments are also used to a certain extent in the management of assets in the Group's companies to protect the companies' balance sheets from undesired market risks. Fixed-income futures and forwards and interest-rate swaps are used in management to reduce interest-rate risk. Currency futures are also regularly used to reduce currency risk in the portfolio. The effect of these derivative strategies is continuously monitored. Concentration risk in loans is limited by applying exposure limits for each issuer or group of issuers that have a mutual connection and for the exposure for credit instruments per rating level.

Risk sensitivity

The main classes in Agria's asset portfolio are interest-bearing securities. Table 3 shows how changes in the financial markets affect the company's assets and the effect on earnings and equity. Table 4 shows the credit quality of assets. Table 5 shows sensitivity to exchange-rate changes.

Table 3. Sensitivity analysis, market risks (SEK M)

		Impact on profit before tax		Impact on equity	
Sensitivity analysis		2017	2016	2017	2016
Interest-rate risk	1% higher interest rate	-23.5	-10.5	-18.3	-8.2
Equities risk	10% lower share prices	-7.4	-0.3	-5.8	-0.2
Credit-spread risk	1% higher credit spread	-47.0	-32.0	-36.7	-25.0

Table 4. Credit quality of financial assets

Specification of financial assets, SEK M	2017	2016
Loans to credit institutions		
A	248.8	403.2
Total	**248.8**	**403.2**
Bonds and other interest-bearing securities[1)]		
AAA – Swedish Government	0.3	170.0
AAA – Government securities other than those issued by the Swedish Government	–	0.0
AAA	1,012.2	1,012.4
AA	8.1	1.5
A	14.2	28.0
BBB	27.6	94.3
BB	3.4	11.5
B	–	1.9
CCC	–	0.6
CC	–	0.0
C	–	0.0
D	–	0.0
NR	30.4	0.7
Total bonds and other interest-bearing securities	**1,096.2**	**1,320.9**

1) The amount under Loans to credit institutions above includes SEK 161.0 M (318.0) that pertains to receivables from Länsförsäkringar Bank. These are classified as other receivables in the balance sheet.

Table 5. Impact on earnings at year-end of a 10% change in the exchange rate with SEK

	Impact on earnings before tax, SEK M	
Currency	**2017**	**2016**
USD	-2.0	+0.3
EUR	-0.4	+0.2
GBP	-0.2	+2.0
AUD	0.0	+0.0
DKK	+0.4	+0.4
NOK	-1.4	+5.0
JPY	-0.3	–
CHF	-0.1	–

Counterparty risk

Counterparty risk pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings.

- Counterparty risk in bank balances pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings.
- Counterparty risk in financial derivatives pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings and of any collateral provided not covering the receivable.
- Counterparty risk in ceded reinsurance pertains to the risk of losses arising due to reinsurers being unable to fulfil their undertakings and of any collateral provided not covering the receivable.

Risk exposure

Agria's exposure to counterparty risk mostly comprises exposure to banks from cash balances and to a minor extent to derivative positions. Derivatives are purchased to protect the balance sheet against, for example, interest-rate risk and currency risk and entail that the counterparty undertakes, through derivative contracts, to compensate for negative results arising from changes in, for example, market interest rates or exchange rates. As a result, a receivable from the counterparty may arise in the event of market changes. The company is also exposed to counterparty risk from reinsurers.

Management

The counterparty risk in bank balances and financial derivatives is primarily reduced by diversifying the counterparties that the company uses for trading. Exposures of financial derivatives are also limited through ISDAs (netting agreements) and associated daily settlement agreements.

Counterparty risk arising in connection with reinsurance are primarily reduced by taking proactive measures, by carefully selecting potential reinsurance counterparties and by applying limits for maximum exposure to each counterparty. The credit rating of counterparties is regularly followed up and monitored. In addition, efforts are made to ensure a spread of ceded reinsurance between many reinsurers, which guarantees overall high quality receivables. The reinsurance department regularly tests impairment requirements on assets related to reinsurance contracts. Past due receivables are controlled continuously.

Sensitivity analysis

Table 6 shows the ratings for the counterparties included in the company's reinsurance cover. Reinsurance cover is to be taken out with counterparties with high credit ratings.

Table 6. Exposure to externally purchased reinsurance cover for 2017 and 2016

	Percentage distribution per rating category	
Exposure to externally purchased reinsurance cover for 2017 and 2016	**2017**	**2016**
AAA	0	0
AA	90%	90%
A	10%	10%
BBB	0	0
No rating available	0	0
Total	**100%**	**100%**

Operational risk

Operational risk refers to the risk of losses arising due to inappropriate or faulty internal processes and systems as well as human error or external events, and includes legal and compliance risks.

Risk exposure

The forms of operational risk to which the company is exposed are product and process risks, personnel risks, legal risks and compliance risks, IT risks, model risks and security risks.

Management

The company's work on operational risk is based on Länsförsäkringar AB Group-wide methods that encompass business-critical processes and key controls as well as reported incidents and the operations' self-assessment of operational risk. The process of managing and controlling operational risk includes the stages of identifying, measuring, monitoring, managing and reporting.

The Group-wide method also has a process for approving new or significantly changed products, services, markets, processes, IT systems and for major changes to operations and organisation. The purpose of the approval process is to achieve efficient and appropriate management of the risks that may arise in connection with change work, to ensure compliance with applicable regulations and to create customer value.

Furthermore, the Group-wide method encompasses continuity management, which involves preparing business contingency, continuity and restoration plans to manage incidents before, during and after a crisis has occurred. The overall goal for security work is to protect the organisation's assets from all types of threats – internal or external, intentional or unintentional. Security work is conducted in accordance with the ISO standards on information security and continuity management.

Business risk

Business risk is divided in the Länsförsäkringar Sak Group into the sub-categories of strategic risk, earnings risk, reputation risk and conduct risk. These categories and sub-categories are defined as follows:

- Business risk is the risk of losses arising due to effects of strategic decisions, weaker earnings and a bad reputation.
- Strategic risk is the risk of losses arising due to business strategies and business decisions proving to be misdirected, changes in the business environment and institutional changes.
- Earnings risk is the risk of losses arising due to an unexpected downturn in income, for example, from volume decreases.
- Reputation risk is the risk of losses arising due to a lower brand value due to actual or alleged action by the company.
- Conduct risk is the risk of improper conduct.

Risk exposure

The company's exposure to business risks follows the business strategies decided where the business planning process and results from business risk analyses comprise important instruments in adjusting the risk level to the company's conditions and changes in the business environment.

Management

Business risks are managed at Board and management level through analyses and decisions prior to making strategic choices on the direction of the operations, and in the annual business planning process. The specific business risks that are deemed to be the most important at any given time are continuously monitored at management level.

Liquidity risk including financing risk

Liquidity risk is the risk of losses arising due to the company's own payment commitments not being fulfilled due to a shortage of cash and cash equivalents or that these undertakings can only be fulfilled by raising funding at significantly higher costs than usual or by divesting assets at a loss.

Risk exposure

A lack of liquidity could lead to the company not being able to fulfil its commitments to customers. The company's liquidity risks are low since premiums are received in advance and large individual claims and payouts outside normal cash flows are known well in advance of when they fall due.

Management

Liquidity risk is minimised by the predominant proportion of investments being made in securities with high liquidity that are listed on established exchanges. To further limit liquidity risks, rules exist on how investments are to be made in unquoted assets. Each company's investment guidelines also state that the investment assets are to be invested by taking into account each company's liquidity needs for meeting their commitments.

