



**Interim Report  
January – September  
2017**



# Stable results in seasonally weak quarter

"We deliver stable results, but at the same time we see that there is potential for further improving long-term profitability. We are now entering a new phase where we are increasingly utilising our breadth and strength by providing clients with packaged solutions in our core markets and in several selected niche areas internationally," said Jonas Gustavsson, President and CEO.

## Third quarter 2017

- Net sales amounted to SEK 2,662 million (2,348)
- EBITA<sup>1)</sup> excl. items affecting comparability, was SEK 184 million (170)
- EBITA margin, excl. items affecting comparability, was 6.9 percent (7.3)
- EBITA totalled SEK 114 million (170)
- EBITA margin was 4.3 percent (7.3)
- EBIT (operating profit) was SEK 125 million (162)
- Earnings per share, before dilution: SEK 1.13 (1.63)

### COMMENTS BY THE CEO

ÅF's results for the third quarter are stable with growth of 13 percent. EBITA amounted to SEK 184 million (170), excluding items affecting comparability. At the same time, we see that there is potential for further improving long-term profitability through efforts that include our ongoing restructuring programme.

Our assessment of the market is largely unchanged compared with the previous quarter. The industrial climate is strong in Sweden, which is reflected in the performance of the automotive industry, pulp and paper, food and pharma and other manufacturing industries. Investments in infrastructure in Sweden and Norway remain at a high level, while ongoing digitalisation is resulting in a good market for embedded systems and IT. The energy market in Europe is undergoing change, driven by conversion to fossil-free production, energy storage needs and smart grids. Slowly rising electricity prices are also having a positive effect on the market.

In early October, ÅF presented a new strategy, reformulated financial targets and a new organisation adapted to delivering in line with the new direction. The strategy entails a clarified international expansion, a business model in which ÅF will offer clients more packaged solutions and concepts, and an adjustment to financial management to achieve sharper client focus, more end-to-end solutions and internationalisation.

The Industry Division continues to show good growth and stable profitability. Demand is increasing in industrial digitalisation and automation. Several major orders were won during the quarter, including a turnkey end-of-line testing facility for Ålö, a manufacturer of front end loaders. To strengthen its position in industrial digitalisation, tunnel automation and robotic solutions, ÅF acquired Eitech's automation business, including 42 employees, during the quarter.

The Infrastructure Division reports continued good growth. Profitability is stable, but the margin has been adversely affected by a continued weak earnings trend in the acquired company Reinertsen, now called ÅF Engineering AS, as well as the changeover from several major projects. Among the major projects that ÅF has obtained during the period are two assignments in Stockholm; one for a new city centre in Nacka, where traffic is being moved underground and the cityscape is being transformed into a 300-metre-long park, and another for project planning services for the new Hagastaden district.

The International Division shows improved results in an energy market that is undergoing restructuring. ÅF is growing in the Czech Republic; new assignments include the expansion and upgrading of a power plant. ÅF has also obtained a new major contract in Africa for the expansion of Ivory Coast's transmission network. Growth in the quarter is largely related to the acquisition of AF Toscano in Switzerland.

## January-September 2017

- Net sales amounted to SEK 9,158 million (7,933)
- EBITA excl. items affecting comparability, was SEK 772 million (690)
- EBITA margin, excl. items affecting comparability, was 8.4 percent (8.7)
- EBITA totalled SEK 683 million (686)
- EBITA margin was 7.5 percent (8.7)
- EBIT (operating profit) was SEK 685 million (663)
- Earnings per share, before dilution: SEK 6.30 (6.47)

The Technology Division continues to grow with healthy profitability on an expanding market in digitalisation and embedded systems. Demand for the Division's services is strong, primarily from the automotive industry and public sector. We see a positive trend with slowly increasing demand for product development project assignments. Examples include new orders from Scania, SAAB and BAE Systems.

In October, ÅF acquired the design and user experience agency in Use, which is based in Sweden. The company has 100 employees and annual sales of approximately SEK 90 million. This acquisition makes ÅF Sweden's largest provider in service design and user experience.

Overall, ÅF's growth is good, and we see opportunities to further improve profitability. We are now entering a new phase where we are increasingly utilising our breadth and strength by providing clients with packaged solutions in our core markets and in several selected niche areas internationally. The reformulated financial targets include annual growth of 10 percent, with major platform acquisitions being added, EBITA margin of 10 percent over a business cycle and net debt in relation to EBITDA of 2.5.

Stockholm – 23 October 2017

Jonas Gustavsson  
President and CEO

<sup>1)</sup> As of the first quarter of 2017 the ÅF Group uses EBITA as the operating income measure. Operating profit (EBIT) was used previously. For further information, please see page 9.

## NET SALES AND EARNINGS 2017

### July-September

Net sales for the quarter totalled SEK 2,662 million (2,348). Growth was 13.4 percent. Organic growth was 2.6 percent. Underlying organic growth was 3.6 percent after adjusting for the period having one less working day than the previous year and currency effects.

Adjusted for items affecting comparability, EBITA totalled SEK 184 million (170) and the EBITA margin was 6.9 percent (7.3). EBITA and the EBITA margin were SEK 114 million (170) and 4.3 percent (7.3), respectively.

The strategy review begun during the second quarter resulted in a revised Group strategy with a new organisation being established as of 1 January 2018. The cost of the restructuring programme that was announced in the second quarter amounts to SEK 90 million. SEK 69 million was charged in the third quarter and the remainder was charged in the second quarter. The cost is recognised under group-wide items as items affecting comparability. The restructuring programme is expected to result in annual savings of approximately SEK 100 million and full effect is expected from the first quarter of 2018.

EBIT totalled SEK 125 million (162). The difference between EBIT and EBITA consists in its entirety of acquisition-related items, namely amortisation on acquisition-related non-cur-

rent assets amounting to SEK 10 million (8) and a change in future contingent considerations amounting to SEK -21 million (-).

