

# Strong result with continued good growth

## Fourth quarter 2017

- Net sales amounted to SEK 3,500 million (3,138)
- EBITA totalled SEK 344 million (306)
- EBITA margin was 9.8 percent (9.7)
- EBIT (operating profit) was SEK 348 million (302)
- Basic earnings per share before dilution: SEK 3.28 (2.84)

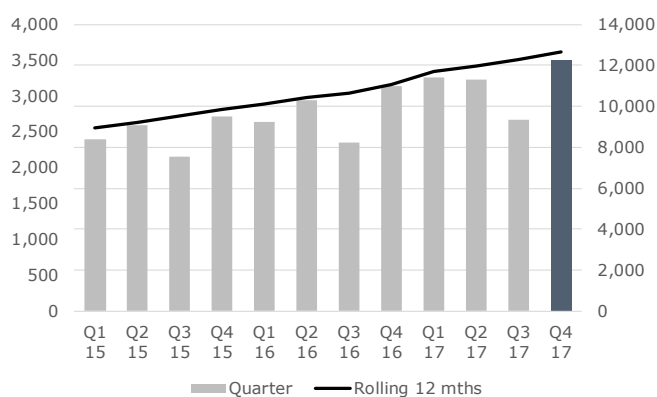
## January–December 2017

- Net sales amounted to SEK 12,658 million (11,070)
- EBITA, excl. items affecting comparability, was SEK 1,117 million (996)
- EBITA margin, excl. items affecting comparability, was 8.8 percent (9.0)
- EBITA totalled SEK 1,027 million (992)
- EBITA margin was 8.1 percent (9.0)
- EBIT (operating profit) was SEK 1,033 million (965)
- Basic earnings per share before dilution SEK 9.58 (9.32)
- Board of Directors proposes a dividend for 2017 of SEK 5.00 (4.50)

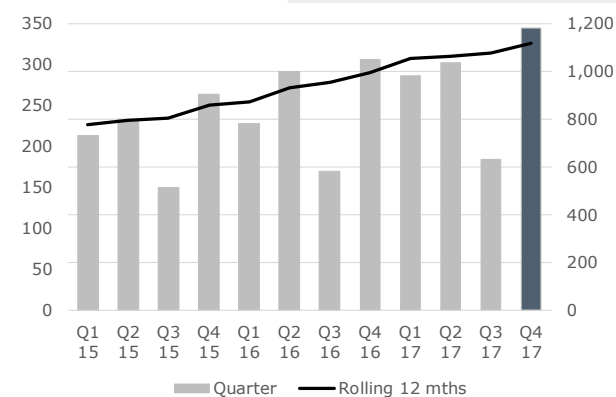
» The fourth quarter was eventful, we delivered strong results with a good growth rate, and at the same time we launched a new strategy and direction for ÅF. These results, together with the new strategic direction and increasing demand for ÅF's solutions, form the foundation for continued profitable growth in 2018. «

Jonas Gustavsson, President and CEO.

## Net sales, SEK million



## EBITA, SEK million<sup>2</sup>



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

<sup>2</sup> Excl items affecting comparability.

# Comments by the CEO

ÅF shows strong results for the fourth quarter. EBITA was the highest ever for both the fourth quarter and the full year. EBITA for the quarter amounted to SEK 344 million (306), an increase of 13 percent. At the same time, growth is still good with sales growth of 12 percent. The EBITA margin is over 10 percent for all divisions.

During the quarter, ÅF launched the new strategy, called Future ÅF, together with reformulated financial targets and a new organisation adapted to deliver according to the new direction. The strategy has a clarified international focus and entails that ÅF will offer customers more package solutions and concepts. The new strategy strengthens ÅF's position as an engineering and design company. In line with this, the design company InUse in Sweden was acquired during the quarter, and the architectural firm Gottlieb Paludan Architects in Denmark was acquired after the end of the quarter.

Our assessment of the market is largely unchanged compared to the previous quarter. Industrial activity is still good in Sweden, which is reflected in the demand from the automotive, forestry and food industries, as well as the paper and pulp industry. Demand from the mining and steel industries continues to increase, but from low levels. Investments in infrastructure in Sweden and Norway are still at a high level, but there is a shift in the market from a few major infrastructure projects to mostly small and medium sized projects. The energy market is still weak in Europe, while the shift to more fossil-free energy production is creating greater demand in areas such as cogeneration plants based on renewable fuels. The ongoing digitalization is increasing, leading to good demand for embedded systems and IT in the industrial, energy and infrastructure markets.

The Industry Division continues to show good growth and stable profitability. Digital solutions have become a key component in ÅF's offer and we see increased demand for industrial digitalization and automation solutions. For example, the division was commissioned to build a robot cell for handling roller bearings and to streamline an existing production line at SKF's factory in Schweinfurt, Germany. Demand from the automotive industry is still strong, and during the quarter, ÅF expanded its customer base with a new assignment for a vehicle manufacturer in the United States.

The Infrastructure Division reports strong results with good profitability. Demand in road and rail continues to be good, and during the quarter, the division was awarded a comprehensive project for the Follobanen line, a new railway between Oslo and Ski in Norway. Demand in architecture and the property segment is very good, where ÅF operates mainly in commercial and public properties. Among other things, an assignment was received for the new Kiruna Cultural Centre, as well as significant framework agreements with Kiruna Municipality, which is facing a major transformation.