Sensitivity analysis

Table 7 shows the exposure for the financial assets over different terms. The table shows the actual cash flows that will occur in each period, based on the remaining contractual maturities. However, most of the bonds and interest-bearing securities can be realised at short notice to cover contractual commitments at any time on the liabilities side.

Table 7. Maturity analysis for financial assets and liabilities[3] and insurance undertakings

			2017			
SEK M	**<3 months**	**3 months–1 year**	**1–5 years**	**5–10 years**	**> 10 years**	**Total**
Assets						
Interest-bearing securities issued by Group companies and loans to Group companies	0.0	8.8	89.4	5.9	0.0	104.1
Bonds and other interest-bearing securities[1]	-34.1	27.9	962.1	36.6	25.0	1,017.6
Other receivables	311.5	–	–	–	–	311.5
Prepaid expenses and accrued income	–	–	–	–	–	–
Liabilities						
Technical provisions[2]	547.1	1,163.7	110.4	0.0	–	1,821.2
Other liabilities	110.5	–	–	–	–	110.5
Accrued expenses and deferred income	–	–	–	–	–	–
Total cash flows, net	**-380.1**	**-1,127.0**	**941.1**	**42.5**	**25.0**	**-498.5**
Derivatives, in and outflows, net	-2.3	–	–	–	–	-2.3
Total cash flows, net	**-382.4**	**1,127.0**	**941.1**	**42.5**	**25.0**	**-500.8**

			2016			
SEK M	**<3 months**	**3 months–1 year**	**1–5 years**	**5–10 years**	**> 10 years**	**Total**
Assets						
Interest-bearing securities issued by Group companies and loans to Group companies	-50.7	2.3	97.3	–	–	48.9
Bonds and other interest-bearing securities[1]	68.9	175.5	860.1	20.4	–	1,125.0
Other receivables	336.6	–	–	–	–	336.6
Prepaid expenses and accrued income	–	–	–	–	–	–
Liabilities						
Technical provisions[2]	707.5	935.8	61.1	4.7	–	1,709.1
Other liabilities	49.7	–	–	–	–	49.7
Accrued expenses and deferred income	6.0	–	–	–	–	6.0
Total cash flows, net	**-408.4**	**-758.0**	**896.3**	**15.7**	**-**	**-254.3**
Derivatives, in and outflows, net	1.2	–	–	–	–	1.2
Total cash flows, net	**-407.2**	**-758.0**	**896.3**	**15.7**	**-**	**-253.1**

[1] The balance-sheet item Bonds and other interest-bearing securities includes Fixed-income funds. These have no contractual maturities and have been excluded from the table above.
[2] Technical provisions are recognised gross, before ceded reinsurance.
[3] Note that the table applies to financial assets and not the total assets corresponding to the commitments, which would include premium receivables, for example.

Note 3 Premium income

	2017	2016
Direct insurance, Sweden	2,188.8	2,040.2
Direct insurance, Denmark	136.6	104.3
Direct insurance, Finland	22.1	9.0
Direct insurance, Norway	409.2	366.3
Direct insurance, UK	542.5	484.6
Total	**3,299.2**	**3,004.4**

Note 4 Investment income transferred from financial operations

	2017	2016
Transferred investment income	1.8	0.9
Interest rate of technical provisions	0.10%	0.05%

For information regarding calculations, refer to note 1 Accounting policies.

Note 5 Claims payments

	2017	2016
Claims paid	-2,025.0	-1,841.2
Operating expenses for claims adjustment	-154.0	-126.2
Total claims costs	**-2,179.0**	**-1,967.4**

Note 6 Operating expenses

	2017	2016
Operating expenses		
Acquisition costs	-589.7	-691.7
Change in prepaid acquisition costs	-18.3	22.9
Administration expenses	-119.5	29.6
Commission and profit shares in ceded reinsurance	0.1	0.1
Total	**-727.4**	**-639.1**
Other operating expenses		
Claims adjustment costs included in claims paid	-154.0	-142.8
Expenses for financial management included in investment income, expenses		
Total	**-881.4**	**-781.9**
Total operating expenses specified by type of cost		
Staff costs	-192.4	-174.6
Costs for premises	-6.2	-3.2
Depreciation/amortisation	-3.1	-3.6
Other operations-related expenses	-679.7	-600.5
Total	**-881.4**	**-781.9**
Total operating expenses by function		
Acquisition	-607.9	-668.7
Claims adjustment	-154.0	-142.8
Administration expenses	-119.5	29.6
Total	**-881.4**	**-781.9**

Note 7 Fees and remuneration of auditors

	2017	2016
KPMG		
Audit assignment	1.1	1.2
Audit operations in addition to the audit assignment	–	–
Tax consulting	0.1	0.2
Other services	–	0.0
Total fees to auditors	**1.2**	**1.4**

Audit assignments pertain to a review of the Annual Report and accounts, and the administration by the Board of Directors and President, other work assigned to the company's auditors, and advice or other assistance required due to observations made during the review or implementation of such other assignments.

Note 8 Employees, staff costs and remuneration of senior executives

Average number of employees, Sweden	2017	2016
Men	41	31
Women	139	132
Total number of employees	**180**	**163**
Norway		
Men	6	2
Women	23	23
Denmark		
Men	1	1
Women	12	9
Finland		
Men	0	0
Women	9	4
UK		
Men	4	3
Women	0	0
Total number of employees		
Men	52	37
Women	183	168
	235	**205**

Brokers	2017	2016
Total number	**24**	**23**

Salaries and other remuneration, as well as social security expenses, other employees	2017	2016
Salaries and remuneration	102.5	89.7
of which, variable salary	0.6	0.5
Social security expenses	44.4	39.9
of which, pension costs	12.2	11.9
	147.0	**129.6**

Board of Directors and senior executives, 17 (19)	2017	2016
Salaries and remuneration	13.8	14.0
of which, fixed salary to the President and Executive Vice President	4.2	4.2
of which, variable salary of the President and Executive Vice President	–	–
of which, fixed salary to other senior executives	8.7	8.8
of which, variable salary to other senior executives	–	–
Social security expenses	8.8	9.4
of which, pension costs	4.4	4.6
	22.6	**23.4**

Total salaries, other remuneration and social security expenses	2017	2016
Salaries and remuneration	116.4	103.7
of which, variable salary	0.6	0.5
Social security expenses	53.2	49.3
of which, pension costs	16.6	16.6
	169.6	**153.0**

Remuneration and social security expenses	2017	2016
Brokers, Sweden	0.1	0.2
Total	**0.1**	**0.2**

Variable salary

Commission-based remuneration may be paid to certain employees. The terms and conditions of this remuneration are regulated in collective agreements.

Remuneration of the Board

Directors' fees are payable to the Chairman and members of the Board in accordance with a decision of the Annual General Meeting. Employee representatives and Board members of the Länsförsäkringar AB Group do not receive any directors' fees.

Note 8 Employees, staff costs and remuneration of senior executives, cont.

Remuneration of senior executives

Remuneration of the President and other senior executives comprises basic salary and other benefits. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration. Other senior executives are the individuals who, together with the President, comprise corporate management.