Profit after financial items was SEK 107 million (153) and profit after tax was SEK 88 million (118). Net financial items during the quarter totalled SEK -18 million (-9). Interest expense increased due to increased borrowing. In addition, net financial items was charged with increased costs for discount rates related to contingent considerations, which do not affect cash flow, amounting to SEK 4 million (1).

Tax expense in the quarter is lower than normal due to the changed assessment of future contingent considerations, which is a non-taxable item. Adjusted for this effect, the quarterly tax would amount to 22.5 percent.

### January-September

Net sales for the year totalled SEK 9,158 million (7,933). Growth was 15.4 percent. Organic growth was 3.5 percent. Underlying organic growth was 3.0 percent after adjusting for the period having one less working day than the previous year and currency effects.

Adjusted for items affecting comparability, EBITA totalled SEK 772 million (690) and the EBITA margin was 8.4 percent (8.7). EBITA and the EBITA margin were SEK 683 million (686) and 7.5 percent (8.7), respectively. Items affecting comparability consisted of

restructuring costs totalling SEK 90 million (4).

EBIT totalled SEK 685 million (663). The difference between EBIT and EBITA consists entirely of acquisition-related items, namely, amortisation of acquisition-related assets amounting to SEK 28 million (24) and the change in assessment of future contingent considerations amounting to SEK -31 million (-1).

Profit after financial items was SEK 627 million (634) and profit after tax was SEK 489 million (490).

Net financial items for the period were SEK -58 million (-29). Interest expense increased due to increased borrowing. In addition, net financial items was charged with increased costs for discount rates related to contingent considerations, which do not affect cash flow, amounting to SEK 14 million (2).

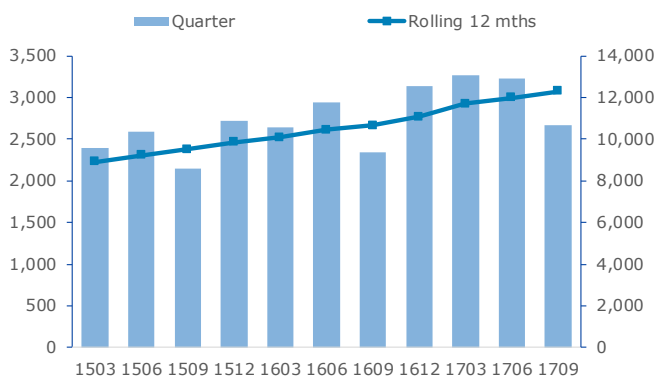
### New organisational structure

On 1 January 2018, the new divisional structure will be implemented. Pro forma figures per quarter for 2017 will be presented in December.

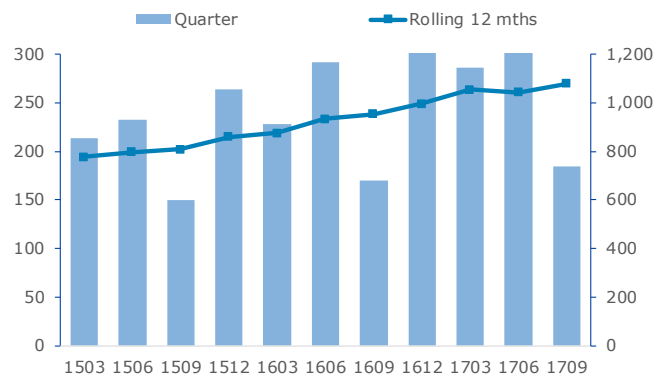
## KEY RATIOS

	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Net sales, SEK million	2,662	2,348	9,158	7,933	11,070
Total growth, %	13.4	9.4	15.4	11.2	12.4
Acquired, %	10.8	7.2	11.9	8.5	9.5
Organic, %	2.6	2.1	3.5	2.7	2.9
whereof currency, %	-0.3	0.1	0.7	-0.8	-0.2
EBITA excl items affecting comparability, SEK million	184	170	772	690	996
EBITA margin excl items affecting comparability, %	6.9	7.3	8.4	8.7	9.0
EBITA, SEK million	114	170	683	686	992
EBITA margin, %	4.3	7.3	7.5	8.7	9.0
Operating profit (EBIT), SEK million	125	162	685	663	965
Profit after financial items, SEK million	107	153	627	634	923
Earnings per share, before dilution, SEK	1.13	1.63	6.30	6.47	9.32
Net debt, SEK million	-	-	2,830	2,006	2,298
Net debt/EBITDA rolling 12-month, times	-	-	2.6	1.9	2.1
Net debt-equity ratio, %	-	-	59.9	43.6	48.9
Total number of employees	-	-	9,848	8,605	9,133
Capacity utilisation, %	77.1	76.8	77.5	77.5	77.6

## NET SALES SEK MILLION



## EBITA SEK MILLION \*)



\*) excl items affecting comparability

### Cash flow and financial position

Consolidated net debt totalled SEK 2,830 million (2,006) at the end of the quarter and SEK 2,639 million (1,851) at the start of the quarter. The increase is mainly attributable to a negative cash flow from operating activities of SEK 80 million, share buy-backs of SEK 81 million and considerations paid including contingent considerations of SEK 27 million.

At the beginning of the year, consolidated net debt totalled SEK 2,298 million (1,486), generating an accumulated increase in net debt of SEK 532 million (520). The increase is mainly attributable to dividends paid and share buy-backs of SEK 432 million and considerations paid including contingent considerations of SEK 312 million. Cash flow from operating activities reduced net debt by SEK 287 million.

During the second quarter, ÅF established a commercial paper programme with an overall sum of SEK 1,000 million. The commercial paper programme complements ÅF's basic funding. In connection with the establishment of the commercial paper programme, ÅF entered a new credit facility agreement of SEK 1,000 million to ensure underlying available credit facilities for the commercial paper programme. The facility has a term of 2 years with a possible extension.