The International Division ends the year on a strong note. In Switzerland, the division was commissioned to consult with the government on preparation of its Natio-

nal Energy Strategy 2050. The division will also manage the planning of a road to be constructed between Lugano and Mendrisio in Switzerland. Growth in the quarter is entirely related to infrastructure operations through the acquisition of AF-Toscana at the end of 2016.

The Technology Division continues to grow with good profitability. Demand for the division's services is strong, with customers increasingly seeking partnerships with suppliers capable of delivering long-term end-to-end solutions with customised business and supplier models. New assignments were also secured from clients such as Telia, FMV and clients in the automotive industry.

The strong year-end contributed to a stronger result for the full year. EBITA, excluding items affecting comparability, amounted to SEK 1,117 million (996) and net sales increased 14 percent. These results, together with the new strategic direction and increasing demand for ÅF's solutions, form the foundation for continued profitable growth in 2018.

Stockholm, Sweden – 8 February 2018

Jonas Gustavsson  
President and CEO



# Net sales and earnings 2017

## October–December

Net sales for the quarter totalled SEK 3,500 million (3,138). Growth was 11.6 percent (15.5). Organic growth was 2.8 percent (3.4). In local currencies, organic growth amounted to 3.6 percent. The quarter had the same number of working days as the same period last year.

EBITA and the EBITA margin were SEK 344 million (306) and 9.8 percent (9.7), respectively.

Results were affected by two major items: a downward adjustment of the pension liability of the Swiss company AF-Tosciano amounting to SEK 12 million resulting from a change in the terms of the pension plan and costs associated with the launch of AF's new strategy. Together, these items had a positive effect of SEK 2 million on EBITA. The pension liability adjustment was posted to the International Division, while the strategy launch costs were charged to Group-wide. Last year, net comparable items had a negative effect of SEK 3 million on EBITA.

The savings related to implementation of the restructuring programme are expected to give annual savings of approximately SEK 100 million. For the quarter, these savings amounted to SEK 10 million, that is, an annual effect of SEK 40 million. The remaining savings, SEK 60 million on an annual basis, will be realised gradually during the first half of 2018.

Capacity utilisation was 77.9 percent (77.7).

EBIT totalled SEK 348 million (302). The difference between EBIT and EBITA consists entirely of acquisition-related items that do not affect cash flow, namely, amortisation of acquisition-related assets amounting to SEK 10 million (9) and the change in assessments of future contingent considerations amounting to SEK -14

million (-5).

Profit after financial items amounted to SEK 330 million (289). Net financial items totalled SEK -18 million (-13). 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 3 million (2).

Profit after tax amounted to SEK 253 million (221).

## January–December

Net sales for the year totalled SEK 12,658 million (11,070). Growth was 14.3 percent (12.4). Organic growth was 3.3 percent (2.9). Underlying organic growth was 3.5 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 1,117 million (996) and the EBITA margin was 8.8 percent (9.0). EBITA and the EBITA margin were SEK 1,027 million (992) and 8.1 percent (9.0), respectively.

Items affecting comparability amounted to SEK 90 million (4) and consisted of costs for the restructuring programme, which is expected to give an annual savings effect of SEK 100 million. Annual savings effects of SEK 40 million were realised in the latter part of 2017, thus contributing SEK 10 million to profit for the year. The cost of the programme is recognised under the Group-wide item.

EBIT totalled SEK 1,033 million (965). The difference between EBIT and EBITA consists entirely of acquisition-related items that do not affect cash flow, namely, amortisation of acquisition-related assets amounting

## Key ratios

	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Net sales, MSEK	3,500	3,138	12,658	11,070
Total growth, %	11.6	15.5	14.3	12.4
Acquired, %	8.8	12.1	11.0	9.5
Organic, %	2.8	3.4	3.3	2.9
whereof currency, %	-0.8	1.2	0.3	-0.2
EBITA excl items affecting comparability, MSEK	344	306	1,117	996
EBITA margin excl items affecting comparability, %	9.8	9.7	8.8	9.0
EBITA, MSEK	344	306	1,027	992
EBITA margin, %	9.8	9.7	8.1	9.0
Operating profit, MSEK	348	302	1,033	965
Profit after financial items, MSEK	330	289	957	923
Earnings per share, before dilution, SEK	3.28	2.84	9.58	9.32
Earnings per share, after dilution, SEK	3.19	2.79	9.39	9.14
Net debt, MSEK	-	-	2,631	2,298
Net debt/EBITDA rolling 12-month, times	-	-	2.3	2.1
Net debt-equity ratio, %	-	-	52.7	48.9
Average number of employees, FTEs	-	-	9,865	9,133
Capacity utilisation, %	77.9	77.7	77.6	77.6

to SEK 38 million (33) and the change in assessments of future contingent considerations amounting to SEK -44 million (-6).

Profit after financial items amounted to SEK 957 million (923). Net financial items totalled SEK -76 million (-42). 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 17 million (3).

Profit after tax amounted to SEK 742 million (711).