Remuneration of senior executives					Pension costs as a percentage of pensionable salary, %
2017	**Basic salary**	**Other remuneration**	**Pension costs**	**Total**	**Defined-contribution**
Agnes Fabricius, President	1.8	0.0	0.6	2.4	35
Birger Lövgren, former President	0.4	0.4	0.2	1.0	35
Monica Dreijer, Executive Vice President	1.5	0.1	0.7	2.3	44
Patrik Sandin, Board member	0.1	–	–	0.1	
Jan Ehrensvärd, Board member	0.1	–	–	0.1	
Bo Helander, Board member	0.1	–	–	0.1	
Mikael Bergström, Board member	0.1	–	–	0.1	
Kjell Lindfors, Board member	0.1	–	–	0.1	
Ulf Uddman, Board member	0.1	–	–	0.1	
Henrietta Hansson, Board member	0.1	–	–	0.1	
Palle Borgström, former Board member	0.1	–	–	0.1	
Marja Tullberg, former Board member	0.1	–	–	0.1	
Other senior executives					
(10 individuals)	10.3	0.0	3.3	13.6	36
Total 2017	**15.0**	**0.5**	**4.7**	**20.2**	

Remuneration of senior executives					Pension costs as a percentage of pensionable salary, %
2016	**Basic salary**	**Other remuneration**	**Pension costs**	**Total**	**Defined-contribution**
Birger Lövgren, President	2.7	0.0	1.0	3.7	35
Monica Dreijer, Executive Vice President	1.5	0.1	0.7	2.3	43
Patrik Sandin, Board member	0.1			0.1	
Palle Borgström, Board member	0.1			0.1	
Bo Helander, Board member	0.1			0.1	
Marja Tullberg, Board member	0.1			0.1	
Mikael Bergström, Board member	0.1			0.1	
Kjell Lindfors, Board member	0.1			0.1	
Ulf Uddman, Board member	0.1			0.1	
Henrietta Hansson, Board member	0.1			0.1	
Anna-Greta Lundh Nieman, former Board member	0.0			0.0	
Hans von Essen, former Board member	0.1			0.1	
Other senior executives					
(9 individuals)	10.3	0.2	3.3	13.8	32
Total 2016	**15.4**	**0.3**	**5.0**	**20.7**	

Pension costs pertain to the impact on net profit for the year.

Note 8 Employees, staff costs and remuneration of senior executives, cont.

Pensions

The retirement age for the President is 65. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary.

The retirement age for other senior executives is 65. The pension is subject to the terms of the pension agreements between the Swedish Insurance Employers Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). An additional pension premium corresponding to one half of a price base amount per year is also paid for each individual.

Severance pay

A mutual period of notice of six months applies to the President and the Executive Vice President. If the company terminates employment, severance pay corresponding to 12 months' salary is paid during the period of notice. For other senior executives, the period of notice follows applicable collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Preparation and decision-making process applied in relation to the issue of remuneration of corporate management

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration of corporate management.

The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy. The Board decides on remuneration and other terms of employment for corporate management and employees with overall responsibility for one of the company's control functions.

Composition and mandate of Remuneration Committee

The composition and duties of the Remuneration Committee are regulated in the Board's formal work plan. The Remuneration Committee comprises the Chairman and one Board member.

Policies for remuneration of corporate management

Senior executives in the Länsförsäkringar AB Group are to have market-based employment terms and conditions. The total remuneration must be on par with the industry. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

Pensions should comply with the terms of the collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Other benefits

In addition to the above benefits, a company car is offered in accordance with applicable conditions, individual health care insurance and other benefits offered to all employees.

Number of women among senior executives, %	**31 Dec 2017**	**31 Dec 2016**
Board members	40	45
Other senior executives	42	45

Note 9 Investment income, revenue

	2017	**2016**
Dividends		
Dividends on other shares and participations	0.3	0.3
Interest income		
Bonds and other interest-bearing securities[1]	2.7	6.3
Interest-bearing securities issued by Group companies	0.3	0.5
Financial assets that are not measured at fair value through profit and loss[1]	-0.1	1.1
Other interest income	0.0	0.0
Derivatives	3.4	1.8
Exchange-rate gains, net	**1.9**	**-**
Capital gains		
Shares and participations	0.3	-
Bonds and other interest-bearing securities	20.2	30.9
Interest-bearing securities issued by Group companies	0.7	0.6
Other investment assets	0.5	0.3
Total investment income, revenue	**30.2**	**41.8**

[1] Of which, a negative interest rate on cash and bank balances of SEK -0.2 M (-0.2) and interest income of SEK -1.8 M (-0.7).

Note 10 Unrealised gains on investment assets

	2017	**2016**
Interest-bearing securities issued by Group companies	–	0.1
Shares and participations	–	0.0
Bonds and other interest-bearing securities	1.6	-
Derivatives	–	0.1
Other financial investment assets	–	-
Total unrealised gains on investment assets	**1.6**	**0.2**

Note 11 Investment income, expenses

	2017	**2016**
Asset management expenses	-6.2	-4.1
Other financial expenses	-1.0	- 1.8
Interest expense		
Bonds and other interest-bearing securities	-0.2	0.0
Financial liabilities that are not measured at fair value through profit and loss	-0.1	-0.2
Other interest expense	0.0	-0.1
Derivatives	-7.0	-5.5
Exchange-rate losses, net	–	-10.8
Capital losses		
Shares and participations	–	-0.0
Derivatives	-7.6	-15.0
Other financial investment assets	–	-
Total investment income, expenses	**-22.1**	**-37.5**

Note 12 Unrealised losses on investment assets

	2017	**2016**
Shares and participations	-0.9	–
Interest-bearing securities issued by Group companies	-0.6	-
Bonds and interest-bearing securities	–	-7.8
Derivatives	-0.1	-
Other financial investment assets	-0.7	-0.6
Total unrealised losses on investment assets	**-2.3**	**-8.4**

Note 13 Investment income, per measurement category

	2017	**2016**
Financial assets measured according to fair value option	23.2	27.5
Held for trading	-11.2	-18.7
Loans and receivables	-0.3	-0.2
Other financial liabilities	-0.3	-0.1
Items not distributed by category		
Exchange-rate gains	1.9	-10.8
Asset management expenses	-6.2	-1.8
Non-financial items included in investment income, net	0.3	0.2
Total	**7.4**	**-3.9**

Note 14 Taxes

	2017	2016
Current tax expense		
Tax expense for the year	-49.5	-46.5
Adjustment of tax expense pertaining to prior years	-11.9	-5.2
Total current tax expense	**-61.4**	**-51.7**
Deferred tax expense		
Deferred tax expense/income pertaining to temporary differences	2.7	-4.1
Total recognised tax expense	**-58.7**	**-55.8**

Reconciliation of effective tax rate	**2017**	**2016**
Profit before tax	223.6	230.9
Tax in accordance with applicable tax rate for Parent Company	-49.2	-50.8
Non-deductible expenses	-1.4	-0.7
Non-taxable income	4.2	5.0
Tax attributable to earlier years	-11.9	-5.2
Other	-0.4	-4.1
Recognised effective tax	**-58.7**	**-55.8**

Recognised deferred tax assets/tax liabilities are attributable to the following:	**31 Dec 2017**	**31 Dec 2016**
Other assets	3.8	1.4
Other liabilities	–	-0.3
Deferred tax assets (+)/deferred tax liabilities (–)	**3.8**	**1.1**

The entire change between the years has been recognised as deferred tax expense in profit and loss.