Consolidated cash and cash equivalents totalled SEK 162 million (275) at the end of the period and unused credit facilities

amounted to SEK 1,403 million (985). Equity per share was SEK 60.80 (58.58). The equity ratio was 44.1 percent (49.6). Equity totalled SEK 4,728 million (4,607).

### Parent company

Parent company operating income for the January–September period totalled SEK 562 million (481) and relates chiefly to internal services within the Group. Profit after net financial items was SEK 90 million (8). Cash and cash equivalents totalled SEK 10 million (58) and gross investment in non-current assets was SEK 26 million (36).

### Acquisitions and divestments

Eleven businesses have been acquired since the beginning of the year, and they are expected to contribute sales of SEK 600 million over the full year.

### Number of employees

The average number of FTEs was 9,159 (7,985). The total number of employees at the end of the period was 9,848 (8,605).

### Important events in third quarter 2017 and after end of reporting period

In October 2017, a new strategy was presented that will help reposition ÅF as an engineering and design company, maintain strong growth and heighten profitability in an increasingly competitive market. See page 4 for more information.

Lennart Waldenström has replaced Viktor Svensson as President of the Technology Division and Jonas Larsson is now Acting President of the Industry Division, replacing Per Magnusson.

In July 2017, ÅF acquired Eitech's automation business, thereby strengthening its offer in automation to industrial clients throughout Sweden. The acquisition is part of ÅF's strategy to meet strong demand in the area. Eitech's automation operations have annual sales of approximately SEK 90 million and 42 employees.

In October, after the end of the quarter, ÅF acquired London-based Light Bureau, which strengthens ÅF's offer in lighting design and creates a stronger platform for international assignments. Light Bureau has annual sales of approximately SEK 6 million.

After the end of the quarter, ÅF acquired the design and user experience agency inUse, which is based in Sweden. The company has 100 employees and annual sales of approximately SEK 90 million. This acquisition makes ÅF Sweden's largest provider in service design and user experience. inUse will be consolidated as of November 2017.



## ÅF's NEW STRATEGY

ÅF has unique expertise in technology and design that is in demand in the market. Smart cities, smart infrastructure, increased mobility, industrial digitalisation and the changing energy market are strong social trends affecting ÅF's business. By developing its current business model, ÅF will take a new position as an engineering and design company and will sharpen its focus on delivering targeted concept solutions, both in the Nordic region and internationally.

ÅF's new strategy will help reposition ÅF as an engineering and design company, maintain strong growth and heighten profitability in an increasingly competitive market. The strategy can be divided up into four sub-areas.

### International expansion through leading market positions

ÅF will continue to grow in its core markets of Sweden, Norway, Denmark, Finland, Switzerland and the Czech Republic. ÅF is also committed to becoming an international leader in several selected niches and segments such as automotive R&D, food and pharma, advanced manufacturing, the process industry and lighting.

### Development of the business model to deliver greater value

ÅF will form the business model to increase the value of deliveries to clients. The shift means that ÅF will take advantage of its unique range of expertise and will offer clients more packaged solutions and concepts, along with selected products in the long term.

### Operational efficiency

The organisation is being simplified and financial control is being adapted with a view to achieving clearer account management for specific client segments, ensuring international expansion and taking a larger share of end-to-end solutions. The new simplified organisation will take effect on 1 January 2018 with four international divisions: Infrastructure, Industry, Energy and Digital Solutions. The divisions will in turn consist of 21 business areas with full responsibility for their client accounts and profitability, and for implementing the new strategy.

### Attractive employer

ÅF is an attractive employer that actively recruits, cultivates and retains the right people. The new business model and international expansion require ÅF to further develop its leadership, recruitment process, and diversity and inclusion efforts.

### Financial objectives

The financial targets are being reformulated to apply over a business cycle, specifically:

- Annual growth of 10 percent. The target includes add-on acquisitions. Larger platform acquisitions will also be made.
- An EBITA margin of 10 percent over a business cycle.
- Net debt in relation to EBITDA of 2.5.

# Industry Division



The Industry Division is the Nordic region's leading consultant in product development, process and production systems. Its mission is clear: to improve profitability for its clients. Experience from previous projects guarantees stability, competitive strength and peace of mind for clients. Geographical proximity to clients and a thorough understanding of the sectors in which they work are the most important foundations for long-term client relations.

All in all, the Industry Division continues to see stable demand from the industrial sector in the third quarter.

In the automotive sector, both Swedish and Chinese manufacturers show continued high demand. Demand continues to be good in the market for food and pharma, especially in food and specifically in dairies and the Norwegian fish industry.

There is now a major shift to fossil-free production processes in the chemical and petrochemical industry, which means increased demand for ÅF's services.

The pulp and paper industry is showing signs of a slight slowdown when it comes to major investments in Sweden. The larger investment projects are located outside of Sweden, where

ÅF sees increased demand with a strong focus on end-to-end solutions.

The Swedish mining industry continues to improve, but from a relatively low level. ÅF also sees increased demand for industrial digitalisation and automation solutions. To further strengthen ÅF's position in this area, Eitech's automation business with its 42 employees was acquired.

In the energy sector, ÅF has noted increased demand from Swedish wind power providers, who are planning several major wind power developments resulting from the Swedish Parliament's earlier decision on new renewable energy targets. Some recovery is being seen in nuclear power, with increased demand for ÅF's expertise in this area.

Growth was 12.5 percent, of which 5.6 percentage points was organic. EBITA amounted to SEK 74 million (72) and the EBITA margin was 7.0 percent (7.7).

During the quarter ÅF won an order from Ålö, a front end loader manufacturer. The order is an end-to-end solution where ÅF will build a turnkey end-of-line testing facility outside of Umeå, Sweden. ÅF was also commissioned to initiate work on a new digital production system for Millcon, which operates in the paper industry. ÅF will build a robot cell for gluing legs to stools for IKEA in Hultsfred, Sweden. Two new framework agreements were also signed with Vattenfall Windkraft GmbH, opening up opportunities to deliver projects and services to all of Vattenfall's wind power projects in northern Europe.