### Cash flow and financial position

Consolidated net debt totalled SEK 2,631 million (2,298) at the end of the quarter and SEK 2,830 million (2,006) at the start of the quarter. Overall, total net debt decreased during the quarter by SEK 199 million. Cash flow from operating activities decreased net debt by SEK 337 million and increased net debt by means of considerations paid, including contingent considerations/options of SEK 121 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 333 million (812). Cash flow from operating activities reduced net debt by SEK 624 million. Net debt increased through dividends paid of SEK 350 million, share buy-backs of SEK 114 million and considerations paid, including contingent considerations/options of SEK 433 million. See page 12 for more information.

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 into 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 223 million (329) at the end of the period and unused credit facilities amounted to SEK 1,498 million (939). Equity per share was SEK 64.30 (60.19). The equity ratio was 43.8 percent (45.1). Equity totalled SEK 4,989 million (4,697).

### Parent company

Parent company operating income for the period January-December totalled SEK 764 million (658) and relates chiefly to internal services within the Group. Profit after net financial items was SEK 599 million (522). Cash and cash equivalents totalled SEK 21 million (62) and gross investment in non-current assets was SEK 34 million (49).

### Acquisitions and divestments

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

### Number of employees

The average number of FTEs was 9,292 (8,115). The total

number of employees at the end of the period was 9,865 (9,133).

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

In October, 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.

ÅF has acquired digital design agency inUse 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 was consolidated as of November 2017.

After the end of the quarter, ÅF acquired the Danish architectural firm Gottlieb Paludan Architects. The acquisition is in line with ÅF's strategy to broaden its offer in architecture and design and to expand operations in Denmark. The company has annual sales of approximately SEK 140 million and 90 employees. Gottlieb Paludan Architects was consolidated by ÅF as of 1 January 2018.

### New organisational structure

The strategy review led to establishment of new organisational and divisional structures starting 1 January 2018. On page 15 of this report, adjusted quarterly data per division is presented as if the new organisation had existed throughout 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 digitalization 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 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 organisation took effect on 1 January 2018 with four international divisions: Infrastructure, Industry, Energy and Digital Solutions. The divisions 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 were reformulated to apply over a business cycle, specifically:

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





# Industry Division

The Industry Division continues to see stable demand from the industrial sector in the fourth quarter.

In the automotive sector, there continues to be demand from the leading Swedish companies for ÅF's expertise in all disciplines with an increasing interest in projects and end-to-end solutions. There is also a great deal of interest in ÅF's support for their international operations. For example, ÅF's product development business in Brazil is growing. The Chinese automotive industry is still highly active as well.

Demand in food and pharma remains high. The dairy industry in Sweden and Denmark is especially strong, but the Norwegian fishing industry is also showing strong growth.

Demand in the Swedish chemical and petrochemical industry is stable and by the end of the period clear signs of recovery are seen. After a long period of low activity, the need for investment in refineries and extraction is now high, and ÅF has noticed an increased investment rate.

In the pulp and paper industry there continues to be a willingness to invest, but the average project size is somewhat smaller than it has been. International demand for ÅF's expertise is increasing and several feasibility studies were won in Russia, Brazil and Chile, which paves the way for future projects.

The Swedish mining industry is still giving off positive signals with increased demand for premium iron ore and battery minerals. Positive signals from the mining industry outside Sweden are also observed during the period, and ÅF sees potential to grow mainly in Norway and Finland.

Digitalization is increasingly becoming a key component of new investments. ÅF sees increased demand for industrial digitalization and automation solutions, and with its deep knowledge and technical breadth, ÅF has a strong position in this sector.

Demand in the energy sector in Sweden continues to increase from an earlier low level. In nuclear power, demand has stabilised and investments in maintenance and operation are beginning to increase again. ÅF also

sees a growing market for decommissioning of nuclear power in Sweden. Demand continues to increase in renewable energy as well as in cogeneration. Investments in the electricity grid area are also high.

Growth was 6.1 percent, of which 4.3 percentage points were organic. EBITA and the EBITA margin were SEK 133 million (123) and 10.0 percent (9.9), respectively.

Demand from the automotive industry is still strong, and during the quarter, ÅF expanded its customer base with a new assignment for a vehicle manufacturer in the United States. We also received, from another vehicle manufacturer, an order for several development projects in the body, exterior, interior, climate control and chassis areas.

In SKF's factory in Schweinfurt, Germany, ÅF will build a robot cell for handling roller bearings and streamline an existing production line. ÅF also received an order for a new production facility from the oat beverage manufacturer Oatly.

## Key ratios

	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Net sales, MSEK	1,327	1,251	4,889	4,437
EBITA, MSEK	133	123	433	403
EBITA margin, %	10.0	9.9	8.9	9.1
Average number of employees, FTEs	3,418	3,284	3,367	3,177
Total growth, %	6.1	13.2	10.2	7.0
of which organic growth, %	4.3	4.1	4.9	2.1

The Industry Division is the Nordic region's leading provider of engineering services for product development, and 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 relationships.



# Infrastructure Division

The road and rail market is still good, but it increasingly consists of many small and medium projects instead of a few very large projects, such as the Stockholm Bypass and the West Link rail tunnel.

In the property segment, where ÅF is mainly active in commercial and public properties, the market continues to be very good. Demand in the architecture and design area, where ÅF operates with well-known brands throughout the Nordic region, is also strong.

More municipalities, cities and private players are steering towards a smarter and more interconnected society. As embedded systems and digital solutions are integrated into facilities, urban planning and properties, ÅF is well equipped to offer end-to-end solutions.

