

# Making future.

ANNUAL AND SUSTAINABILITY REPORT 2018



## WHO WE ARE

### Our vision

Providing leading solutions for generations to come  
ÅF – Making Future.

### Our mission

We create sustainable engineering and design solutions

### Our core values

We are brave, devoted team players

## ÅF AT A GLANCE

ÅF is an engineering and design company within the fields of infrastructure, industry and energy. We create sustainable solutions for the next generation through talented people and technology. We are based in Europe and our business and clients are found all over the world.

## WE CREATE SUSTAINABLE SOLUTIONS THAT RESPOND TO GLOBAL TRENDS IN



### Smart cities and infrastructure

Sustainable urban development  
Intelligent buildings  
More efficient transportation

### Industrial digitalisation

Optimisation of logistics and process flows  
Increased productivity  
Reduced resource and energy use



### Changing energy markets

Gradual shift away from fossil fuels  
Energy storage options  
Reliable distribution and transmission



### Future mobility

Safer traffic  
Lower environmental impact  
Autonomous vehicles



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## ABOUT THE REPORT

Reviewed financial information	☑
General review of sustainability information	☑

The scope of the sustainability report, which also covers ÅF's statutory sustainability report as required by Chapter 6 of the Swedish Annual Accounts Act, is found on page 97. It follows the guidelines of the GRI Standards, Core level, and is externally reviewed.



From left:  
Vlora Makolli, Strategist  
Amir Nazari, Diversity Coach  
Peter Degerström, Process Engineer  
Azadeh Rezvani, Geotechnical Engineer  
Jonas Gustavsson, President and CEO

**We are building an** international leader within engineering, design and advisory services. Aligned with the strategy, ÅF is completing a platform acquisition to facilitate internationalisation and continued long-term value creation.

# ÅF and Pöyry are joining forces.



**In 2018** we successfully implemented our strategy, focusing on developing our business model, increasing growth and strengthening our profitability. During the year, we grew organically by more than six percent and acquired 11 businesses that strengthen our position in selected segments and geographical regions.

# The year in brief.

**NUMBER OF COUNTRIES WITH PROJECTS**

105

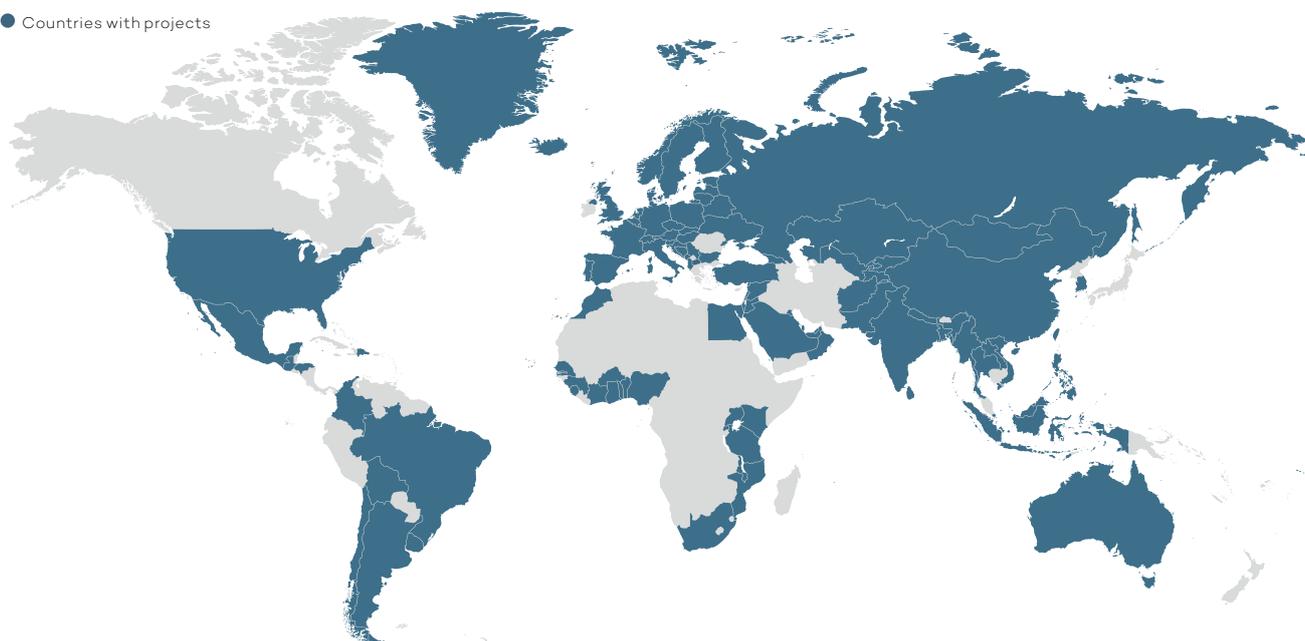
**NUMBER OF EMPLOYEES 2018**

10,928

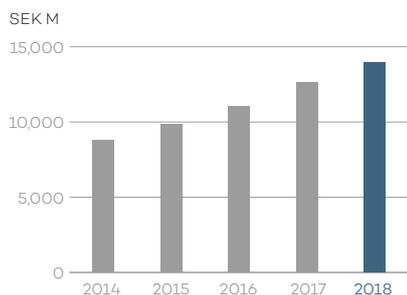
**NUMBER OF COUNTRIES WITH OFFICES**

35

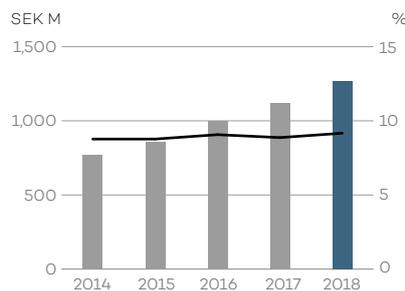
● Countries with projects



**NET SALES**

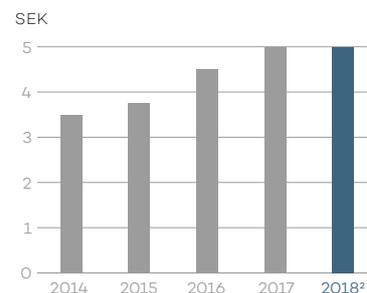


**EBITA<sup>1</sup>, SEK M AND %**



1) Excl. items affecting comparability

**DIVIDEND PER SHARE**



2) Proposed dividend



Hilde Sofie Heum,  
HR Business Partner

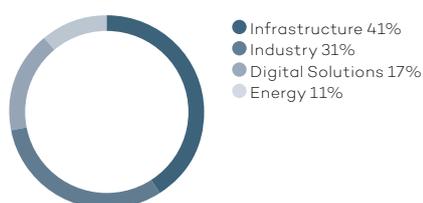
## HIGHLIGHTS

- ÅF grows both organically and through acquisitions. During the year, ÅF acquired 11 businesses. These acquisitions strengthen our position in selected segments as well as in geographic markets.
- In 2018, the platform acquisition of Pöyry is initiated in line with our strategy of international growth and long-term value creation.
- Successful implementation of new vision, mission and new core values.
- Clients choose ÅF for challenging assignments. During the year, ÅF gained the trust of the Swedish Transport Administration, Scania, Volvo Cars, Ericsson, AstraZeneca and more.
- ÅF works intensively to attract talent to the company, and on Universum's career barometer among young professional engineers, ÅF ranks fourth.
- ÅF's New Immigrated Engineers project is seeing progress, with more than 135 newly arrived engineers being hired at ÅF.
- Emissions related to energy use in ÅF's offices are progressing in the right direction – per employee, emissions are down 17 percent for the entire Group and 42 percent for the Swedish part of the business.
- The percentage of women in total and the percentage of female managers are increasing and today stand at 26 and 21 percent, respectively.
- The percentage of employees who have experienced discrimination is declining compared with the previous year, from 2.8 to 1.2 percent.
- The employees' experience of the working environment, teamwork and leadership shows continued strong results in addition to a positive trend.
- ÅF's sustainability performance is also on the rise this year according to the SBPI measurement. This year's result is 65, compared with last year's 63.