## KEY RATIOS - INDUSTRY DIVISION

	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Net sales, SEK million	1,046	930	3,562	3,186	4,437
EBITA, SEK million	74	72	301	279	403
EBITA margin, %	7.0	7.7	8.4	8.8	9.1
Average number of employees, FTEs	3,338	3,085	3,349	3,141	3,177
Total growth, %	12.5	3.6	11.8	4.7	7.0
of which organic growth, %	5.6	2.4	5.1	1.4	2.1

# Infrastructure Division



The Infrastructure Division enjoys a leading position in design and technical solutions for Scandinavian properties and infrastructure. One strength is the division's solid know-how in sustainable and high-tech solutions, and its ability to transform experience into innovation. The community builders in Infrastructure are united by their drive to create, along with our clients, places people can live, work and visit for generations to come.

In Scandinavia, demand for the Division's services remains high. Investments in infrastructure and sustainable buildings are in focus as more and more municipalities, cities and private players steer towards a smarter and more interconnected society where embedded systems and digital solutions are integrated into structures, urban development and buildings. With its technological capabilities and expertise, including architecture, urban development, building installations, automation, electronics, software and IT systems, ÅF can offer clients end-to-end solutions and systems integration.

The Division continues to grow with good profitability. Growth was 9.9 percent for the period, of which 0.7 percentage points were organic. The Division's growth rate is decreasing since several major projects are being finalised, but remains high within energy conservation and technical installations for our main areas of commercial and pub.

The Division's EBITA amounted to SEK 62 million (72) and the EBITA margin was 6.5 percent (8.4). A continued weak earnings trend in the acquired company Reinertsen, now called ÅF Engineering AS, and the transition from several large projects to medium-sized projects has had a negative impact on the margin.

Among the major projects that ÅF has obtained during the period are two assignments in Stockholm; one for a new city centre in Nacka, where traffic is being moved underground and the cityscape is being transformed into a 300-metre-long park, and another for project planning services for the new Hagastaden district, as the area in and around Karolinska University Hospital continues to be developed. In Sweden, ÅF's sustainability experts have been commissioned by H&M to develop "circular stores", design a "circular packaging" strategy and integrate a product development tool for "circular design".

ÅF's architects have been commissioned to design the interior of Viking Lines' new cruise ship. The vessel is expected to be commissioned by 2020.

Bodø in Norway is committed to becoming the world's smartest city. ÅF's architects and community developers will be contributing expertise to an urban development concept for Rønvikjordene in Bodø.

In Denmark, integration of the acquired company Midtconsult continues as planned.

After the end of the period, London-based light design studio Light Bureau was acquired.

## KEY RATIOS - INFRASTRUCTURE DIVISION

	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Net sales, SEK million	947	861	3,292	2,870	4,037
EBITA, SEK million	62	72	314	296	421
EBITA margin, %	6.5	8.4	9.5	10.3	10.4
Average number of employees, FTEs	3,490	2,976	3,439	2,895	2,966
Total growth, %	9.9	31.6	14.7	30.9	29.7
of which organic growth, %	0.7	10.7	2.6	8.6	7.6

The historical figures above are adjusted based on the organisational changes implemented on 1 January 2017, when ÅF Technology AS (previously ÅF AdvansIT AS) was transferred from Infrastructure Division to Technology Division.

# International Division



The International Division offers technical consulting services, in the energy, Industry and infrastructure sectors. Most of the services provided are within the energy sector. The division's domestic markets are Switzerland, Finland and the Baltic countries, and the Czech Republic, but it also performs projects in around 70 countries worldwide. The division enjoys a strong position within renewable energy, thermal power, hydropower and nuclear power.

The International Division shows improved results in an energy market that is undergoing a slow restructuring. In Europe, the upgrading of existing installations, investment plans for renewable thermal power stations and upgrades to national transmission networks are the main drivers in the market. The infrastructure market in Switzerland and the Czech Republic remains stable.

Growth in the third quarter reached 35.8 percent, of which 40.9 percentage points were acquired and relate mainly to the acquisition of Swiss infrastructure company AF Toscano. EBITA amounted to SEK 25 million (0) and the EBITA margin was 7.1 percent (0.1). The corresponding period in 2016 included restructuring costs for infrastructure operations in the Czech Republic, as well as restructuring costs related to a delay of the Angra 3 nuclear

power plant in Brazil. In the third quarter of this year, ÅF cancelled the contract as the customer could not solve its financing problems. The additional costs incurred related to the postponed project were fully recognised in 2016. Excluding infrastructure operations, the EBITA margin amounted to 6.1 percent (0.1).

ÅF has closed the local consulting businesses in Estonia and Lithuania.

During the quarter, the Division won several new assignments such as the expansion and upgrading of a power plant in the Czech Republic, project management and engineering services for a new hydro-electric power plant in India and a major project in Africa for the expansion of Ivory Coast's transmission network.

The expansion within infrastructure in Switzerland through the acquisition of AF Toscano continues according to plan. ÅF's Swiss energy and infrastructure units now address the market together.

## KEY RATIOS - INTERNATIONAL DIVISION

	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Net sales, SEK million	349	257	1,133	798	1,098
EBITA, SEK million	25	0	69	31	58
EBITA margin, %	7.1	0.1	6.1	3.8	5.3
Average number of employees, FTEs	1,134	826	1,167	842	844
Total growth, %	35.8	-11.3	42.0	-8.3	-6.9
of which organic growth, %	-5.1	-11.3	-2.0	-8.3	-7.4



# Technology Division



The Technology Division's main operations are in Sweden, where it works with R&D, communication technology, and IT. Technology helps companies, government agencies, and the military take advantage of the possibilities of the connected world. A firm base and a long track record of success provide stability and give clients peace of mind.

The market for embedded systems and digital solutions remains strong. The digital content of products continues to increase, as does their connection to each other. Our customers see a growing need for a partner that can handle mechanics, electronics, software and IT systems as a coherent whole. ÅF's extensive expertise combined with in-depth knowledge of application and systems development in the connected world constitutes a strong offering.