The division continues to grow with good profitability. Growth was 13.5 percent, of which 3.9 percentage points were organic. When adjusted for currency effects, organic growth amounted to 5.0 percent. Growth was adversely affected by the transition from several large to mostly small- and medium-sized projects, but was offset by strong developments in other areas, such as property, architecture and design.

EBITA and the EBITA margin were SEK 147 million (126) and 11.1 percent (10.8), respectively. Earnings continue to be weak in the acquired Norwegian company Reinertsen, now called ÅF Engineering AS, and the transition from several large projects to medium-sized projects continues to have a negative impact on the margin. However, there was a gradual improvement in the earnings and margin of ÅF Engineering during the quarter.

During the quarter, ÅF received an assignment for the Follobanen project, a new railway between Oslo and Ski. Follobanen is one of Norway's biggest modern infrastructure projects and is being built for trains moving at 250 km/h.

Ever more municipalities need to secure their water distribution infrastructure, an area in which ÅF has deep knowledge and a strong market position. At the end

of the year, Stockholm Vatten assigned ÅF the task of planning a new pipeline from the waterworks at Lovön, which supplies over a million people in Stockholm with drinking water.

In architecture, ÅF received several new assignments, among which are the new Kiruna Cultural Centre and significant framework agreements with Kiruna Municipality, which is facing a major transformation.

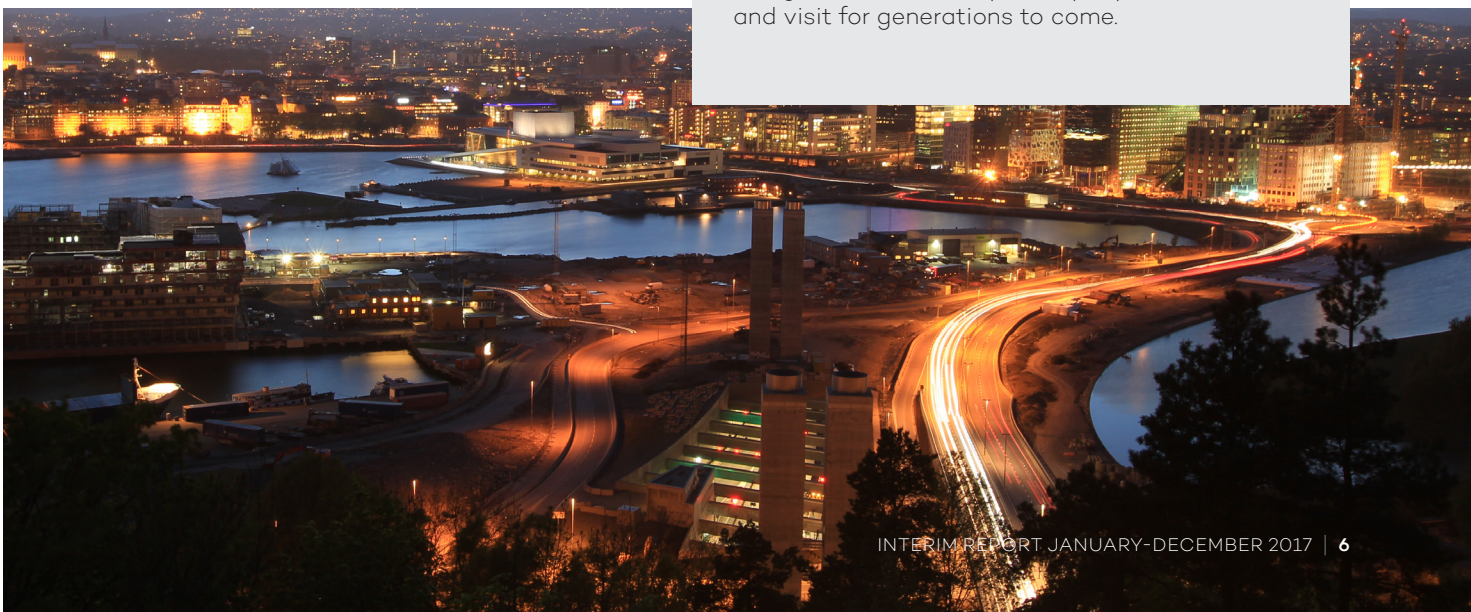
After the end of the period, ÅF acquired Gottlieb Paludan Architects, an illustrious, award-winning architectural firm in Copenhagen specialised in infrastructure and energy and industrial plants. The acquisition is in line with ÅF's strategy to broaden its offer in architecture and design and expand the Danish business. After the acquisition, the number of ÅF employees in Denmark exceeds 500.

## Key ratios

	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Net sales, MSEK	1,324	1,167	4,616	4,037
EBITA, MSEK	147	126	461	421
EBITA margin, %	11.1	10.8	10.0	10.4
Average number of employees, FTEs	3,678	3,178	3,499	2,966
Total growth, %	13.5	26.9	14.4	29.7
of which organic growth, %	3.9	5.3	3.0	7.6

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





# International Division

The energy market in Europe is still weak due to low electricity prices, which continues to limit investments in conventional power generation plants. However, the market for cogeneration plants based on renewable fuels is increasing, driven by the need for district heating and resulting from the trend towards adaptation to the circular economy. In South-east Asia and Africa, the market for conventional power plants is still strong. Investments in upgrades and extensions of national transmission networks continue. The infrastructure market in Switzerland and the Czech Republic remains stable.