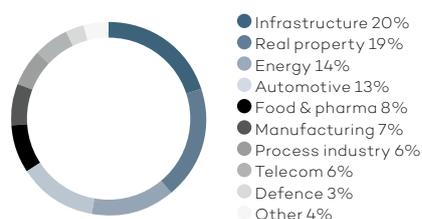
## KEY RATIOS

	2018	2017
Net sales, SEK m	13,975	12,658
EBITA excl. items affecting comparability, SEK m	1,268	1,117
EBITA margin excl. items affecting comparability, %	9.1	8.8
EBITA, SEK m	1,243	1,027
EBITA margin, %	8.9	8.1
Profit after net financial items, SEK m	1,103	957
Basic earnings per share, SEK	10.98	9.58
Net debt, SEK m	3,455	2,631
Net debt/EBITDA, rolling 12 months, times	2.5	2.3
Net debt-equity ratio, %	63.2	52.7
Total number of employees	10,928	9,865
Capacity utilisation, %	77.2	77.6

## NET SALES BY DIVISION



## NET SALES BY INDUSTRY SEGMENT



**Comments from the CEO.** 2018 was a good year marked by a strong focus on growth and value creation, in line with our strategy. Global trends are driving demand for sustainable solutions among our clients. Now it's time to take ÅF to the next level.

# To the next level.



**The transition to reduce** climate impact, as well as global trends in urbanisation and digitalisation, continue to drive developments in society forward. Thanks to these rapid developments, we can leverage our unique ability to create sustainable solutions to advance our position and increase value creation for our clients.

## **The next level**

In 2018 we successfully implemented our strategy, focusing on developing our business model, increasing growth and strengthening our profitability. During the year, we grew organically by 6.3 percent and acquired 11 businesses that strengthen our position in selected segments and markets. In line with the strategy, we are now taking the next step to further enhance our competitiveness, meet our clients' increased demand for end-to-end suppliers with global reach and address the ongoing consolidation in the sector. The acquisition of Pöyry gives us the opportunity, in selected segments, to become a leading international supplier of sustainable solutions while creating a platform for continued value creation and international expansion. With our combined expertise and scale, we will be able to take on even larger, more complex assignments. This also generates interesting career and development opportunities for our employees, further enhancing our employer brand.

Our new position will provide a continued diversified portfolio of skills and services, enabling us to increase the number of project deliverables while strengthening

our global position and expanding to more markets within selected segments. This builds a strong foundation for continued long-term value creation for our shareholders.

## **Sustainability at the core**

Our mission to create sustainable engineering and design solutions places sustainability firmly at the core of our offering. Together with Pöyry, we number more than 16,000 employees who help improve society through sustainable development. We continue to comply with the UN Global Compact, which includes principles of human rights, labour law, environment and anti-corruption. It guides us in our daily sustainability work.

## **An attractive employer**

Competition to attract the best talent is tough. We work purposefully to strengthen our brand by collaborating with exciting clients on challenging assignments and by working methodically on leadership and employee development. We are proud to have once again been designated one of the most attractive employers among civil engineers in Sweden.

## **Market trends**

General market developments and demand remained stable during the period, with some variations. Demand in the industrial sector for digitalisation, electrification and automation remains strong. The need for investments in infrastructure in the Nordic region and Switzerland, which are ÅF's principal markets, contin-



» With ÅF's and Pöyry's combined expertise and scale, we will be able to take on even larger, more complex assignments. «

ues to drive demand in both commercial and public properties, road and rail, and in niche areas such as architecture and design. The energy market is in a process of transformation, with stable demand for our services in the Nordic region. There is also stable demand on the global energy market. However, our international energy business is affected by the changes taking place in our Energy Division. Digitalisation is steadily increasing, bringing with it robust demand for embedded systems and IT in the industrial market as well as in energy and infrastructure.

#### **Progress across all divisions**

The Industry Division shows stable earnings and growth. The division supports clients in their transition to a sustainable industry. Industry clients are demanding more and more advanced automation solutions and digitalisation to enhance both quality and productivity.

Due to strong demand on the market, the Infrastructure Division continues to develop well with good growth and profitability. The level of investment in road and rail remains strong, and the property segment, with its focus on sustainable solutions, is developing well.

The Energy Division is delivering stable profit and growth on the Nordic market, but the international market remains challenging for the division. A reorganisation of our energy business is underway to improve profitability and transform our business model in line with the ongoing energy transformation. This brings an increased focus on core markets.

The Digital Solutions Division is delivering strong growth and continued healthy profitability. Digitalisation in industry and society at large is driving demand for digital services, and ÅF's ability to deliver end-to-end solutions along the entire development chain in all sectors is producing results.

#### **Financial position and outlook**

We have now left 2018 behind us with annual sales of SEK 14 billion, which is an increase of 10.4 percent on 2017. EBITA excluding items affecting comparability was SEK 1,268 million (1,117), and the corresponding EBITA margin was 9.1 percent (8.8).

In 2018 ÅF continued to grow and return healthy profits, laying a sound foundation for the future.

We look forward to an exciting year together with our clients, employees and shareholders and will continue to focus on the journey towards our vision of supplying leading solutions for future generations – Making Future.

Stockholm, March 2019

**Jonas Gustavsson**  
President and CEO

**ÅF's strategy** will create added value through continued strong growth and improved profitability in an increasingly competitive market. The financial targets have been set for 2019, and the non-financial targets are already defined and also form a key part of the strategy.

# A clear vision.



## Financial targets and dividend policy

### Financial targets

The strategy will help maintain strong growth and increase profitability in an increasingly competitive market. The financial targets are regularly evaluated based on market conditions and changes in the company. The financial targets have not been changed due to the acquisition of Pöyry. These financial targets apply over a business cycle.

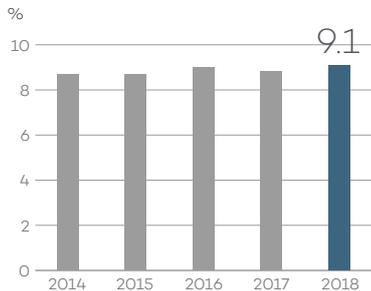
- Annual growth of 10 per cent. The target includes add-on acquisitions. Larger platform acquisitions will also be made.
- An EBITA margin of 10 per cent (excluding items affecting comparability) over a business cycle.
- Net debt in relation to EBITDA of 2.5.