Note 15 Other intangible assets

	Internally developed assets	Acquired assets	Total
Accumulated cost			
Opening balance, 1 January 2016	48.1	16.0	64.1
Acquisitions for the year/divestments and disposals	2.8	–	2.8
Exchange-rate effect	-0.4	–	-0.4
Closing balance, 31 December 2016	**50.5**	**16.0**	**66.5**
Opening balance, 1 January 2017	50.5	16.0	66.5
Acquisitions for the year/divestments and disposals	6.8	–	6.8
Exchange-rate effect	-0.2	–	-0.2
Closing balance, 31 December 2017	**57.1**	**16.0**	**73.1**
Accumulated amortisation			
Opening balance, 1 January 2016	-42.8	-16.0	-58.8
Amortisation for the year	-2.3	–	-2.3
Exchange-rate effect	0.3	–	0.3
Closing balance, 31 December 2016	**-44.8**	**-16.0**	**-60.8**
Opening balance, 1 January 2017	-44.8	-16.0	-60.8
Amortisation for the year	-1.8	–	-1.8
Exchange-rate effect	0.1	–	0.1
Closing balance, 31 December 2017	**-46.5**	**-16.0**	**-62.5**
Carrying amount			
On 31 December 2016	**5.6**	**0.0**	**5.6**
On 31 December 2017	**10.6**	**0.0**	**10.6**

Amortisation for the year was recognised under operating expenses in profit and loss.

Intangible assets pertaining to software comprise capitalised development expenditures for significant IT investments. Acquired intangible assets pertain to capitalisations of significant agreements with partners.

Note 16 Shares and participations in Group companies

	Number of participations	Participations in %	Equity 2017	Profit 2017	Carrying amount 31 Dec 2017	Carrying amount 31 Dec 2016	Fair value 31 Dec 2017
Agria Pet Insurance Limited, Company nr 04258783, Aylesbury	180,000	100	129.3	11.3	273.2	273.2	296.5

Cost	2017	2016
Opening balance	273.2	273.2
Total cost	**273.2**	**273.2**

Note 17 Interest-bearing securities issued by Group companies

	31 Dec 2017	31 Dec 2016
Listed bonds issued by Länsförsäkringar Hypotek	96.0	48.9
Listed bonds issued by Länsförsäkringar Bank	6.1	-
Total	**102.1**	**48.4**

Note 18 Shares and participations in associated companies

	Number of participations	Participations in %	Equity[1] 2017	Profit[1] 2017	Carrying amount[2] 31 Dec 2017	Carrying amount[2] 31 Dec 2016	Fair value[2] 31 Dec 2017
Svenska Andelshästar AB, 556536-9633, Uppsala county	400	40	3.7	0.7	0.0	0.0	1.5
Trofast Veterinärt IT-stöd AB[3], 556598-0983, Västmanland county	-	-	-	-	-	1.3	-

1) 100% of the associated companies' equity and earnings.
2) Försäkringsaktiebolaget Agria's carrying amount and holding of fair value.
3) Participations in associated company Trofast Veterinärt IT-stöd AB were divested in 2017.

Note 19 Shares and participations

	31 Dec 2017	31 Dec 2016
Quoted shares and participations	61.4	-
Unquoted shares and participations	0.0	0.0
Total	**61.4**	**0.0**
Fair value	61.4	0.0
Cost	62.3	0.0

Note 20 Bonds and other interest-bearing securities

	31 Dec 2017	31 Dec 2016
Issuer		
Swedish government	0.3	169.7
Swedish mortgage institutions	729.2	739.0
Other Swedish issuers	266.3	224.6
Other foreign issuers	240.2	149.7
Total	**1,236.0**	**1,283.0**
Amortised cost	1,216.6	1,242.0
Market status		
Securities quoted	1,236.0	1,283.0
Total	**1,236.0**	**1,268.8**
Carrying amounts of the securities compared with their nominal amounts		
Total surplus	55.7	73.9
Total deficit	-	-

Note 21 Derivatives

	Fair value 31 Dec 2017	Nominal amount 31 Dec 2017	Fair value 31 Dec 2016	Nominal amount 31 Dec 2016
Derivatives with positive values or valued at zero				
Interest-rate derivatives	0.3	35.1	0.2	518.9
Currency derivatives	3.6	339.9	4.2	401.0
Total	**3.9**	**375.0**	**4.4**	**919.9**
Derivatives with negative values				
Interest-rate derivatives	0.1	523.0	0.0	1.1
Currency derivatives	2.2	222.9	3.2	394.4
Total	**2.3**	**745.9**	**3.2**	**395.5**

Note 22 Other receivables

	31 Dec 2017	31 Dec 2016
Receivables from Group companies	213.0	432.3
Other receivables	1.8	2.2
Total	**214.8**	**434.5**

Note 23 Tangible assets and inventories

	31 Dec 2017	31 Dec 2016
Tangible assets	6.9	4.5
Inventories, market items	13.8	14.0
Total	**20.7**	**18.5**
Tangible assets		
Accumulated cost		
Opening balance	7.6	8.5
Acquisitions for the year	4.8	1.5
Divestments and disposals	-2.1	-2.5
Exchange-rate effect	0.0	0.1
Closing balance	**10.3**	**7.6**
Accumulated depreciation		
Opening balance	-3.1	-3.2
Depreciation for the year	-1.3	-1.3
Divestments and disposals	1.0	1.5
Exchange-rate effect	0.0	-0.1
Closing balance	**-3.4**	**-3.1**
Carrying amount	**6.9**	**4.5**

Note 24 Prepaid acquisition costs

	31 Dec 2017	31 Dec 2016
Opening balance	181.8	164.,6
Capitalisation for the year	334.2	387.5
Depreciation for the year	-353.3	-370.3
Closing balance	**162.7**	**181.8**

Note 25 Untaxed reserves

	2017	2016
Equalisation reserve	35.2	35.2
Contingency reserve	464.9	464.9
Tax allocation reserve		
Reserved for 2012	36.3	36.3
Reserved for 2013	43.5	43.5
Reserved for 2014	71.1	71.1
Reserved for 2015	72.1	72.1
Reserved for 2016	60.0	60.0
Reserved for 2017	50.0	–
Closing balance of tax allocation reserve	333.1	283.0
Total	**833.1**	**783.1**

Note 26 Unearned premiums and unexpired risks

	31 Dec 2017			31 Dec 2016		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Opening balance	1,407.3	–	1,407.3	1,300.3	–	1,300.3
Provisions during the period	158.7	–	158.7	108.7	–	108.7
Exchange-rate changes	-10.8	–	-10.8	-1.7	–	-1.7
Closing balance	**1,555.2**	–	**1,555.2**	**1,407.3**	–	**1,407.3**

Note 27 Claims outstanding

	31 Dec 2017			31 Dec 2016		
	Gross	Rein-surers portion	Net	Gross	Rein-surers portion	Net
Claims incurred and reported	42.3	4.0	38.3	62.8	3.6	59.1
Claims incurred and not reported	242.0	0.0	242.0	227.7	0.0	227.7
Claims adjustment costs	17.6	0.0	17.6	14.8	0.0	14.9
Total opening balance	**301.9**	**4.0**	**297.9**	**305.3**	**3.6**	**301.7**
Provisions for the period	-34	2.7	-36.5	-3.2	0.5	-3.5
Exchange-rate changes	-1.9	-0.1	-2.0	-0.2	-0.1	-0.3
Total change for the year	**-35.9**	**2.6**	**-38.5**	**-3.4**	**0.4**	**-3.8**
Claims incurred and reported	51.9	6.6	45.3	42.3	4.0	38.3
Claims incurred and not reported	200.0	–	200.0	242.0	–	242.0
Claims adjustment costs	14.1	–	14.1	17.6	–	17.6
Total closing balance	**266.0**	**6.6**	**259.4**	**301.9**	**4.0**	**297.9**

Technical provisions in Agria are not discounted.