Growth in the fourth quarter reached 32.8 percent, of which -8.2 percentage points were organic. When adjusted for currency effects, organic growth amounted to -4.2 percent. Acquired growth amounted to 41.0 percent and relates to the Swiss infrastructure company AF-Toscana.

EBITA amounted to SEK 41 million (28) and the EBITA margin was 10.4 percent (9.3). A positive contributing factor to the results was an adjustment to the pension liability in Switzerland of SEK 12 million due to changed conditions for a pension plan. The same period last year contributed a similar change to EBITA of SEK 8 million. Adjusted for the change in the pension plan, the EBITA

margin was 7.3 percent (6.6). Excluding infrastructure operations, the EBITA margin amounted to 6.7 percent (6.6).

During the quarter, the division received several major projects through international financial institutions, including a contract to improve the national transmission network in Pakistan and to develop the regional energy markets in Asia. In Switzerland, the division was commissioned to consult with the government on preparation of its National Energy Strategy 2050. The Infrastructure Division will also manage the planning of a road to be constructed between Lugano and Mendrisio in Switzerland.

## Key ratios

	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Net sales, MSEK	399	300	1,532	1,098
EBITA, MSEK	41	28	111	58
EBITA margin, %	10.4	9.3	7.2	5.3
Average number of employees, FTEs	1,282	851	1,193	844
Total growth, %	32.8	-2.7	39.5	-6.9
of which organic growth, %	-8.2	-5.0	-3.7	-7.4

The International Division offers technical consulting services in the energy, infrastructure and industrial sectors. Most of the services provided are in the energy sector. The division's domestic markets are Switzerland, Finland and the Czech Republic, but it also conducts projects in more than 70 countries worldwide. The division enjoys strong positions in renewable energy, thermal power, hydropower and nuclear power.





# Technology Division

There continues to be high demand in the market for digital solutions. The trend continues to be strong in embedded systems, systems development, user experience and service design. Demand also continues to be strong in the defence sector. Demand for projects with multiple business and delivery models, where new forms of cooperations are developing, continues to increase. ÅF's offer is strong in this area due to our broad knowledge of the industry and our deep, cutting-edge expertise. ÅF also sees a continuing trend where clients increasingly seek partnerships with suppliers who can take on long-term end-to-end solutions.

Growth amounted to 5.4 percent, of which organic growth was 1.9 percentage points, which is somewhat lower than in previous quarters of the year. The growth rate was adversely affected by the fact that a major client reduced its needs during the quarter. However, we see good growth among other clients. Based on a strong market and good position in the area, we see many opportunities for continued growth.

EBITA and the EBITA margin were SEK 55 million (47) and 10.2 percent (9.2), respectively, for the quarter.

Several new orders were secured in the fourth quarter from clients such as Telia and FMV, as well as clients in the telecom and automotive industries.

As part of the strategic focus on digitalization and design, ÅF acquired the company inUse with around 100 employees during the quarter. This acquisition makes

ÅF Sweden's largest provider in service design and user experience with sales of just over SEK 200 million. The acquisition also broadens ÅF's client base in the area, which includes Atea, AstraZeneca and Telenor. Besides digital design solutions, InUse also conducts educational activities and arranges Scandinavia's largest conference on service design and user experience: From Business to Buttons.

## Key ratios

	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Net sales, MSEK	541	513	1,943	1,793
EBITA, MSEK	55	47	185	167
EBITA margin, %	10.2	9.2	9.5	9.3
Average number of employees, FTEs	1,140	1,076	1,093	1,006
Total growth, %	5.4	11.3	8.4	8.5
of which organic growth, %	1.9	7.0	5.4	6.9

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

## Risks and uncertainties

The significant risks and uncertainties 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 was 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. Disclosures according to IAS 34:16A is partly found in the pages before the consolidated income statement.

Work with the new IFRS 9 and 15 standards has concluded. They have not had any significant effects on the balance sheet and income statement. The evaluation of the effects of IFRS 16 on consolidated earnings and position continues and effects are expected.

## Definitions

Key ratios in this report are defined in ÅF's Annual Report for 2016. ÅF has changed 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/options 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 180.90 (167.00), representing an increase in value of 11.0 percent since the start of the year, adjusted for dividends. Total shareholder return on the OMX Stockholm Allshare index amounted to 9.8 percent.

A shares	3,217,752
B shares	75,044,113
Total shares	78,261,865
Of which own B shares	939,285
Votes	107,221,633

In 2017, 34,577 own shares were used to match the 2013 share savings programme and 41,816 own shares were used to match the 2014 share savings programme, the latter during the quarter. Conversion of shares as per the 2013 staff convertible programme increased 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 648,416. Finally, the share cancellation implemented during the year reduced the number of B shares by 835,488.

## Dividend

The Board of Directors proposes a dividend for 2017 of SEK 5.00 (4.50).