### Dividend policy

The Board of Directors has adopted a dividend policy according to which the dividend corresponds to approximately 50 per cent of consolidated profit after tax excluding capital gains.

### EBITA margin<sup>1</sup>

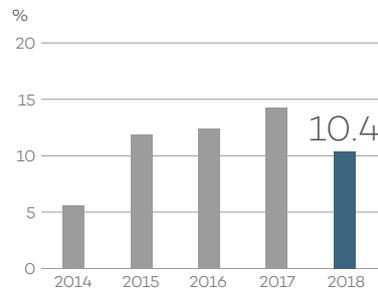
10 percent over a business cycle.



<sup>1</sup> Excl. items affecting comparability

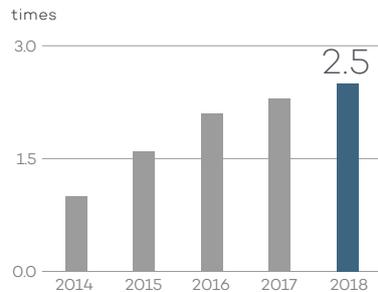
### Growth

10 percent annual growth including add-on acquisitions. Platform acquisitions will also be made.



### Net debt

Net debt in relation to EBITDA of 2.5.

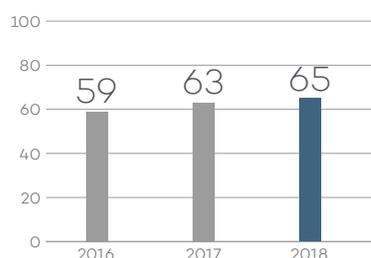


## Non-financial targets

### Focus on sustainability

Non-financial targets are a key element of the strategy. Developing sustainable solutions, running a responsible business and being an attractive employer all drive ÅF's business forward. We follow up the targets annually in SBPI, a tool developed by ÅF's specialists, in collaboration with RISE Research Institutes of Sweden. SBPI measures our sustainability performance on a scale of 0 to 100.

➔ Read more on page 14.



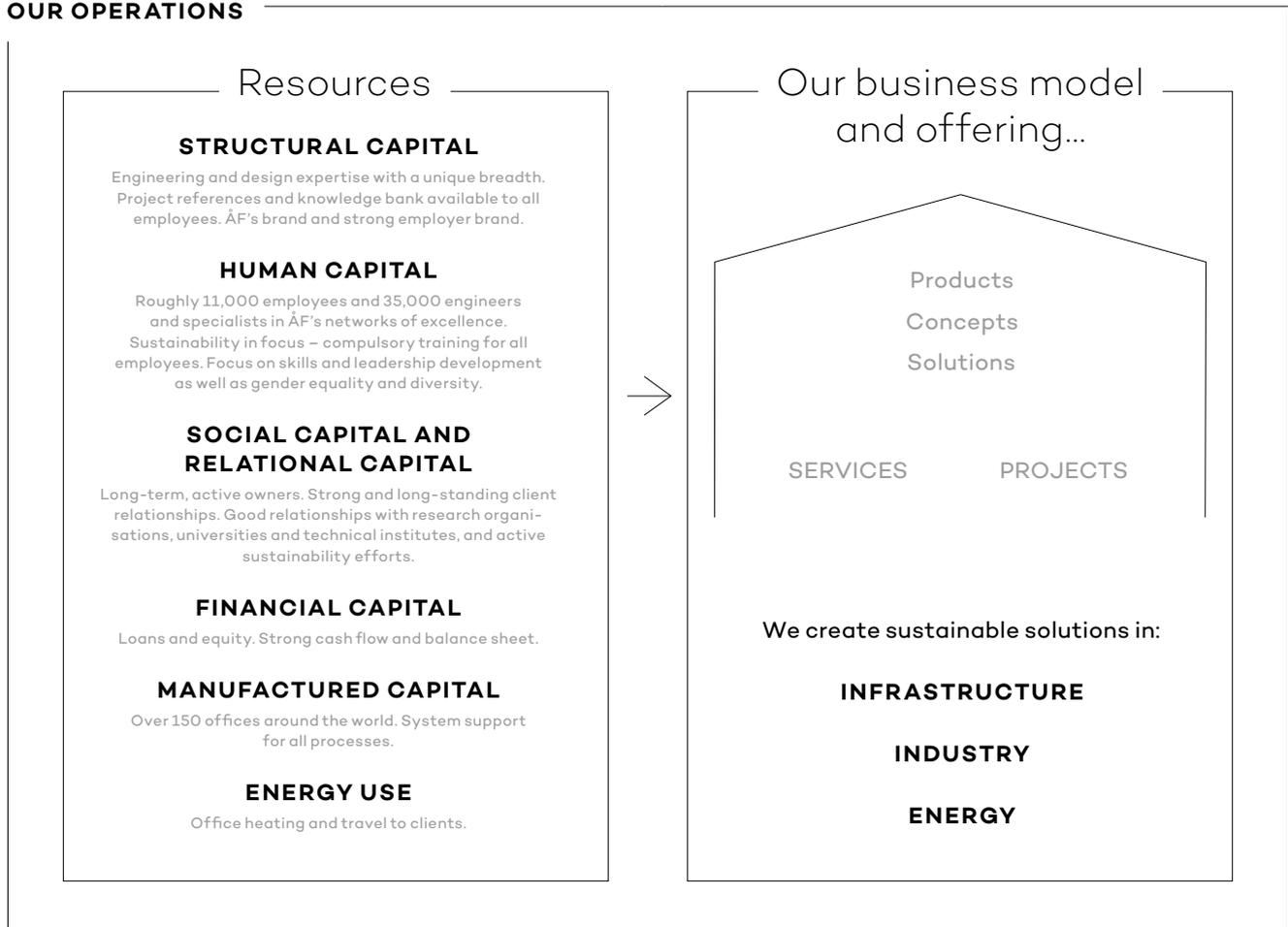
### ÅF's non-financial targets are:

- Engineering and design solutions that contribute to the UN's 17 Sustainable Development Goals (SDGs).
- Increased employee engagement.
- Leadership must be characterised by a high degree of trust in immediate managers.
- An increased proportion of female employees, 30 percent at all levels by 2020.
- Zero tolerance for discrimination.
- Increased client satisfaction.
- Halve carbon dioxide emissions per employee by 2030 compared to the 2016 base year.
- When responding to tenders, the sustainability risk assessment checklist must always be filled in for new clients, deals and markets.

We create value for shareholders, clients, employees and society by creating sustainable technology and design solutions with a long-term perspective.

# How we create value.

## OUR OPERATIONS



### Resources

#### STRUCTURAL CAPITAL

Engineering and design expertise with a unique breadth. Project references and knowledge bank available to all employees. ÅF's brand and strong employer brand.

#### HUMAN CAPITAL

Roughly 11,000 employees and 35,000 engineers and specialists in ÅF's networks of excellence. Sustainability in focus – compulsory training for all employees. Focus on skills and leadership development as well as gender equality and diversity.

#### SOCIAL CAPITAL AND RELATIONAL CAPITAL

Long-term, active owners. Strong and long-standing client relationships. Good relationships with research organisations, universities and technical institutes, and active sustainability efforts.

#### FINANCIAL CAPITAL

Loans and equity. Strong cash flow and balance sheet.