Note 28 Pensions and similar commitments

Provision for early retirement in accordance with pension agreement	**31 Dec 2017**	**31 Dec 2016**
Opening balance	0.9	2.3
Provision for the year(+)/reversal(-)	-0.9	-1.4
Closing balance	**0.0**	**0.9**

According to the pension agreement for the insurance sector, persons born in 1955 or earlier can voluntarily retire at the age of 62. The provision is calculated on an actuarial basis according to the insurance guidelines and basis for calculation applied for individually issued life assurance. The calculations are based on a summary of the ages and annual pensions calculated as an average per age group. A probability assessment has determined that 40% (40) will utilise the option for early retirement.

Defined-contribution pension plans

Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan includes all employees in Sweden.

FTP plan contributions for 2017 are expected to total SEK 6.1 M.

	2017	**2016**
Expenses for defined-contribution plans	12.0	11.7

Note 29 Other liabilities

	31 Dec 2017	**31 Dec 2016**
Liabilities to Group companies	19.2	11.1
Other liabilities	29.7	38.6
Total	**48.9**	**49.7**

Note 30 Other accrued expenses and deferred income

	31 Dec 2017	**31 Dec 2016**
Prepaid premiums	416.6	383.8
Accrued expenses	41.1	42.9
Total	**457.7**	**426.7**

Note 31 Pledged assets and contingent liabilities

	31 Dec 2017[1]	**31 Dec 2016[2]**
Registered investment assets on behalf of policyholders	1,814.6	1,705.2

[1] Assets pledged for the benefit of policyholders to cover technical provisions in accordance with Chapter 6, Section 11 of the Insurance Business Act. The amount recognised as pledged assets corresponds to the technical liabilities after deductions for reinsurers' portion. All assets recognised in the benefit register amounted to SEK 2,803.1 M.

[2] Registered assets in accordance with Chapter 6, Section 11 of the Insurance Business Act amount to SEK 1,705.2 M. In the event of insolvency, the policyholders have a preferential right to the registered assets. During the course of the operations, the company has the right to add and withdraw assets from the register as long as all insurance commitments are covered for liabilities in accordance with the Insurance Business Act in accordance with the wording at the end of 2016.

Note 32 Information about offsetting

The table shows the financial instruments covered by a legally binding agreement regarding netting or a similar agreement, together with related collateral. The company has ISDA and CSA agreements with all derivative counterparties, which means that all exposures are covered by both types of agreements. The agreements entitle the parties to offset liabilities and receivables in the event of suspension of payment or insolvency. The net amount comprises the amount that in the event of suspension of payment or insolvency would be received if the amount is an asset, or paid if the amount is a liability.

	Financial assets and liabilities that are offset or subject to netting agreements					
				Related amounts not offset in the balance sheet		
31 Dec 2017	**Gross amount**	**Offset in balance sheet**	**Net amounts in balance sheet**	**Netting framework agreement**	**Collateral Received(–) / Pledged(+)**	**Net amount**
Assets						
Derivatives	3.9	–	3.9	-2.2	–	1.7
Liabilities						
Derivatives	-2.3	–	-2.3	2.2	–	-0.1
Total	**1.6**	**–**	**1.6**	**–**	**–**	**1.6**

	Financial assets and liabilities that are offset or subject to netting agreements					
				Related amounts not offset in the balance sheet		
31 Dec 2016	**Gross amount**	**Offset in balance sheet**	**Net amounts in balance sheet**	**Netting framework agreement**	**Collateral Received(–) / Pledged(+)**	**Net amount**
Assets						
Derivatives	4.4	–	4.4	-0.3	–	4.1
Liabilities						
Derivatives	-3.2	–	-3.2	0.3	–	-2.9
Total	**1.2**	**–**	**1.2**	**–**	**–**	**1.2**

Note 33 Financial assets and liabilities by category

	Financial assets measured at fair value through profit and loss				
31 Dec 2017	**Financial assets measured according to fair value option**	**Held for trading**	**Loans and receivables**	**Total carrying amount**	**Fair value**
Assets					
Interest-bearing securities issued by Group companies	102.1	–	–	102.1	102.1
Shares and participations	61.4	–	–	61.4	61.4
Bonds and other interest-bearing securities	1,236.0	–	–	1,236.0	1,236.0
Derivatives	–	3.9	–	3.9	3.9
Other financial investment assets					
Other receivables			309.1	309.1	309.1
Prepaid expenses and accrued income			2.4	2.4	2.4
Cash and bank balances			87.9	87.9	87.9
Total	**1,399.5**	**3.9**	**399.4**	**1,802.8**	**1,802.8**

	Financial liabilities measured at fair value through profit and loss			
	Held for trading	**Other financial liabilities**	**Total carrying amount**	**Fair value**
Liabilities				
Derivatives	2.3	–	2.3	2.3
Other liabilities		108.6	108.6	108.6
Accrued expenses and deferred income		1.9	1.9	1.9
Total	**2.3**	**110.5**	**112.8**	**112.8**

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

Note 33 Financial assets and liabilities by category, cont.

31 Dec 2016	Financial assets measured at fair value through profit and loss: Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
Assets					
Interest-bearing securities issued by Group companies	48.9	–	–	48.9	48.9
Shares and participations	0.0	–	–	0.0	0.0
Bonds and other interest-bearing securities	1,283.0	–	–	1,283.0	1,283.0
Derivatives	–	4.4	–	4.4	4.4
Other financial investment assets	15.2	–	–	15.2	15.2
Other receivables	–	–	336.6	336.6	336.6
Prepaid expenses and accrued income	–	–	–	–	–
Cash and bank balances	–	–	85.2	85.2	85.2
Total	**1,347.1**	**4.4**	**421.8**	**1,773.3**	**1,773.3**

	Financial liabilities measured at fair value through profit and loss: Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities				
Derivatives	3.2	–	3.2	3.2
Other liabilities	–	49.7	49.7	49.7
Accrued expenses and deferred income	–	6.0	6.0	6.0
Total	**3.2**	**55.7**	**58.9**	**58.9**

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

Fair value valuation techniques

Financial assets and liabilities measured at fair value in the statement of financial position are presented in the table based on the valuation techniques applied:
Level 1 refers to prices determined from prices quoted in an active market.
Level 2 refers to prices determined by calculated prices of observable market data.
Level 3 refers to prices based on own assumptions and judgements.

	31 Dec 2017				31 Dec 2016			
	Level 1	Level 2	Level 3	Total carrying amount	Level 1	Level 2	Level 3	Total carrying amount
Assets								
Interest-bearing securities issued by Group companies and loans to Group companies	102.1	–	–	102.1	48.9	–	–	48.9
Shares and participations	61.4	–	0.0	61.4	–	–	0.0	0.0
Bonds and other interest-bearing securities	1,236.0	–	–	1,236.0	1,283.0	–	–	1,283.0
Derivatives	0.3	3.6	–	3.9	0.2	4.2	–	4.4
Other financial investment assets	–	–	–	–	15.2	–	–	15.2
Liabilities								
Derivatives	0.0	2.2		2.3	0.0	3.2	–	3.2

There were no significant transfers between Level 1 and Level 2 during 2017 or during 2016. There were no transfers from Level 3 in 2017 or 2016.