Stockholm, 8 February 2018, ÅF AB (publ)  
Jonas Gustavsson, President and CEO

*This report has not been subjected to scrutiny by the company's auditors.*

*This information fulfils ÅF AB's (publ) disclosure requirements under the provisions of the EU's 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 08.00 CET on 8 February 2018.*

*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.*

## Investerarpresentation

Time: 8 February 11.00 CET  
Webcast: [www.afconsult.com/sv/investor-relations/finanssiella-rappporter/](http://www.afconsult.com/sv/investor-relations/finanssiella-rappporter/)  
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## Calendar 2018

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

# Condensed consolidated income statement

SEK million	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Net sales	3,500	3,138	12,658	11,070
Personnel costs	-1,921	-1,700	-7,269	-6,139
Purchases of services and materials	-910	-848	-3,192	-2,944
Other costs	-301	-265	-1,069	-918
Other income	2	2	4	4
Profit attributable to participations in associates	0	0	0	0
<b>EBITDA</b>	<b>371</b>	<b>327</b>	<b>1,132</b>	<b>1,074</b>
Amortisation and impairment of intangible assets <sup>1</sup>	-27	-21	-105	-82
<b>EBITA</b>	<b>344</b>	<b>306</b>	<b>1,027</b>	<b>992</b>
Acquisition-related items <sup>2</sup>	4	-4	6	-27
<b>Operating profit (EBIT)</b>	<b>348</b>	<b>302</b>	<b>1,033</b>	<b>965</b>
Net financial items	-18	-13	-76	-42
<b>Profit after financial items</b>	<b>330</b>	<b>289</b>	<b>957</b>	<b>923</b>
Tax	-76	-68	-215	-212
<b>Profit for the period</b>	<b>253</b>	<b>221</b>	<b>742</b>	<b>711</b>
Attributable to:				
Shareholders in parent company	254	222	744	726
Non-controlling interest	-1	0	-2	-15
<b>Profit for the period</b>	<b>253</b>	<b>221</b>	<b>742</b>	<b>711</b>
Earnings per share before dilution, SEK	3.28	2.84	9.58	9.32
Earnings per share after dilution, SEK	3.19	2.79	9.39	9.14
Number of shares outstanding	77,322,580	77,711,003	77,322,580	77,711,003
Average number of outstanding shares before dilution	77,362,899	78,032,108	77,700,879	77,937,176
Average number of outstanding shares after dilution	80,192,004	80,394,698	80,169,882	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 consideration and gains/losses on divestment of companies and businesses. See page 16 for further details.

# Statement of consolidated comprehensive income

SEK million	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
<b>Profit for the period</b>	<b>253</b>	<b>221</b>	<b>742</b>	<b>711</b>
<b>Items that have or will be transferred to profit or loss</b>				
Change in translation reserve for the period	10	-17	-44	112
Change in value of cash flow hedging	2	6	5	-11
Tax	0	-1	-1	2
<b>Items that can not be transferred to profit or loss</b>				
Pensions	37	-6	38	-5
Tax	-7	1	-7	1
<b>Other comprehensive income for the period</b>	<b>42</b>	<b>-18</b>	<b>-9</b>	<b>99</b>
<b>Comprehensive income for the period</b>	<b>295</b>	<b>203</b>	<b>733</b>	<b>810</b>
Attributable to:				
Shareholders in the parent	295	204	735	818
Non-controlling interest	0	0	-2	-8
<b>Total</b>	<b>295</b>	<b>203</b>	<b>733</b>	<b>810</b>



# Condensed consolidated balance sheet

SEK million	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	6,542	5,955
Property, plant and equipment	510	476
Other non-current assets	18	31
<b>Total non-current assets</b>	<b>7,070</b>	<b>6,462</b>
<b>Current assets</b>		
Current receivables	4,086	3,616
Cash and cash equivalents	223	329
<b>Total current assets</b>	<b>4,308</b>	<b>3,945</b>
<b>Total assets</b>	<b>11,378</b>	<b>10,407</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Attributable to shareholders in parent company	4,972	4,677
Attributable to non-controlling interest	17	19
<b>Total equity</b>	<b>4,989</b>	<b>4,697</b>
<b>Non-current liabilities</b>		
Provisions	295	360
Non-current liabilities	2,028	2,520
<b>Total non-current liabilities</b>	<b>2,323</b>	<b>2,880</b>
<b>Current liabilities</b>		
Provisions	105	39
Current liabilities	3,962	2,791
<b>Total current liabilities</b>	<b>4,067</b>	<b>2,830</b>
<b>Total equity and liabilities</b>	<b>11,378</b>	<b>10,407</b>

# Condensed statement of change in consolidated equity

SEK million	31 Dec 2017	31 Dec 2016
<b>Equity at start of period</b>	<b>4,697</b>	<b>4,230</b>
<b>Comprehensive income for the period</b>	<b>733</b>	<b>810</b>
Dividends	-350	-292
Conversion of staff convertible into shares	18	79
Value of conversion right	10	8
Share buy-backs/sales	-114	-128
Transactions related to non-controlling interest	-	-20
Share savings programmes	-5	10
<b>Equity at end of period</b>	<b>4,989</b>	<b>4,697</b>