#### MANUFACTURED CAPITAL

Over 150 offices around the world. System support for all processes.

#### ENERGY USE

Office heating and travel to clients.

### Our business model and offering...

Products  
Concepts  
Solutions

SERVICES

PROJECTS

We create sustainable solutions in:

INFRASTRUCTURE

INDUSTRY

ENERGY



Helena Paulsson,  
Head of Urban  
Development

**CREATED VALUE**

...meets current  
needs in society

**SMART CITIES AND  
INFRASTRUCTURE**

**FUTURE  
MOBILITY**

**INDUSTRIAL  
DIGITALISATION**

**CHANGING ENERGY  
MARKETS**



**Stakeholders**

**CLIENTS**

Share of projects

64%

**EMPLOYEES**

Percentage of women

Salaries, benefits

26% 6,593  
SEK M

**SHAREHOLDERS**

Proposed dividend

5.00

SEK/share

**SOCIETY**

Income tax and employer's contributions

1,656  
SEK M



**REINVESTMENT THROUGH INCREASED  
EXPERIENCE, REFERENCES,  
DEVELOPMENT AND GROWTH**

**Megatrends like globalisation**, urbanisation, digitalisation and climate change are strong drivers behind ÅF's current and future business. In concrete terms, this means delivering leading sustainable solutions in the infrastructure, industry and energy markets to enable a more sustainable society.

# Strategy for the future.

**Our sustainable solutions** in infrastructure, industry and energy address some of today's major trends – smart cities and infrastructure, increased mobility, industrial digitalisation and a changing energy market. We inspire our clients to embrace new technology and design.

**Our strategy ensures** that ÅF remains competitive, leverages its full potential, grows profitably and creates value for stakeholders. At the same time, we will continue to strengthen our appeal as an employer to develop and attract the very best talent. Our strategy is based on four pillars: growth, value creation, operations and people.

## WHO WE ARE

### Our vision

Providing leading solutions for generations to come

ÅF – Making Future.

### Our core values

**WE ARE**  
Brave  
Devoted  
Team players

### Our mission

**WE CREATE**  
sustainable  
engineering  
and design  
solutions

## HOW WE WIN

### Growth drivers

Smart cities and infrastructure

Future mobility

Industrial digitalisation

Changing energy markets

### Our strategy

#### GROWTH

International expansion into leading positions

#### VALUE CREATION

Improved business model for greater client value

#### OPERATIONS

Operational excellence

#### PEOPLE

Best in class people practices

→ Read more about growth drivers on page 19.

→ Read more about the strategy's pillars on pages 20–35.



## ACHIEVED IN 2018

- ➔ New vision, mission and new core values.
- ➔ New brand promise – Making Future.
- ➔ New organisation with increased responsibility and international capabilities.
- ➔ Growth – organic growth and add-on acquisitions, a total of 11 strategic acquisitions.
- ➔ Value creation – fully integrated business and sustainability strategy.
- ➔ Employees – continued strong employer brand and positive acceptance of new core values.
- ➔ Made a bid for Pöyry PLC, a platform acquisition.

## PRIORITIES FOR 2019

- ➔ Enable effective integration and the next growth phase of the combined company ÅF Pöyry.
- ➔ Increase value creation through cost and revenue synergies.
- ➔ Strengthen the base in core markets through a strong position in infrastructure, industry and energy.
- ➔ Develop leading positions internationally in selected segments.
- ➔ Develop the business and create increased value in both projects and services.
- ➔ Work intensively to retain our position as one of the most attractive employers on the market.
- ➔ Strengthen the balance sheet by ensuring strong cash flows in 2019.

**Creating an international leader** within engineering, design and advisory services and consultancy company. Aligned with the strategy, ÅF is completing a platform acquisition to facilitate internationalisation and continued long-term value creation.

# ÅF + Pöyry.

Vlora Makolli, Strategist  
Peter Degerström,  
Process Engineer

## Background

In 2017, ÅF launched a strategy focusing on growth, increased value creation and international expansion in selected segments. Aligned with this strategy, ÅF has completed a platform acquisition to facilitate internationalisation and continued long-term value creation.

The competitive landscape has changed significantly in the past few years. Things are changing quickly as a result of global trends, and clients largely want end-to-end suppliers with scale and reach. Our sector also continues to undergo consolidation, with greater competition as a result, from both domestic suppliers and international companies.

## About Pöyry

Pöyry is an international consultancy and engineering company supplying services related to energy, the process industry, infrastructure and management consulting. Pöyry's net sales in 2018 were EUR 580 million and it had 4,800 employees. The company was founded in 1958 by Jaakko Pöyry.

## The new ÅF Pöyry Group

Pöyry and ÅF are two leading engineering and consultancy companies in Europe with complementary operations. Their combination will create a strong platform for international growth. With combined expertise, greater scale, more resources and committed, highly

educated employees, ÅF Pöyry is expected to contribute to clients' continued development and meet the need for advanced sustainable solutions in increasingly complex assignments. Jonas Gustavsson will continue as President and CEO, and the head office will be in Stockholm.

## Broader segment distribution and risk optimisation

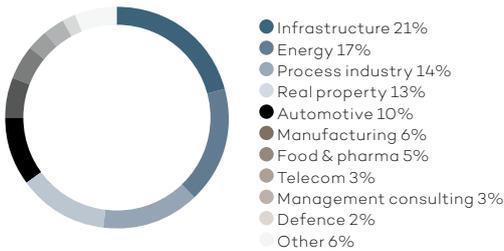
The acquisition will strengthen our position in several segments. Within infrastructure Scandinavia remains a strong base, but local operations will be enhanced in northern and central Europe including Switzerland, Austria, Germany and Finland, where the companies have complementary operations.

In the process industry, current operations will be enhanced by Pöyry's paper and pulp operations, and by its mining and petrochemical activities, primarily in the Nordic region, Southeast Asia, North America and Brazil.

Within energy, ÅF Pöyry will be a strong international operator in all segments, with operations primarily in the Nordic region, the rest of Europe and Asia.

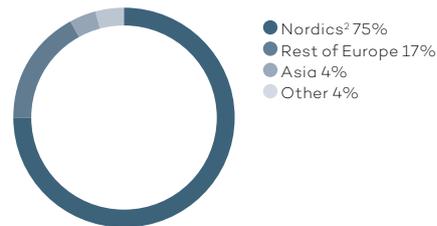
Based on net sales, the four biggest segments are expected to be infrastructure, buildings, automotive and energy. At the same time, the acquisition will increase the number of segments, resulting in a generally improved spread of risk.

## ÅF PÖYRY – CLIENT SEGMENT<sup>1,2</sup>



1) Estimate of net sales for the combined Group, September, 2018 LTM  
2) EUR/SEK: 10.3090 (ECB, 30 September 2018).

## ÅF PÖYRY – INTERNATIONAL PRESENCE<sup>1</sup>



1) Estimate of net sales for the combined Group, September, 2018 LTM  
2) ÅF's sales in the Nordics includes some sales in the Baltics.

The new Group will have greater international presence and prospects for increasing the rate of internationalisation in selected segments while generating a profit. The Nordic region will continue to be the company's biggest market, with approximately 75 percent of net sales.

### A new divisional structure that reflects the business

ÅF Pöyry will consist of five divisions that reflect the business, with managers from both ÅF and Pöyry.