Shares and participations in Level 3 are measured at equity per share based on the most recent company report. Delisted, insolvent companies are measured at zero, if no other listing can be found. Holdings in private equity funds classified as shares in Level 3 are valued externally by the manager of each fund. The valuation of each fund is based on the valuation of the fund's holdings in portfolio companies. The valuation of underlying portfolio companies is based on systematic comparisons with market-listed comparable companies or on a value based on a relevant third-party transaction. In certain cases, the valuations are based on discounted cash flows or methods based on other unobservable data. The valuation is performed in accordance with industry practice, for example, International Private Equity and Venture Capital Valuation Guidelines, which are supported by many industry organisations, such as the EVCA (European Venture Capital Association).

Gains and losses are recognised in profit and loss under Investment income, revenue and Investment income, expenses. For information on determination of fair value, valuation techniques and inputs, see note 1 Accounting policies.

Change Level 3	Shares and participations
Opening balance, 1 January 2017	0.0
Divestments	–
Recognised in profit and loss	0.0
Closing balance, 31 December 2017	0.0

Change Level 3	Shares and participations
Opening balance, 1 January 2016	0.0
Divestments	–
Recognised in profit and loss	–
Closing balance, 31 December 2016	0.0

Note 34 Anticipated recovery dates for assets and liabilities

This table provides an analysis of assets and liabilities based on the anticipated period for the recovery or derecognition of all assets and liabilities in the balance sheet.

	31 Dec 2017			31 Dec 2016		
	Not more than 1 year	More than 1 year	Total	Not more than 1 year	More than 1 year	Total
Assets						
Other intangible assets	1.5	9.1	10.6	1.3	4.3	5.6
Shares and participations in Group companies	–	273.2	273.2	–	273.2	273.2
Interest-bearing securities issued by Group companies	–	102.1	102.1	–	48.9	48.9
Shares and participations in associated companies	–	–	–	–	1.3	1.3
Shares and participations	–	61.4	61.4	–	0.0	0.0
Bonds and other interest-bearing securities	120.8	1,115.1	1,236.0	270.1	1,012.9	1,283.0
Derivatives	3.9	–	3.9	4.4	–	4.4
Other investment assets	–	–	–	–	15.2	15.2
Reinsurers' portion of technical provisions	6.5	0.1	6.6	4.0	0.0	4.0
Receivables from policyholders	1,283.3	–	1,283.3	1,122.4	–	1,122.4
Other receivables	242.7	–	242.7	434.5	–	434.5
Tangible assets and inventories	17.6	3.1	20.7	12.9	5.5	18.5
Cash and bank balances	87.9	–	87.9	85.2	–	85.2
Deferred tax assets	–	3.8	3.8	–	1.4	1.4
Prepaid expenses and accrued income	172.8	–	172.8	190.4	–	190.4
Total assets	**1,937.0**	**1,567.9**	**3,505.0**	**2,125.2**	**1,362.7**	**3,488.0**
Provisions and liabilities						
Technical provisions (before ceded reinsurance)	1,710.7	110.5	1,821.2	1,643.3	65.9	1,709.2
Pensions and similar commitments	–	–	–	–	0.9	0.9
Other provisions	–	2.8	2.8	–	1.6	1.6
Deferred tax	–	–	–	–	0.3	0.3
Liabilities to policyholders	18.2	–	18.2	6.2	–	6.2
Derivatives	2.3	–	2.3	3.2	–	3.2
Current tax liabilities	4.0	–	4.0	4.8	–	4.8
Other liabilities	48.9	–	48.9	49.7	–	49.7
Accrued expenses and deferred income	457.7	–	457.7	426.7	–	426.7
Total provisions and liabilities	**2,241.9**	**113.2**	**2,355.2**	**2,133.9**	**68.5**	**2,202.4**

Note 35 Disclosures on related parties

Organisation
Agria is a wholly owned subsidiary of Länsförsäkringar Sak Försäkringsaktiebolag, which in turn is a wholly owned subsidiary of Länsförsäkringar AB. Länsförsäkringar AB is wholly owned by the 23 customer-owned regional insurance companies, together with 16 local insurance companies. Joint operations are conducted in Länsförsäkringar AB, which provides services to Agria. This pertains to such services as asset management, legal, finance, security, personnel and the operation and development of IT systems. The organisation means that there are a large number of ongoing transactions and a number of non-recurring transactions between Agria and Länsförsäkringar AB, the Parent Company, and the regional insurance companies.

Related parties
Related legal entities to Agria include all of the companies in the Länsförsäkringar AB Group, Länsförsäkringar Mäklarservice AB, the regional insurance companies with subsidiaries and the local insurance companies. All of these companies combined comprise the Länsförsäkringar Alliance. Related key persons are Board members, senior executives and their close family members and companies owned by them.

Pricing
Pricing for business operations is on market terms. Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. Overall, pricing is intended to distribute costs fairly within the Länsförsäkringar Alliance based on consumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key.

Agreements
Significant agreements for Agria are primarily outsourcing agreements with Länsförsäkringar AB regarding asset management, IT and service. Agreements were also signed with Länsförsäkringar Sak regarding financial, legal and actuarial services and handling the settlement of Agria's reinsurance. Furthermore, agreements were entered into with Länsförsäkringar AB regarding commission for sales.

Disclosures regarding related-party transactions

2017	Purchases	Sales	Receivables	Liabilities
Parent Company	44.4	-3.8	0.2	3.3
Group companies	174.9	4.4	317.2	17.8
Regional insurance companies	12.1	0.2	–	0.3
Other related parties	0.4	0.3	–	0.2

2016	Purchases	Sales	Receivables	Liabilities
Parent Company	43.4	-5.3	–	8.9
Group companies	173.3	2.0	482.0	7.3
Regional insurance companies	10.4	0.2	–	0.1
Other related parties	0.4	0.3	–	0.2

Bank balances and interest income received from Länsförsäkringar Bank AB amounted to SEK 161.0 M (318.0) in 2017.

The functions that have been organised centrally from Länsförsäkringar AB include purchasing of equipment. Agria leases equipment from Länsförsäkringar AB.

Länsförsäkringar Bank AB manages subsidised loans to personnel on behalf of Agria, which are granted after standard credit scoring checks conducted by the bank.

Agria pays commission to the regional insurance companies for sales of products in all business areas and remuneration for administration expenses. The agreements details the remuneration levels for various services, such as sales and customer care, etc.

Remuneration of the Board and senior executives of Agria is stated in note 8. In all other respects, no transactions took place between these individuals and their related parties apart from normal customer transactions.

Note 36 Appropriation of profit

According to the balance sheet of Försäkringsaktiebolaget Agria (publ), the following non-restricted equity is at the disposal of the Annual General Meeting.

Retained earnings	97,344,394
Net profit for the year	164,869,993
Total	**262,214,387**

The Board of Directors and the President propose that SEK 1,250 per share of this profit, corresponding to SEK 50,000,000, be distributed to the Parent Company.

SEK 212,214,387 is to be carried forward. The Board of Directors believes that this distribution of profit is justified taking into consideration the demands on the amount of equity imposed by the nature, scope and risks associated with the operations, and the company's solvency requirements, liquidity and financial position, in accordance with Chapter 17, Section 3 of the Swedish Companies Act.