We see a positive trend with slowly increasing demand for product development project assignments where ÅF can offer end-to-end solutions as well as cross-functional teams with broad expertise. Several new orders were secured in the third quarter with clients such as Scania, SAAB, FMV and BAE Systems.

The Division reports good growth and continued improvements to EBITA and the EBITA margin, compared with the same quarter last year. This is mainly due to increased demand,

a continued high capacity utilisation and a good recruitment rate. EBITA and the EBITA margin were SEK 35 million (29) and 8.8 per cent (8.1), respectively, for the quarter.

The automotive industry shows varying demand but continues to be strong, mainly in embedded systems with applications in active safety and IT services related to telematics. ÅF is now established as one of Sweden's leading development partners to the Swedish automotive industry.

Demand from telecom providers is growing and business has increased in the quarter. The Technology Division continues to see good opportunities to win telecom business by tailoring solutions based on our broad expertise and growing international opportunities. Demand has also been high in telecom infrastructure, driven by project planning of fibre networks.

The Division also continued to grow in the public IT sector, primarily related to digitalisation projects. The defence industry accounted for continued stable and increasing business in the third quarter with good prospects for further strong development.

## KEY RATIOS - TECHNOLOGY DIVISION

	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Net sales, SEK million	397	366	1,402	1,280	1,793
EBITA, SEK million	35	29	129	120	167
EBITA margin, %	8.8	8.1	9.2	9.4	9.3
Average number of employees, FTEs	1,068	980	1,077	982	1,006
Total growth, %	8.4	6.1	9.6	7.4	8.5
of which organic growth, %	6.8	4.2	6.8	6.8	6.9

The historical figures above are adjusted based on the organisational changes implemented on 1 January 2017, when ÅF Technology AS (previously ÅF AdvansIT AS) was transferred from Infrastructure Division to Technology Division.

## Risks and uncertainty factors

The significant risks and uncertainty factors to which the ÅF Group is exposed include strategic risks linked to the market, acquisitions, sustainability and IT, and operational risks related to projects and the ability to recruit and retain qualified co-workers. In addition, the Group is exposed to a number of financial risks, including currency risks, interest-rate risks and credit risks. The risks to which the Group is exposed are described in detail in ÅF's Annual Report for 2016. No significant risks are considered to have arisen since the publication of the annual report.

## Accounting policies

This report has been prepared in accordance with IAS 34, "Interim Financial Reporting". The accounting policies conform with International Financial Reporting Standards (IFRS), as well as with the EU approved interpretations of the relevant standards, the International Financial Reporting Interpretations Committee (IFRIC) and Chapter 9 of the Swedish Annual Accounts Act. The report has been drawn up using the same accounting policies and methods of calculation as those in the Annual Report for 2016 (Note 1). New or revised IFRS standards that came into force in 2017 did not have any material impact on the Group. The parent company has implemented the Swedish Financial Reporting Board's Recommendation RFR 2, which means that the parent in the legal entity shall apply all EU approved IFRS and related statements as far as this is possible, while continuing to apply the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and paying due regard to the relationship between accounting and taxation.

Work with the new IFRS 9 and 15 standards continues according to plan. The Group does not expect the new standards to have any significant impact on the balance sheet and income statement.

## Definitions

Key ratios in this report are defined in ÅF's Annual Report for 2016. ÅF is changing its operating income measure from EBIT to EBITA. EBITA is defined by ÅF as operating profit with restoration of acquisition-related items. Operating profit is thereby adjusted with amortisation and impairment of acquisition-related intangible assets including goodwill, revaluation of contingent considerations and gains/losses on the divestment of companies and businesses.

The purpose of the measure is to present a picture of business operations and their earnings capacity in an acquisition-intense company like ÅF. ÅF can thus help the reader to easily distinguish between income items attributable to operating activities and income items attributable to acquisition activity.

EBITA – Operating profit with restoration of acquisition-related items.

EBITA margin – EBITA in relation to net sales.

Acquisition-related items – Amortisation and impairment of goodwill and acquisition-related intangible assets, revaluation of contingent considerations and gains/losses on the divestment of companies and businesses.

Operating profit (EBIT) – Profit before net financial items and tax.

## The share

The ÅF share price at the end of the reporting period was SEK 190.20 (167.00), representing an increase in value of 16.7 percent since the start of the year, adjusted for dividends. Total shareholder return on the OMX Stockholm Allshare index amounted to 12.7 percent.

A shares	3 217 752
B shares	75 044 113
Total shares	78 261 865
Of which own B shares	792 749
Votes	107 221 633

In 2017, 34,577 own shares were used for matching of the 2013 share savings programme. Shares were converted during the period as per the 2013 staff convertible programme, increasing the number of B shares by 183,600. Shares were bought back for the 2017 convertible programme, increasing the number of own B shares by 460,064. Finally, the share cancellation implemented in the quarter reduced the number of B shares by 835,488.

Stockholm, Sweden - 23 October, 2017  
ÅF AB (publ)

Jonas Gustavsson  
President and CEO

*This information is information that ÅF AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 15.00 on 23 October.*

*All assumptions about the future that are made in this report are based on the best information available to the company at the time the report was written. As is the case with all assessments of the future, such assumptions are subject to risks and uncertainties, which may mean that the actual outcome differs from the anticipated result.*

*This is a translation of the Swedish original. The Swedish text is the binding version and shall prevail in the event of any discrepancies.*

## Investor call

On Tuesday, 24 October at 09.30, investors and analysts are invited to a presentation of ÅF's interim report for the third quarter 2017 with CEO Jonas Gustavsson and CFO Stefan Johansson. The presentation will be in English.