### An even more attractive employer

The business combination is expected to provide greater opportunities for skills development and international careers for employees and thus further enhance the employer brand. ÅF and Pöyry share a Nordic industrial heritage and have great similarities in terms of corporate culture as both companies are high-performance organisations with a strong entrepreneurial spirit.

### Synergies through economies of scale

Revenue synergies are expected to be achieved by winning new projects based on combined expertise, size and geographical footprint across all divisions. Other areas in which revenue synergies are expected

are cross-selling between Sweden and Finland, economies of scale in the forest industry, mining industry, petrochemicals and bioeconomy, growth in Finnish and Swiss infrastructure business and digitalisation projects in Finland.

ÅF Pöyry will realise cost synergies, for example through reduced listed company costs, lower general and administrative expenses, and efficiency enhancements in IT systems, offices and operating structures. Cost synergies are expected to total at least SEK 180 million and the majority will be realised in 2019.

### The transaction

On 10 December 2018, ÅF published a public takeover bid for all outstanding shares in Pöyry at a price of EUR 10.20 per share. The acceptance period for the bid ended on 15 February 2019.

The cash bid will initially be financed with debt. This will be followed by a private placement and a preferential rights issue totalling SEK 4 billion.

The transaction was completed on 21 February 2018. ÅF's shares will continue to be listed on Nasdaq Stockholm.

## DIVISIONS IN ÅF PÖYRY<sup>1</sup>

	Infrastructure	Industrial & Digital Solutions	Process Industries	Energy	Management Consulting
Head of Division	Malin Frenning	Robert Larsson	Nicholas Oksanen	Richard Pinnock	Martin à Porta
Estimated net sales and % of total net sales Sep 2018 LTM <sup>2,3</sup>	~7,300 SEK m (~37%)	~5,900 SEK m (~30%)	~3,000 SEK m (~15%)	~2,900 SEK m (~15%)	~700 SEK m (~4%)
Average FTEs Jan-Sep 2018	~5,700	~3,900	~2,500	~2,000	~400

1) Divisional structure is valid from 22 February 2019.  
2) The total of estimated net sales per division was not adjusted for Group eliminations and unallocated items (the total is somewhat lower than estimated total net sales of the combined Group).  
3) EUR/SEK exchange rate at 30 September 2018: 10.3090 (ECB).

To ensure that ÅF's sustainability efforts produce results and are going in the right direction, they are followed up on an annual basis using Sustainable Business Performance Indicators (SBPI). SBPI is a digital decision-support tool that ÅF has developed together with RISE. The following section briefly describes how ÅF makes a positive contribution through our commitment to Agenda 2030 and the UN's 17 Sustainable Development Goals.

# Sustainable solutions and Agenda 2030.



## THE GLOBAL GOALS For Sustainable Development

### 1 NO POVERTY

Impact is achieved through establishing a robust infrastructure with basic public services such as access to safe drinking water, adequate sanitation, clean and affordable electricity, safe transport, waste management and health care, as well as protecting ecosystems, developing sustainable cities and combating climate change.

Examples include ensuring compliance with ÅF's Code of Conduct when assignments are performed, and the examples given for the other goals.

Relevant targets are 1.1, 1.4, 1.5



### 2 ZERO HUNGER

Impact is achieved through assignments that involve providing access to safe and nutritious food for all, as well as sustainable food production systems and resilient farming practices.

Examples include the development of innovative salmon farming, quality assurance of food and pharmaceutical production, and a public sector strategy for circularity in agriculture.

Relevant targets are 2.1, 2.4



### 6 CLEAN WATER AND SANITATION

Impact is achieved mainly through improved water quality, sewage treatment, increased recycling and reuse, and efficient water use and secure supply.

Examples include water and sanitation solutions, circular flows of water for industry, and analysis and action plans for contaminated land.

Relevant targets are 6.3, 6.4



### 7 AFFORDABLE AND CLEAN ENERGY

Impact is achieved through access to modern energy for all, an increased share of renewable energy throughout the world, energy conservation, and the expansion or upgrading of energy infrastructure and technology in developing countries.

Examples include the design of multi-dwelling buildings that are built as passive buildings with self-generated electricity from solar cells, as well as an advisory role in several World Bank-funded projects for expanding production of renewable electricity and national electrification strategies in developing countries.

Relevant targets are 7.1, 7.2, 7.3 and 7.B



### 8 DECENT WORK AND ECONOMIC GROWTH

Impact is achieved mainly via higher economic productivity through technological upgrades and innovation, improving resource efficiency in consumption and production, and by protecting workers' rights and promoting a safe and secure workplace.

Examples include the development of circular business strategies, supplier responsibility, and support for occupational health and safety in the construction sector.

Relevant targets are 8.2, 8.4, 8.8



### 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Impact is achieved through solutions for reduced food waste, responsible management of chemicals and waste, support for companies in their sustainability practices and sustainability reporting, and public education on sustainable lifestyles.

Examples include consultancy services for circular business models, sustainability consulting and reporting for industry, and the design of a digital portal for waste management.

Relevant targets are 12.3, 12.4, 12.5, 12.6, 12.8



### 13 CLIMATE ACTION

Impact is achieved mainly through improved resilience and adaptability to climate-related disasters, as well as integrated climate change actions in policy and planning.

Examples include scenario-based climate risk analyses and climate risk prevention for municipalities, the electrification of the transport sector and the design of renewable electricity production.

Relevant targets are 13.1, 13.2



### 14 LIFE BELOW WATER

Impact is achieved by reducing pollution in the seas, protecting and restoring ecosystems, and conserving coastal and marine areas.

Examples include remediation of the seafloor when developing a new town district, development of a strategy for transitioning to circular material flows and packaging design, and design and implementation of innovative salmon farming.

Relevant targets are 14.1, 14.2, 14.5



**SBPI measures ÅF's sustainability performance** and defines how sustainable we are in three areas: sustainable solutions, responsible business and attractive employer. ÅF analyses its operations in these areas using more than 60 measuring points that are important for our business, where 17 of these relate to Agenda 2030 and the UN's 17 Sustainable Development Goals.

The results show ÅF's total sustainability performance on a scale of 0 to 100. The measurement values are comparable from year to year, beginning with 2016. This makes it possible to track ÅF's sustainability performance on both the general and detailed levels. SBPI also makes the connection between various activities and their contribution to sustainability performance visible.

The total result for 2018 was 65, which was an improvement compared with 63 last year.

➔ **Read more in the sustainability notes on page 97.**

### ÅF's contribution to the SDGs

ÅF contribution to the 17 Sustainable Development Goals (SDGs) is analysed by asking all employees who oversaw an assignment during the past year to evaluate their biggest assignment in terms of annual sales. This is done using several targets from Agenda 2030 that are particularly relevant regarding the potential for positive impact through ÅF's assignments. This year, 14 percent of ÅF's total net sales were covered by this analysis, which showed that through sustainable solutions ÅF had a positive impact on all the SDGs. With our business and our offering as points of departure, we see a clear link and ability to impact as regards SDGs 3, 7, 9, 11 and 12.