# Condensed statement of consolidated cash flows

SEK million	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Profit after financial items	330	289	957	923
Adjustment for items not included in cash flow	-2	-4	114	95
Income tax paid	-44	-33	-211	-188
<b>Cash flow from operating activities before changes in working capital</b>	<b>283</b>	<b>253</b>	<b>861</b>	<b>830</b>
Cash flow from changes in working capital	53	-48	-237	-208
<b>Cash flow from operating activities</b>	<b>337</b>	<b>205</b>	<b>624</b>	<b>622</b>
Cash flow from investing activities	-147	-311	-525	-963
Cash flow from financing activities	-128	160	-209	411
<b>Cash flow for the period</b>	<b>62</b>	<b>54</b>	<b>-109</b>	<b>70</b>
Opening cash and cash equivalents	162	275	329	264
Exchange difference in cash and cash equivalents	-1	0	3	-5
<b>Closing cash and cash equivalents</b>	<b>223</b>	<b>329</b>	<b>223</b>	<b>329</b>

# Change in consolidated net debt

SEK million	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Opening balance	2,830	2,006	2,298	1,486
Cash flow from operating activities	-337	-205	-624	-622
Acquisition of intangible assets, property, plant and equipment	25	28	92	97
Acquisition and contingent considerations paid	121	282	433	917
Dividend	-	-	350	292
Share buy-backs/sales	33	128	114	128
Other	-41	59	-32	0
<b>Closing balance</b>	<b>2,631</b>	<b>2,298</b>	<b>2,631</b>	<b>2,298</b>

# Consolidated net debt

SEK million	31 Dec 2017	31 Dec 2016
Loans and credit facilities	2,758	2,464
Net pension liability	96	163
Cash and cash equivalents	-223	-329
<b>Group</b>	<b>2,631</b>	<b>2,298</b>

# Consolidated key ratios

	Full year 2017	Full year 2016
Return on equity, %	15.4	15.9
Return on capital employed, %	13.5	14.7
Equity ratio, %	43.8	45.1
Equity per share, SEK	64.30	60.19
Interest-bearing liabilities, MSEK	2,854	2,627
Average number of employees (FTEs)	9,292	8,115

# Items affecting comparability

SEK million	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Restructuring costs	-	-	-90	-25
Pension refunds	-	-	-	22
<b>Total</b>	-	-	<b>-90</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	1,327	4,889
Infrastructure	921	1,087	861	1,167	4,037	1,190	1,155	947	1,324	4,616
International	278	263	257	300	1,098	375	409	349	399	1,532
Technology	438	476	366	513	1,793	515	490	397	541	1,943
Group-wide/ eliminations	-64	-71	-66	-94	-295	-76	-79	-76	-91	-322
<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>	<b>3,500</b>	<b>12,658</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	133	433
Infrastructure	99	125	72	126	421	127	125	62	147	461
International	14	17	0	28	58	15	30	25	41	111
Technology	42	48	29	47	167	47	48	35	55	185
Group-wide/ eliminations	-12	-24	-3	-18	-58	-12	-39	-80	-32	-162
<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>	<b>344</b>	<b>1,027</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	10.0	8.9
Infrastructure	10.8	11.5	8.4	10.8	10.4	10.6	10.9	6.5	11.1	10.0
International	4.9	6.3	0.1	9.3	5.3	3.9	7.3	7.1	10.4	7.2
Technology	9.7	10.1	8.1	9.2	9.3	9.1	9.7	8.8	10.2	9.5
<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>	<b>9.8</b>	<b>8.1</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	3 418	3 367
Infrastructure	2 724	2 977	2 976	3 178	2 966	3 361	3 467	3 490	3 678	3 499
International	859	842	826	851	844	1 199	1 171	1 134	1 282	1 193
Technology	988	979	980	1 076	1 006	1 085	1 078	1 068	1 140	1 093
Group functions	127	116	131	117	122	116	137	127	176	140
<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>	<b>9 695</b>	<b>9 292</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	251

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.

# Quarterly information by division (proforma)

2017 figures are adjusted based on the organisational changes implemented on 1 January 2018.

Net sales, SEK million	2017				
	Q1	Q2	Q3	Q4	Full year
Industry	1,121	1,122	935	1,194	4,371
Infrastructure	1,314	1,285	1,057	1,454	5,110
Energy	363	385	333	387	1,467
Digital Solutions	544	519	418	565	2,046
Group-wide/ eliminations	-77	-80	-81	-99	-336
<b>Group</b>	<b>3,265</b>	<b>3,231</b>	<b>2,662</b>	<b>3,500</b>	<b>12,658</b>

EBITA, SEK million	2017				
	Q1	Q2	Q3	Q4	Full year
Industry	100	102	64	120	387
Infrastructure	137	140	70	168	515
Energy	9	26	23	30	88
Digital Solutions	52	52	37	58	199
Group-wide/ eliminations	-12	-39	-80	-32	-162
<b>Group</b>	<b>286</b>	<b>282</b>	<b>114</b>	<b>344</b>	<b>1,027</b>

EBITA margin, %	2017				
	Q1	Q2	Q3	Q4	Full year
Industry	9.0	9.1	6.8	10.1	8.9
Infrastructure	10.4	10.9	6.6	11.6	10.1
Energy	2.4	6.7	7.0	7.7	6.0
Digital Solutions	9.5	10.0	8.9	10.2	9.7
<b>Group</b>	<b>8.8</b>	<b>8.7</b>	<b>4.3</b>	<b>9.8</b>	<b>8.1</b>

Employees (FTES) <sup>1</sup>	2017				
	Q1	Q2	Q3	Q4	Full year
Industry	3,071	3,090	3,069	3,159	3,097
Infrastructure	3,843	3,964	3,950	4,120	3,969
Energy	1,055	1,032	990	986	1,015
Digital Solutions	1,102	1,097	1,087	1,162	1,112
Group functions	128	130	131	153	135
<b>Group</b>	<b>9,200</b>	<b>9,312</b>	<b>9,228</b>	<b>9,579</b>	<b>9,329</b>

<sup>1</sup> The calculation of average number of full-time employees changed after the reorganisation, since a more exact and weighted number of available hours per country was calculated. A more standard calculation was previously used.