Link to webcast and presentation for download: [www.afconsult.com/en/investor-relations/financial-reports/](http://www.afconsult.com/en/investor-relations/financial-reports/)

You can also participate by telephone.  
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## Calendar 2017

8 November, Capital Markets Day  
For invitation and registration see [www.afconsult.com/en/investor-relations/capital-markets-day/](http://www.afconsult.com/en/investor-relations/capital-markets-day/)

## Calendar 2018

8 February - Q4 2017  
25 April - Q1 2018  
13 July - Q2 2018  
24 October - Q3 2018

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Corp. ID no. 556120-6474

# Review report

Translation from the Swedish original

ÅF AB, Corp. Id. 556120-6474

## Introduction

We have reviewed the summary interim financial information (interim report) of ÅF AB as of 30 September 2017 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm 23 October 2017

KPMG AB

Joakim Thilstedt  
Authorized Public Accountant  
Auditor in charge

## Consolidated income statement

SEK million	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016	Oct 2016- Sep 2017
Net sales	2,662	2,348	9,158	7,933	11,070	12,296
Personnel costs	-1,592	-1,302	-5,348	-4,439	-6,139	-7,047
Purchases of services and materials	-697	-647	-2,283	-2,096	-2,944	-3,130
Other costs	-234	-210	-768	-652	-918	-1,034
Other income	1	1	2	2	4	4
Profit attributable to participations in associates	-	0	-	0	0	0
<b>EBITDA</b>	<b>141</b>	<b>191</b>	<b>761</b>	<b>747</b>	<b>1,074</b>	<b>1,088</b>
Amortisation and impairment of non-current assets <sup>1)</sup>	-26	-20	-78	-61	-82	-99
<b>EBITA</b>	<b>114</b>	<b>170</b>	<b>683</b>	<b>686</b>	<b>992</b>	<b>989</b>
Acquisition-related items <sup>2)</sup>	10	-8	2	-23	-27	-1
<b>Operating profit (EBIT)</b>	<b>125</b>	<b>162</b>	<b>685</b>	<b>663</b>	<b>965</b>	<b>987</b>
Net financial items	-18	-9	-58	-29	-42	-71
<b>Profit after financial items</b>	<b>107</b>	<b>153</b>	<b>627</b>	<b>634</b>	<b>923</b>	<b>917</b>
Tax	-20	-35	-138	-144	-212	-206
<b>Profit for the period</b>	<b>88</b>	<b>118</b>	<b>489</b>	<b>490</b>	<b>711</b>	<b>710</b>
Attributable to:						
Shareholders in the parent	88	127	491	504	726	712
Non-controlling interest	-1	-9	-1	-14	-15	-2
<b>Profit for the period</b>	<b>88</b>	<b>118</b>	<b>489</b>	<b>490</b>	<b>711</b>	<b>710</b>
Earnings per share before dilution, SEK	1.13	1.63	6.30	6.47	9.32	-
Earnings per share after dilution, SEK	1.12	1.59	6.20	6.35	9.14	-
Number of shares outstanding	77,469,116	78,335,311	77,469,116	78,335,311	77,711,003	
Average number of outstanding shares before dilution	77,801,189	78,174,718	77,813,665	77,905,533	77,937,176	
Average number of outstanding shares after dilution	80,566,583	80,622,548	80,166,512	80,162,255	80,220,366	

<sup>1)</sup> Depreciation/amortisation and impairment of non-current assets refers to property, plant and equipment and intangible non-current assets excluding intangible non-current assets related to acquisitions.

<sup>2)</sup> Acquisition-related items are defined as depreciation/amortisation and impairment of acquisition-related intangible non-current assets including goodwill, revaluation of contingent considerations and gains/losses on divestment of companies and businesses. See page 15 for further details.

## Statement of consolidated comprehensive income

SEK million	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
<b>Profit for the period</b>	<b>88</b>	<b>118</b>	<b>489</b>	<b>490</b>	<b>711</b>
<b>Items which will be transferred to profit or loss</b>					
Change in translation reserve	-27	66	-55	129	112
Change in hedge reserve	2	-4	4	-17	-11
Tax	0	1	-1	4	2
<b>Items which will not be transferred to profit or loss</b>					
Pensions	0	1	1	1	-5
Tax	0	0	0	0	1
<b>Other comprehensive income for the period</b>	<b>-25</b>	<b>64</b>	<b>-51</b>	<b>117</b>	<b>99</b>
<b>Comprehensive income for the period</b>	<b>62</b>	<b>182</b>	<b>438</b>	<b>607</b>	<b>810</b>
Attributable to:					
Shareholders in the parent	63	187	440	615	818
Non-controlling interest	-1	-5	-2	-8	-8
<b>Total</b>	<b>62</b>	<b>182</b>	<b>438</b>	<b>607</b>	<b>810</b>

## Consolidated balance sheet

SEK million	30 Sep 2017	30 Sep 2016	31 Dec 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	6,407	5,560	5,955
Property, plant and equipment	500	414	476
Other non-current assets	12	20	31
<b>Total non-current assets</b>	<b>6,920</b>	<b>5,994</b>	<b>6,462</b>
<b>Current assets</b>			
Current receivables	3,643	3,022	3,616
Cash and cash equivalents	162	275	329
<b>Total current assets</b>	<b>3,805</b>	<b>3,297</b>	<b>3,945</b>
<b>Total assets</b>	<b>10,725</b>	<b>9,291</b>	<b>10,407</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Attributable to shareholders in the parent	4,710	4,589	4,677
Attributable to non-controlling interest	17	18	19
<b>Total equity</b>	<b>4,728</b>	<b>4,607</b>	<b>4,697</b>
<b>Non-current liabilities</b>			
Provisions	331	264	360
Non-current liabilities	1,975	1,902	2,520
<b>Total non-current liabilities</b>	<b>2,306</b>	<b>2,166</b>	<b>2,880</b>
<b>Current liabilities</b>			
Provisions	138	26	39
Current liabilities	3,553	2,492	2,791
<b>Total current liabilities</b>	<b>3,691</b>	<b>2,519</b>	<b>2,830</b>
<b>Total equity and liabilities</b>	<b>10,725</b>	<b>9,291</b>	<b>10,407</b>