### Understanding our impact

The SDGs are interconnected and achieving Agenda 2030 also involves several conflicting goals. To ensure successful and sustainable development for our clients, ourselves and society, we must understand that all our activities has an impact on the environment. We aim to ensure a holistic perspective in our assignments that minimises negative impact and maximises positive values.

## 3 GOOD HEALTH AND WELL-BEING

Impact is achieved through assignments related to combating communicable diseases, reducing the number of road traffic deaths and injuries, and reducing the number of diseases and deaths due to harmful chemicals and pollutants.

Examples are assignments in medical technology and pharmaceutical development and production, digitalisation solutions for health care, traffic planning and analysis for increased traffic safety, and product safety in relation to chemicals legislation.

Relevant targets are 3.3, 3.4, 3.6, 3.9



## 4 QUALITY EDUCATION

Impact is achieved through increasing access to education and professional training for vulnerable groups, particularly as relates to relevant technological and professional skills.

Examples include partnerships where ÅF's specialists are engaged to provide instructor-led courses in technology. Within ÅF's programme New Immigrated Engineers, consultants born outside of Sweden are coached in the relevant technical knowledge needed to eventually become an employee.

Relevant targets are 4.4, 4.5



## 5 GENDER EQUALITY

Impact aims to eradicate discrimination against women and girls and to ensure the full participation of women in leadership and decision-making.

Examples are urban planning projects with a clear gender-equality perspective and ÅF's own processes aimed at increasing diversity, increasing the number of women at all levels and counteracting discrimination during assignments and in operations.

Relevant targets are 5.1, 5.5



## 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Impact is achieved by creating sustainable, resilient and inclusive infrastructure, upgrading industry and infrastructure for increased sustainability, research and technological capacity in the industrial sector, and increased access to information and communication technology for all.

Examples include advancing the urban development process for smart cities of the future, as well as research projects on the future of sustainable transport systems.

Relevant targets are 9.1, 9.4, 9.5, 9.C



## 10 REDUCED INEQUALITIES

Impact is achieved in the context of promoting social, economic and political inclusion, ensuring equal rights for all and eradicating discrimination.

Examples include ensuring compliance with ÅF's Code of Conduct when assignments are performed, as well as urban planning and design geared towards mixed-use housing with different leasing arrangements that counteract segregation and promote inclusion.

Relevant targets are 10.2, 10.3



## 11 SUSTAINABLE CITIES AND COMMUNITIES

Impact is achieved through sustainable transport systems for all, inclusive and sustainable urbanisation, reduced environmental impact from cities, and safe and inclusive green spaces for all.

Examples include the use of Agenda 2030 in the urban planning process, the design of safe and inclusive neighbourhoods through the digital visualisation process, and the incorporation of ecosystem services and green spaces in urban environments.

Relevant targets are 11.2, 11.3, 11.6, 11.7



## 15 LIFE ON LAND

Impact is achieved by maintaining, restoring and ensuring the sustainable use of terrestrial and freshwater ecosystems, protecting biodiversity and natural habitats, and integrating ecosystems and biodiversity into national and local management.

Examples include design that minimises the environmental impact of urban development and the design of residential areas with urban ecosystem services.

Relevant targets are 15.1, 15.5, 15.9



## 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Impact linked to promoting legal certainty and ensuring access to justice, combating corruption and bribery, building transparent institutions and ensuring responsive, inclusive and representative decision-making.

Examples include ensuring compliance with ÅF's Code of Conduct when assignments are performed, as well as assignments within public sector digitalisation and sustainable supply chain management.

Relevant targets are 16.3, 16.5, 16.6, 16.7



## 17 PARTNERSHIPS FOR THE GOALS

Impact is achieved through a strengthened global partnership for sustainable development by exchanging knowledge, expertise and technology and by developing new ways to measure progress.

Examples include the development of urban planning methods based on Agenda 2030, process support for collaboration between different societal stakeholders, partnerships for instructor-led technology training, and the development of tools for measuring sustainability.

Relevant targets are 17.16, 17.17, 17.19



ÅF's three sectors – infrastructure, industry and energy – are greatly influenced by prevailing megatrends. Demand is increasing for services that address these trends, such as globalisation, urbanisation, digitalisation and climate change. Digitalisation is an unmistakable breakthrough in all our markets.

# Market trends.

## Infrastructure

**Focus is on** developing sustainable, attractive communities with a strong identity. Digitalisation is also on the rise in traditional infrastructure assignments in the form of increasingly connected transport systems as well as increased functionality, flexibility and building security. The sector is characterised by:

### Sustainable urban development

A strong urbanisation trend is placing great demands on climate-friendly, secure environments combined with smart communication solutions. Demand for new and upgraded commercial buildings is also on the rise. The success of sustainable urban development requires a combination of governance, cross-sectoral co-operation and dialogue with citizens and businesses.

### Intelligent buildings

In the buildings segment, the demographic trend of a growing and ageing population has contributed to the current structural transformation of the healthcare system. Healthcare is undergoing major changes, where some areas are being digitalised to create smarter work methods and deliver better quality

to patients and users. A more personalised form of healthcare is also being developed, where digital solutions provide people with greater independence and better support in managing their own health or illness.

### More efficient transportation

Increasing densification in cities and their outskirts are increasing the need for efficient transport solutions. Comprehensive investments are being made in road and rail traffic, primarily in Sweden and Norway, where ÅF is involved in major infrastructure projects like the Follobanen high-speed railway between Oslo and Ski in Norway, and the East Link high-speed railway between Stockholm and Linköping. Moreover, major technology shifts are in the offing. In the railway sector, development is under way of the new cross-border traffic management system that was decided on within the EU, while major investments are being made in the operation and maintenance of the rail network. For road traffic, this means a rapid increase in the amount of IT and automation in vehicles, as well as the potential for effective interaction with infrastructure systems.

# Industry

**Industrial companies today** are encountering increasingly stiff global competition with higher demands on productivity, quality and work environment. Processes and production are being streamlined, while new products are being developed to maintain market share and profitability. As needs increase in number and become more demanding, sustainability issues are climbing up the agenda of industrial companies. The sector is characterised by:

## Sustainable industry

Sustainable solutions are becoming more significant throughout the entire industrial value chain – from materials and design to suppliers, production, product development and use. Resource efficiency and the use of renewable materials are also becoming more common requirements in product development, where companies with leading expertise in sustainability are gaining a clear competitive advantage. Forward-looking industrial companies are abandoning the formerly dominant linear economy for a circular economy, with circular material flows. Industries are actively working to minimise their impact on the climate and environment, while government authorities are continuously tightening regulations. The factories of the future will produce completely different materials than those of today, with renewable raw materials from the forest industry forming a part of the solution.

## Future mobility

The global automotive industry is growing – in number of vehicles, new technologies and new services. Established car companies are undergoing transformation, while complete newcomers are emerging. The market is shifting away from a focus on vehicles towards becoming a diversified market that offers mobility solutions, with new brands and players. Companies are investing big in growth, development and partnerships related to connected cars, self-driving cars and electromobility. The needs of consumers and society for more flexible transport solutions are also increasing.

## Industrial digitalisation

People and technology are being increasingly integrated through robotics and automation. Digitalisation has taken us to the next industrial revolution: Industry 4.0, the connected factory. Industry 4.0 creates major opportunities to streamline operations and boost productivity through improved quality, smarter flows, less downtime and greater flexibility.