Note 37 Supplementary disclosures on income-statement items by insurance class

2017	Total	Other property	International
Premiums earned, gross	3,140.6	2,111.8	1,028.8
Claims payments, gross	-2,145.3	-1,398.5	-746.8
Operating expenses, gross	-727.6	-493.6	-233.9
Profit/loss from ceded reinsurance	-2	-4.9	2.9
Earnings	**265.7**	**214.7**	**50.9**
Premium income, gross	3,299.2	2,188.8	1,110.4

Note 38 Significant events after the end of the fiscal year

On 2 February, Johan Agerman left his position as President and CEO of Länsförsäkringar AB and as Board Chairman of Länsförsäkringar Sak. In connection with this, Sören Westin was appointed both President and CEO of Länsförsäkringar AB and the new Board Chairman of Länsförsäkringar Sak.

A new organisation was introduced on 1 January. Two new business areas (Nordic and Europe), new departments for Development & Innovation and Marketing & Communication were created.

The Annual Report was approved for publication by the Board of Directors on 6 March 2018.
The company's income statement and balance sheet will be adopted at the Annual General Meeting in May 2018.

Ann Sommer
Chairman

Bo Helander
Board member

Jan Ehrensvärd
Board member

Henrietta Hansson
Board member

Mikael Bergström
Board member

Ulf Uddman
Board member

Patrik Sandin
Board member

Kjell Lindfors
Board member

Anna Sandqvist
Employee representative

Linnéa Niklasson
Employee representative

Agnes Fabricius
President

My audit report was submitted on 6 March 2018.

Gunilla Wernelind
Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders of Försäkringsaktiebolaget Agria (publ), corp. id 516401-8003

Report on the annual accounts

Opinions

I have audited the annual accounts of Försäkringsaktiebolaget Agria (publ) for the year 2017. The annual accounts of the company are included on pages 3–36 in this document.

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies, and present fairly, in all material respects, the financial position of Försäkringsaktiebolaget Agria (publ) as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

I therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

My opinions in this report on the the annual accounts are consistent with the content of the additional report that has been submitted to the Board of directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

I conducted my audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the Auditor's Responsibilities section. I am independent of Försäkringsaktiebolaget Agria (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.This includes that, based on the best of my knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in my professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of my audit of, and in forming my opinion thereon, the annual accounts as a whole, but I do not provide a separate opinion on these matters.

Valuation technical provision

See disclosure 27 and accounting principles on page 18 in the annual account for detailed information and description of the matter.

Description of key audit matter

The technical provisions in the annual accounts are stated at 266 MSEK as of December 31, 2017.

This is an area involving significant judgments of uncertain future outcome, primarily including the timing and size of incurred claims which will be settled with the policyholders.

The company uses established actuarial valuation models to support the calculations of the tehcnical provision. The complexity of the models may cause risk for errors as a result of inadequate/incomplete data or the design or application of the models.

The company´s technical provision consists of a few products. The actuarial assumtions such as settlement period, customer´s behavior and costs are examples of important data being used to estimate these provisions.

Response in the audit

We have assessed the applied actuarial assumptions by comparing the valuation methods with the company's own experience and investigations, regulatory requirements and industry benchmarks.

We have performed tests on a sample basis to assess management's data extraction process as input to the acutarial calculations.

We have involved our own actuarial specialists to assist us in challenging the methodology and the assumptions used in the projected cash flows and in the valuation of technical provisions. We have performed our own calculations verifing the adequacy of the technical provision and compared it to the expected future contractual obligations.

We have also considered the completeness of the underlying facts and circumstances that are presented in the disclosures in the accounts and assessed whether the information is adequate to understand management judgements.

Other Information than the annual accounts

This document also contains other information than the annual accounts and is found on pages 1–2. The Board of Directors and the Managing Director are responsible for this other information.

My opinion on the annual accounts does not cover this other information and I do not express any form of assurance conclusion regarding this other information.

In connection with my audit of the annual accounts, my responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure I also take into account my knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If I, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Insurance Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

My objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to my audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts. I also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify my opinion about the annual accounts. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

I must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. I must also inform of significant audit findings during my audit, including any significant deficiencies in internal control that I identified.

I must also provide the Board of Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, I determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. I describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to my audit of the annual accounts, I have also audited the administration of the Board of Directors and the Managing Director of Försäkringsaktiebolaget Agria (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

I recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

I conducted the audit in accordance with generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the Auditor's Responsibilities section. I am independent of Försäkringsaktiebolaget Agria (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

My objective concerning the audit of the administration, and thereby my opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

My objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby my opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, I exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on my professional judgment with starting point in risk and materiality. This means that I focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. I examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to my opinion concerning discharge from liability. As a basis for my opinion on the Board of Directors' proposed appropriations of the company's profit or loss I examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Gunilla Wernelind, Box 382, 101 27, Stockholm, was appointed auditor of Försäkringsaktiebolaget Agria (publ) by the general meeting of the shareholders on the 27 March, 2015. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2000.

Stockholm 6 March 2018

Gunilla Wernelind
Authorized Public Accountant

Board of Directors and auditor

1 Ann Sommer

Chairman. Born 1959. President of Länsförsäkringar Sak Försäkringsaktiebolag. Elected: 2000. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Länsförsäkringar Grupplív, Board member of Länsförsäkringar Mäklarservice, SOS International and Amice (Association of Mutual Insurers and Insurance Cooperatives in Europe), Chairman of Swedish Theft Prevention Association (SSF). **Previous experience:** President of WASA International, WASA Specialförsäkringar AB, WASA International UK and Stockholm Re.

2 Mikael Bergström

Born 1962. President of Länsförsäkringar Västernorrland. Elected: 2015. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Länsförsäkringar Västernorrland, Board member of EkoNord AB, Länsförsäkringar i Norr Holding AB, Fastighetsförvaltningsbolaget Gården 35 AB and Wasa Kredit AB. **Previous experience:** Regional manager Nordea, office manager Nordea, President of Hoting Lamell AB.

3 Jan Ehrensvärd

Born 1968. Elected: 2017. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Treform Packaging AB and Äppelriket Ekonomisk förening. Board member of Federation of Swedish Farmers and Alsoca Förvaltning AB. **Previous experience:** Owner of Tosterups Gård AB, Sales and Marketing Director KGH Group, President of Checkpoint Systems Inc, founder of Parcelhouse

4 Henrietta Hansson

Born 1964. President. Elected: 2016. **Education:** Bachelor of Science in Business and Economics, local government administration Lund University. **Other appointments:** Länsförsäkringar Göinge-Kristianstad, Krinova-Science Park, Flyinge AB and Ridskolan Strömsholm. **Previous experience:** President of Agria, worked at Länsförsäkringar since 2000.

5 Bo Helander

Born 1943. Associate professor. Elected: 2014. **Education:** Doctor of Laws, civil law. **Other Board appointments:** Chairman of Swedish Thoroughbred Breeders' Association, Board member of Swedish Horse Council Foundation, European Equestrian Federation, European Horse Network. **Previous experience:** Associate professor, Professor, etc. at Stockholm University, Secretary-General of Federation Equestre Internationale (FEI), farm manager, horse breeder.