## Statement of change in consolidated equity

SEK million	30 Sep 2017	30 Sep 2016	31 Dec 2016
<b>Equity at start of period</b>	<b>4,697</b>	<b>4,230</b>	<b>4,230</b>
<b>Comprehensive income for the period</b>	<b>438</b>	<b>607</b>	<b>810</b>
Dividends	-350	-292	-292
Conversion into shares under the staff convertible debenture program	18	65	79
Value of conversion right	10	8	8
Share buy-backs/sales	-81	-	-128
Transactions related to non-controlling interest	-	-20	-20
Share savings programmes	-3	9	10
<b>Equity at end of period</b>	<b>4,728</b>	<b>4,607</b>	<b>4,697</b>

## Statement of consolidated cash flows

SEK million	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Profit after financial items	107	153	627	634	923
Adjustment for items not included in cash flow	63	19	116	98	95
Income tax paid	-34	-39	-166	-155	-188
<b>Cash flow from operating activities before changes in working capital</b>	<b>137</b>	<b>133</b>	<b>577</b>	<b>577</b>	<b>830</b>
Cash flow from changes in working capital	-217	-102	-290	-160	-208
<b>Cash flow from operating activities</b>	<b>-80</b>	<b>31</b>	<b>287</b>	<b>417</b>	<b>622</b>
Cash flow from investing activities	-43	-233	-378	-652	-963
Cash flow from financing activities	74	224	-81	251	411
<b>Cash flow for the period</b>	<b>-49</b>	<b>22</b>	<b>-171</b>	<b>16</b>	<b>70</b>
Opening cash and cash equivalents	206	255	329	264	264
Exchange difference in cash and cash equivalents	5	-2	4	-5	-5
<b>Closing cash and cash equivalents</b>	<b>162</b>	<b>275</b>	<b>162</b>	<b>275</b>	<b>329</b>

## Change in consolidated net debt

SEK million	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Opening balance	2,639	1,851	2,298	1,486	1,486
Cash flow from operating activities	80	-31	-287	-417	-622
Acquisitions of intangible assets, property, plant and equipment	16	19	67	69	97
Acquisition and contingent considerations paid	27	214	312	636	917
Dividend	-	-	350	292	292
Share buy-backs/sales	81	-	81	-	128
Other	-13	-47	9	-59	0
<b>Closing balance</b>	<b>2,830</b>	<b>2,006</b>	<b>2,830</b>	<b>2,006</b>	<b>2,298</b>

## Consolidated net debt

SEK million	30 Sep 2017	30 Sep 2016	31 Dec 2016
Loans and credit facilities	2,848	2,171	2,464
Net pension liability	144	111	163
Cash and cash equivalents	-162	-275	-329
<b>Group</b>	<b>2,830</b>	<b>2,006</b>	<b>2,298</b>

## Consolidated key ratios

	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Return on equity, %	15.0	15.6	15.9
Return on capital employed, %	13.2	14.7	14.7
Equity ratio, %	44.1	49.6	45.1
Equity per share, SEK	60.80	58.58	60.19
Interest-bearing liabilities, SEK million	2,992	2,281	2,627
Average number of employees (FTEs)	9,159	7,985	8,115

## Items affecting comparability

SEK million	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Restructuring costs	-69	-	-90	-25	-25
Pension refunds	-	-	-	22	22
<b>Total</b>	<b>-69</b>	<b>-</b>	<b>-90</b>	<b>-4</b>	<b>-4</b>

## Quarterly information by division

NET SALES, SEK million	2016					2017				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Industry	1,070	1,187	930	1,251	4,437	1,260	1,256	1,046		
Infrastructure	921	1,087	861	1,167	4,037	1,190	1,155	947		
International	278	263	257	300	1,098	375	409	349		
Technology	438	476	366	513	1,793	515	490	397		
Group-wide/ eliminations	-64	-71	-66	-94	-295	-76	-79	-76		
<b>Group</b>	<b>2,643</b>	<b>2,942</b>	<b>2,348</b>	<b>3,138</b>	<b>11,070</b>	<b>3,265</b>	<b>3,231</b>	<b>2,662</b>		

EBITA, SEK million	2016					2017				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Industry	85	122	72	123	403	109	118	74		
Infrastructure	99	125	72	126	421	127	125	62		
International	14	17	0	28	58	15	30	25		
Technology	42	48	29	47	167	47	48	35		
Group-wide/ eliminations	-12	-24	-3	-18	-58	-12	-39	-80		
<b>Group</b>	<b>228</b>	<b>288</b>	<b>170</b>	<b>306</b>	<b>992</b>	<b>286</b>	<b>282</b>	<b>114</b>		

EBITA MARGIN (%)	2016					2017				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Industry	8.0	10.3	7.7	9.9	9.1	8.7	9.4	7.0		
Infrastructure	10.8	11.5	8.4	10.8	10.4	10.6	10.9	6.5		
International	4.9	6.3	0.1	9.3	5.3	3.9	7.3	7.1		
Technology	9.7	10.1	8.1	9.2	9.3	9.1	9.7	8.8		
<b>Group</b>	<b>8.6</b>	<b>9.8</b>	<b>7.3</b>	<b>9.7</b>	<b>9.0</b>	<b>8.8</b>	<b>8.7</b>	<b>4.3</b>		

EMPLOYEES (FTES)	2016					2017				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Industry	3,200	3,144	3,085	3,284	3,177	3,350	3,361	3,338		
Infrastructure	2,724	2,977	2,976	3,178	2,966	3,361	3,467	3,490		
International	859	842	826	851	844	1,199	1,171	1,134		
Technology	988	979	980	1,076	1,006	1,085	1,078	1,068		
ÅF AB	127	116	131	117	122	116	137	127		
<b>Group</b>	<b>7,898</b>	<b>8,057</b>	<b>7,998</b>	<b>8,505</b>	<b>8,115</b>	<b>9,110</b>	<b>9,214</b>	<b>9,157</b>		

NUMBER OF WORKING DAYS	2016					2017				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Sweden only	61	62	66	63	252	64	59	65	63	251
All countries	61	62	66	63	252	64	59	65	63 <sup>1)</sup>	252 <sup>1)</sup>

<sup>1)</sup> Estimated weighted average.