# Energy

**The world's energy sector** is undergoing a phase of gradual change in technology, policy and market conditions. Overall trends include decentralisation of the power grid, self-production of electricity by individuals and households, greater demand for renewable forms of energy, and digitalisation. The sector is characterised by:

## Increased energy needs and electricity use

The number of megacities – metropolitan areas with over 10 million inhabitants – is steadily rising, particularly in Asia. Energy use per capita in these areas is a fraction of the level in western countries. In these countries an improved, reliable energy supply is a strategic factor in the improvement of living standards. The extensive process of urbanisation – along with rapid industrialisation – require increased capacity in terms of energy, transport and water supply. Thus, for the foreseeable future, there is potential for further investment in traditional forms of energy supply. Alongside this, existing installations need to be upgraded and made more efficient. In global terms, major investments are being made to provide solutions for energy storage, greater use of electricity and a more efficient use of current power grids.

## New business models

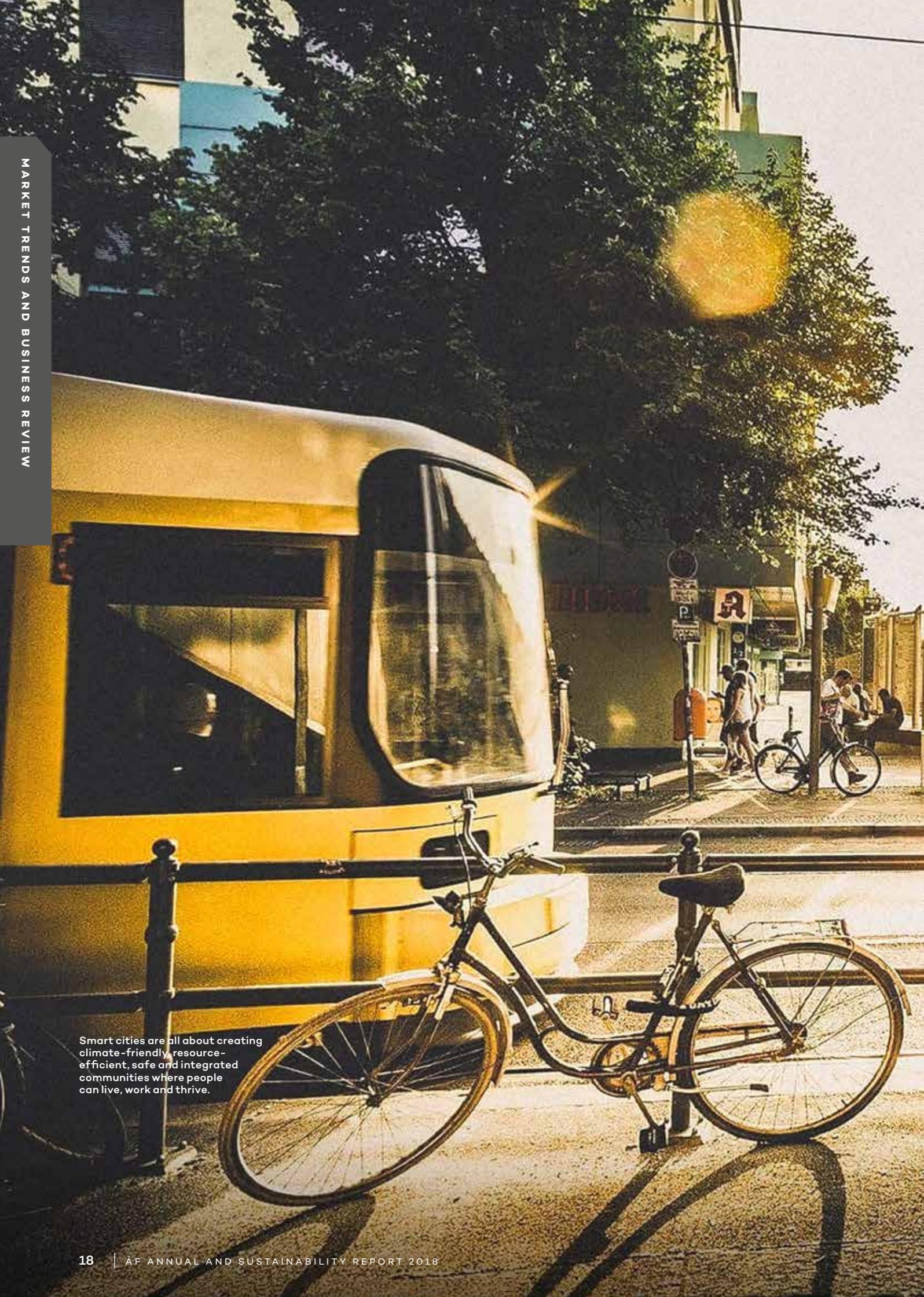
The energy market is largely dependent on political decisions made at the national level that are implemented by local authorities. Weak levels of profitability for many energy companies have given rise to new models of ownership. Interest from the private sector is also expected to increase for investments in the energy sector. The investments are influenced by the political impetus to transition to more sustainable forms of energy. This requires new business models in combination with innovative and cost-effective solutions.

## Focus on sustainable energy sources

Today, around a billion people lack access to electricity.<sup>1</sup> Meanwhile, the global population is expected to rise to nine billion by 2040. Energy needs are also expected to increase by about 30 percent by 2040,<sup>2</sup> which creates substantial pressure to reduce our climate impact. Therefore, the energy sector needs to get to grips with climate change, and comprehensive efforts are needed to achieve national and global climate goals. Renewable energy, including hydropower, currently makes up approximately 20 percent of the world's total energy production, and this figure is growing.

1) <https://www.naturskyddsforeningen.se/nyheter/en-miljard-manniskor-i-energifattigdom>

2) <https://www.iea.org/weo2017/#section-1-1>



Smart cities are all about creating climate-friendly, resource-efficient, safe and integrated communities where people can live, work and thrive.

**The strategy targets four strong drivers** for ÅF's business – smart cities and infrastructure, future mobility, industrial digitalisation and a changing energy market. This is our response to the global trends, where digitalisation represents a common thread. Each business area has a strategy and marketing plan to drive business development linked to one or more of these drivers.

# Powerful drivers.

## Smart cities and infrastructure

A powerful in-migration to cities, an ageing population and heavy demand for sustainable communities. Massive, challenging social change is now under way and it needs tangible solutions. It involves creating climate-friendly, resource-efficient, safe and integrated communities where people can live, work and thrive. Everything that has a concrete impact on people's daily lives – secure housing, efficient transportation, accessible healthcare, safe meeting places, clean air, reduced noise and good lighting – are important components of this development.

→ **Read more about our solutions on page 24.**

## Future mobility

The way we go places is changing. The digital revolution makes entirely new solutions possible, meaning greater convenience, lower environmental impact and safer traffic environments. In the automotive industry, where companies are beginning to cooperate with entirely new players to remain competitive, a rapid transformation is currently under way that focuses on connected autonomous vehicles and electromobility. Consumers and society are also demanding increasingly more flexible transport solutions.