During the second half of 2017 a major organisational change was implemented that affected all four divisions and 21 business areas to varying degrees. The change, effective from 1 January 2018, aims to create clarity and well-defined divisions and business areas that have full responsibility for profitability in a decentralised governance model. All divisions have international responsibilities.

## Industry Division

The changes are extensive with major relocations within the division. The new organisation consists of seven business areas focused on segments instead of the previous geographical division. Industrial operations in the Czech Republic and automotive-related operations in Brazil were moved to the division.

## Infrastructure Division

Infrastructure operations in Switzerland and the Czech Republic were transferred to the division. This means that all infrastructure activities in Scandinavia as well as internationally are consolidated in the division, which is divided into five business areas.

## Energy Division

This new division focuses on energy and is made up of the Scandinavian energy business from the Industry Division together with the energy operations in Switzerland, Finland, the Czech Republic and other international energy operations. It consists of five business areas.

## Digital Solutions Division

The division consists largely of operations from the previous Technology Division with the addition of a new business area called Experience Design based on the industrial design operations from the Industry Division and the recently acquired company InUse.

# ACQUIRED COMPANIES' NET ASSETS AT TIME OF ACQUISITION

SEK million	Full year 2017
Intangible assets	6
Property, plant and equipment	9
Financial assets	1
Accounts receivable and other receivables	145
Cash equivalents	31
Accounts payable, loans and other liabilities	-163
<b>Net identifiable assets and liabilities</b>	<b>28</b>
Goodwill	624
Fair value adjustment intangible assets	44
Fair value adjustment non-current provisions	-10
<b>Purchase price incl estimated contingent consideration</b>	<b>687</b>
Transaction costs	0
Deduct:	
Cash (acquired)	-31
Estimated contingent consideration/option	-293
<b>Net outflow of cash</b>	<b>363</b>

Acquisition analyses are preliminary as the assets in the companies acquired have not been definitively analysed. In regard to the 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, Robot Automation AB, KIAB Konsult & Installationstjänst AB, Light Bureau Ltd i Storbritannien, InUse Experience AB and one small business operation. None of the acquisitions are significant individually, so the information has been consolidated for presentation.

Gottlieb Paludan Architects A/S in Denmark and Arcad Architectes AG in Switzerland were acquired after the end of the reporting period. Acquisition analysis have not yet been prepared for those acquisitions.

## Acquisition-related items

SEK million	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Amortisation and impairment of intangible assets	-10	-9	-38	-33
Revaluation of contingent consideration	14	5	44	6
<b>Total</b>	<b>4</b>	<b>-4</b>	<b>6</b>	<b>-27</b>

## Change in contingent consideration/option

SEK million	31 Dec 2017
Opening balance as at 1 January 2017	385
Acquisitions this year	293
Payments	-74
Changes in value recognised in income statement	-44
Adjustment, preliminary acquisition analysis	-16
Discounting	17
Exchange differences	-7
<b>Closing balance</b>	<b>554</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 items change is recognised in the following table.

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.



# Parent income statement

SEK million	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Net sales	150	124	562	456
Other operating income	52	53	202	202
<b>Operating income</b>	<b>202</b>	<b>177</b>	<b>764</b>	<b>658</b>
Personnel costs	-46	-44	-168	-149
Other costs	-175	-137	-623	-517
Depreciation and amortisation	-9	-8	-35	-31
<b>Operating profit/loss</b>	<b>-28</b>	<b>-11</b>	<b>-62</b>	<b>-39</b>
Net financial items	538	526	662	561
<b>Profit/loss after financial items</b>	<b>509</b>	<b>515</b>	<b>599</b>	<b>522</b>
Appropriations	88	65	88	65
<b>Pre-tax profit/loss</b>	<b>597</b>	<b>580</b>	<b>687</b>	<b>588</b>
Tax	-13	-11	-2	-1
<b>Profit/loss for the period</b>	<b>584</b>	<b>569</b>	<b>685</b>	<b>587</b>
Other comprehensive income	1	4	4	-9
<b>Comprehensive income for the period</b>	<b>585</b>	<b>573</b>	<b>689</b>	<b>579</b>

# Parent balance sheet

SEK million	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	11	19
Property, plant and equipment	115	107
Financial assets	1,829	5,764
<b>Total non-current assets</b>	<b>1,955</b>	<b>5,890</b>
<b>Current assets</b>		
Current receivables	6,208	1,875
Cash and bank balances	21	62
<b>Total current assets</b>	<b>6,229</b>	<b>1,937</b>
<b>Total assets</b>	<b>8,184</b>	<b>7,828</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	4,685	4,436
Untaxed reserves	136	134
Provisions	156	85
Non-current liabilities	1,505	2,157
Current liabilities	1,703	1,016
<b>Total equity and liabilities</b>	<b>8,184</b>	<b>7,828</b>

# Contact

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ÅF – Making Future.