The historical figures above are adjusted based on the organisational changes implemented on 1 January 2017, where ÅF Technology AS (formerly ÅF AdvansIT) was transferred from the Infrastructure Division to the Technology Division.

## Acquired companies' net assets at time of acquisition

SEK million	Jan-Sep 2017
Intangible assets	3
Property, plant and equipment	11
Financial assets	0
Accounts receivable and other receivables	120
Cash and cash equivalents	20
Accounts payable and other liabilities	-145
<b>Net identifiable assets and liabilities</b>	<b>10</b>
Goodwill	478
Fair value adjustment intangible assets	30
Fair value adjustment non-current provisions	-7
<b>Purchase price incl estimated contingent consideration/option</b>	<b>511</b>
Transaction costs	0
Deduct:	
Cash (acquired)	-20
Estimated contingent consideration/option	-232
<b>Net outflow of cash</b>	<b>260</b>

Acquisition analyses are preliminary as the assets in the companies acquired have not been definitively analysed. In the case of the above acquisitions, the purchase price has been greater than the assets recognised in the companies acquired: as a result, the acquisition analysis has created intangible assets. The acquisition of a consulting business involves in the first instance the acquisition of human capital in the form of the skills and expertise of the workforce: thus, the greater part of the intangible assets in the companies acquired is attributable to goodwill.

The acquisitions refer to AB Teknoplan, Midtconsult P/S in Denmark, Quality Engineering Group AB, Vatten & Miljöbyrå i Sverige AB, Teroc Engineering AB, Climate Energy Consulting Piteå AB, Konzept Stockholm AB and Robot Automation AB. None of the acquisitions are significant individually, so the information has been consolidated for presentation.

KIAB Konsult & Installationstjänst AB and inUse Experience AB as well as Light Bureau Ltd in UK were acquired after the end of the reporting period. Acquisition analysis have not yet been prepared for those acquisitions.

## Acquisition-related items

SEK million	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Amortisation and impairment of intangible assets	-10	-8	-28	-24	-33
Revaluation of contingent consideration/option	21	-	31	1	6
<b>Total</b>	<b>10</b>	<b>-8</b>	<b>2</b>	<b>-23</b>	<b>-27</b>

### Valuation of fair value

Contingent considerations are valued to fair value in accordance with level 3. The changes in the balance are reported in the table below. These parameters are mainly related to expected EBIT the next two to three years for the acquired companies. The balance sheet item's change is recognised in the following table.

## Change in contingent consideration/option

SEK million	30 Sep 2017
Opening balance as at 1 January 2017	385
Acquisitions this year	232
Payments	-56
Changes in value recognised in income statement	-31
Adjustment, preliminary acquisition analysis	-13
Discounting	14
Exchange differences	-9
<b>Closing balance</b>	<b>523</b>

As regards other financial assets and liabilities, no significant changes in fair value measurement have been made since the 2016 Annual Report. Fair values are essentially consistent with carrying amounts.

Information in accordance with IAS 34.16A can partly be found on pages prior to the consolidated income statement for the group.



## Parent income statement

SEK million	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Net sales	137	115	412	332	456
Other operating income	51	51	150	149	202
<b>Operating income</b>	<b>188</b>	<b>166</b>	<b>562</b>	<b>481</b>	<b>658</b>
Personnel costs	-38	-31	-122	-105	-149
Other costs	-143	-132	-448	-380	-517
Depreciation and amortisation	-9	-8	-26	-23	-31
<b>Operating profit/loss</b>	<b>-2</b>	<b>-5</b>	<b>-34</b>	<b>-28</b>	<b>-39</b>
Net financial items	26	-14	124	36	561
<b>Profit/loss after financial items</b>	<b>24</b>	<b>-20</b>	<b>90</b>	<b>8</b>	<b>522</b>
Appropriations	-	-	-	-	65
<b>Pre-tax profit/loss</b>	<b>24</b>	<b>-20</b>	<b>90</b>	<b>8</b>	<b>588</b>
Tax	1	3	12	10	-1
<b>Profit/loss for the period</b>	<b>25</b>	<b>-17</b>	<b>101</b>	<b>18</b>	<b>587</b>
Other comprehensive income	2	-3	3	-12	-9
<b>Comprehensive income for the period</b>	<b>27</b>	<b>-20</b>	<b>104</b>	<b>6</b>	<b>579</b>

## Parent balance sheet

SEK million	30 Sep 2017	30 Sep 2016	31 Dec 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	13	20	19
Property, plant and equipment	114	102	107
Financial assets	1,823	5,515	5,764
<b>Total non-current assets</b>	<b>1,950</b>	<b>5,637</b>	<b>5,890</b>
<b>Current assets</b>			
Current receivables	5,799	1,131	1,875
Cash and bank balances	10	58	62
<b>Total current assets</b>	<b>5,810</b>	<b>1,189</b>	<b>1,937</b>
<b>Total assets</b>	<b>7,759</b>	<b>6,826</b>	<b>7,828</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	4,134	3,968	4,436
Untaxed reserves	134	129	134
Provisions	160	69	85
Non-current liabilities	1,503	1,655	2,157
Current liabilities	1,828	1,004	1,016
<b>Total equity and liabilities</b>	<b>7,759</b>	<b>6,826</b>	<b>7,828</b>



ÅF is an engineering and design company with assignments in the energy, industrial and infrastructure sectors, creating progress for our clients since 1895.

By connecting technologies and skills, we provide profitable, innovative, and sustainable solutions to shape the future and improve people's lives. Building on our strong base in Europe, our business and clients are found all over the world.