6 Kjell Lindfors

Born 1962. President of Länsförsäkringar Norrbotten. Elected: 2015. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Länsförsäkringar Fastighetsförmedling. **Previous experience:** Various Board appointments at Länsförsäkringar Alliance and local companies in Norrbotten.

7 Ulf Uddman

Born 1957. President of Swedish Kennel Club. Elected: 2016. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Hundstallet – Svenska Hundskyddsföreningen (Swedish Dog Protection Association) and its subsidiaries and Board member of several family companies. **Previous experience:** Deputy Board member of Agria 1987–2011, Chairman of Agria's Pet Product Committee, member of municipal council 1980–1990s in Jordbrukets Försäkringsbolag. Severed as an expert in several government inquiries into dog and animal activities.

8 Patrik Sandin

Born 1948. Self-employed. Elected: 2012. **Education:** High school diploma, Ottowa High School Iowa. **Other Board appointments:** Chairman of Länsförsäkringar Värmland, Länsförsäkringar Värmlands Fastigheter AB, Värmland Sports Historical Society, Board member of Färjestad Trotting Association. **Previous experience:** Chairman of the Swedish Trotting Association and UET European Trotting Union, Forshaga Handball Club, Deputy Chairman of AB Trav och Galopp, Board member of Swedish Dental Trade Association, Swedish Horse Council Foundation and Nordic Trotting Museum.

EMPLOYEE REPRESENTATIVES

9 Anna Sandqvist

Born 1963. Compliance. Elected: 2017. **Education:** Bachelor of Arts. **Other Board appointments:** Employee representative of Swedish Confederation of Professional Associations (SACO) on the Board of Länsförsäkringar AB, Chairman of SACO association at Länsförsäkringar AB. **Previous experience:** AMF Pension, Wasa Försäkringar.

Deputy: Margareta Edihl Tomth

10 Linnéa Niklasson

Born 1958. Object specialist Integration. Employee representative. Elected: 2011. **Education:** Systems developer, business school economist. **Other Board appointments:** Länsförsäkringar AB, Länsförsäkringar Sak, Chairman of Länsförsäkringar AB FTF club, treasurer and member of LFP, FTF Board. **Previous experience:** Object specialist, Test Manager, Change Management at Länsförsäkringar AB, Systems Developer Agria, Chairman of Agria employee club, Group Manager accounts receivable ledger/IT.

AUDITOR

Gunilla Wernelind

Elected by the Annual General Meeting. Authorised Public Accountant, KPMG.

Executive management

Agnes Fabricius
President

Öystein Berg
Head of Business Development

Jonas Bjerre
Controller Agria.

Monica Dreijer
Executive Vice President,
Head of Agria Concept, Head of Customer Centre.

Camilla Elmesten
Controller Agria.

Mikael Theorén
President of Business Area Horse and Agriculture.

Kaj Holmberg
Head of Operating Systems

Christian Geelmuyden
President of Business Area Norway.

Sonja Karaoglan
President of Business Area Denmark

Anna Linder
President of Business Area Finland

Patrik Olsson
President of Business Area Pet

Monica Tuvelid
Deputy President of Business Area Pet

EMPLOYEE REPRESENTATIVES

Linnéa Niklasson
Employee representative

Anna Sandqvist
Employee representative

Definitions

Run-off result
For claims for which final settlement has not been completed at the end of the fiscal year, funds are reserved in the provision for claims outstanding. The assessment of future payments implemented may however prove to be incorrect for various reasons. If the calculated compensation amount for a claim proves to be over-valued, run-off gains will arise when the compensation amount is re-assessed or when the claim has been settled. If the amount is under-valued, a corresponding run-off loss will arise.

Direct yield
Direct yield refers to the total of interest income, interest expense, other financial expenses, dividends on shares and participations and administration costs for asset management in relation to the average value of the investment assets during the year. The direct yield was restated in accordance with FFFS 2015:12.

Direct insurance
Insurance contract concluded directly between the insurer and the policyholder. In contrast to assumed reinsurance, the insurance company is directly responsible to the policyholder.

Operating expenses
Operating expenses is a collective term for expenses for sales, management and administration.

Expense ratio
Operating expenses as a percentage of premiums earned after ceded reinsurance.

After ceded reinsurance
The proportion of an insurance transaction for which the insurance company assumes the risk, and which is not reinsured with another company. Sometimes the term “for own account” is used.

Required solvency margin
The lowest permitted level of own funds for insurance companies. The required solvency margin is calculated in accordance with the rules laid down in the Swedish Insurance Business Act.

Unearned premiums
A liability item, corresponding to the portion of premium income that pertains to the next year in the annual accounts.

Claims payments
The cost during the fiscal year for claims incurred, including costs for claims that have not yet been reported to the insurance company. The cost also includes the run-off result, meaning the profit and loss arising in the provision for claims outstanding made in the immediately preceding year-end accounts.

Technical provisions
Provision for unearned premiums and unexpired risks, and provision for claims outstanding and comparable commitments in accordance with signed insurance contracts.

Investment income transferred from financial operations
Premiums are paid in advance, while operating expenses and claims costs are paid in arrears. Funds that have not yet been paid out are invested in order to obtain a return. The estimated interest on these investments – the cost of capital – is transferred from investment income to the insurance operations.

Own funds
Own funds comprise Tier 1 capital and additional capital. Tier 1 capital is the difference between assets and liabilities measured in accordance with the Solvency II rules and subordinated liabilities. Additional capital comprises items not recognised in the statutory balance sheet but that could be required to cover losses. Own funds for Agria mainly comprise equity and untaxed reserves according to the legal accounts adjusted by revaluation items arising on the remeasurement of the balance sheet in accordance with Solvency II.

Solvency margin
The ratio between solvency capital and premium income for own account, expressed as a percentage. The solvency margin, calculated in this manner, is the measure of capital strength of the insurance company normally used.

Solvency capital
Recognised equity, plus untaxed reserves, plus deferred tax liabilities, less deferred tax assets.

Minimum capital requirement
The minimum capital requirement comprises the minimum amount of eligible Tier 1 capital and is calculating by taking into account all or part of technical provisions, premium income, positive risk amounts, deferred taxes, administrative costs, ceded reinsurance and the solvency capital requirement.

Premium income
Premiums paid in during the year or recognised as receivables at year-end since they have fallen due for payment. Premium income is a common measure of the volume of insurance operations.

Premiums earned
The proportion of premium income attributable to the fiscal year.

Technical result for non-life insurance operations
Premiums earned less claims payments and operating expenses in the insurance operations plus profit/loss from ceded reinsurance and investment income transferred from financial operations.

Claims ratio
The ratio between claims payments, including claims adjustment costs and premiums earned after ceded reinsurance, expressed as a percentage.

Contingency reserve
Provisions for contingency reserve is an appropriation. The contingency reserve is to equalise fluctuations in the risk process and the uncertainty in the calculation basis for provisions for unearned premiums and claims outstanding.

Total return ratio
The sum of direct yield, realised gains and losses, and unrealised changes in the value of assets in relation to the average fair value of managed assets.

Combined ratio
The sum of operating expenses in the insurance operations and claims payments as a percentage of premiums earned after ceded reinsurance.

Deferred tax
Deferred tax liabilities/assets pertain to taxable temporary differences.

Reinsurance
Risk distribution method entailing that an insurance company purchases coverage for a portion of its liability commitment for insurance and reinsurance contracts, known as ceded reinsurance. Assumed reinsurance refers to the business that an insurance company receives from other insurance company in the form of reinsurance.

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