→ **Read more about our solutions on page 25.**

## Industrial digitalisation

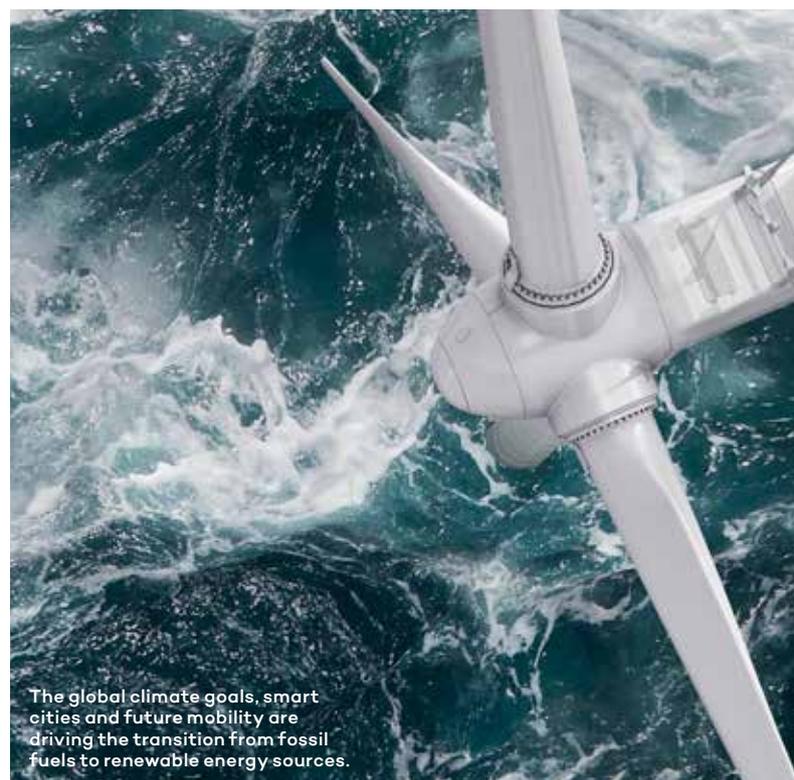
Competition in industry is intensifying around the world, putting pressure on increased efficiency and profitability. Interactions between people and technology are also solidifying through robotics and automation, while access to vast quantities of data is opening completely new possibilities for performing more in-depth analyses and improving business intelligence. This is leading us to the fourth industrial revolution: Industry 4.0, the connected factory.

→ **Read more about our solutions on page 26.**

## A changing energy market

The global climate goals, smart cities and future mobility are driving the transition from fossil fuels to renewable energy sources. Achieving the necessary change will require new and reliable transmission and distribution networks, energy storage systems and digital solutions. The energy supply is shifting from mostly large-scale power generation to a mixture of energy deliveries, such as small-scale solar and large-scale hydropower, to ensure a sustainable energy supply. Smart grids are becoming a requirement as more and more people begin to produce their own electricity locally.

→ **Read more about our solutions on page 27.**



The global climate goals, smart cities and future mobility are driving the transition from fossil fuels to renewable energy sources.

**With ÅF's strategy**, we are competing dynamically in the Nordic region but also in the international arena. We prioritise acquisitions that move us up in the value chain or contribute important elements such as niche expertise and market position.

# Grow and lead.

## **GEOGRAPHIC EXPANSION**

Our goal is to grow 10 percent annually in existing core markets in Europe, as well as internationally in selected niches through organic growth and strategic acquisitions in line with our strategy. To strengthen ÅF's position outside Sweden, we are building the brand in several selected countries. Our core markets are Sweden, Norway, Denmark, Finland, Switzerland and the Czech Republic, where we grew during the year through acquisitions in Denmark, Finland, Norway and Switzerland, among others.

Using our strategy, ÅF can aggressively compete within selected segments in the international arena. For example, in 2018 we conducted an interesting pulp and paper project in South Africa. We also established an innovation and development centre in Chengdu, China, to increase delivery capacity to both existing and new customers.

## **STRATEGIC FOCUS**

- Geographical expansion in core countries.
- International growth in selected niches.
- Expansion in international investment projects.



Marilyn Bellefine,  
HR Consultant

## ACQUISITIONS

We continued to actively engage in acquisitions during the period, when we built up expertise in the field of analysis so that we could evaluate and identify potential acquisition candidates with better precision.

Two types of acquisitions are appealing:

- **Add-on acquisitions.** Complement our current business in selected areas and geographies.
- **Platform acquisitions.** Give us the opportunity to take the next step in our development.

We prioritise acquisitions that power up ÅF's offering in sustainable solutions, move us up in the value chain, or contribute important elements such as niche expertise and market position.

At the end of the year, ÅF initiated a platform acquisition of the global engineering and consultancy company Pöyry PLC. This creates a strong platform for international expansion – together, we become an international leader within engineering, design and advisory services.

### Acquisitions for the year

In 2018, the following strategic niche acquisitions were made that will add more value:

**Gottlieb Paludan Architects, Denmark.** Expands ÅF's architecture and design offering as well as operations in Denmark.

**Arcad Architectes, Switzerland.** Strengthens ÅF's design and architecture offering as well as operations in core markets.

**Samtanke, Sweden.** Further strengthens ÅF's position in digital services.

**Facilia, Sweden.** Improves ÅF's offering within safety analysis for nuclear waste management and nuclear facility decommissioning.

**Effekt, Sweden.** Boosts ÅF's ability to take on end-to-end projects in property and technical installations.

**Mometo, Norway.** Develops ÅF's service offering in consultancy and project management and grows the digital service business in Norway.

**Konsultbolag1, Sweden.** Sharpens ÅF's offering within test and requirements management, which makes us an end-to-end digitalisation provider.

**LBP, Switzerland.** Strengthens ÅF's position in Switzerland within electrical engineering and complements our infrastructure offering.

**Profil-Bau Industrial, Finland.** Develops ÅF's industrial technology offering in Finland and provides a strong base for expansion in the Nordic region.

**P.A.P, Denmark.** Improves ÅF's position in the Danish energy market and provides a platform for further growth in Scandinavia.

**IFEC Ingegneria, Switzerland.** Expands ÅF's presence in Switzerland and strengthens our offering in energy-efficient, smart buildings throughout the region.

## NEW BRAND STRUCTURE

ÅF is growing rapidly through new acquisitions, businesses and services throughout the organisation. That is why we developed an updated brand structure during the year to optimise our position in a highly competitive and diversified market.

### BRAND STRUCTURE

- 1. THE ÅF BRAND
- 2. STAND-ALONE BRAND
- 3. CO-BRANDING



Jan Eklund,  
Market Area  
Manager,  
Samferdsel og  
Industri

Frode Steinsvik,  
Section Manager,  
Culture and Sport  
Facilities and  
Safety

**ÅF's business model** strengthens clients' long-term competitiveness. This is achieved by delivering projects, cross-functional and packaged solutions, concepts and selected products that respond to global trends, leverage the opportunities provided by digitalisation and respond to climate challenges.

# Greater value for clients.

Bror Jakobsen, Group Manager  
Energi og miljø  
Hilde Sofie Heum, HR Business  
Partner

## STRATEGIC FOCUS

- Increase share of projects and solutions.
- Cross ÅF solutions to meet global growth drivers.
- Invest in and develop concepts and selected products.
- Optimisation of professional services.

36%  
Services

64%  
Projects

## BUSINESS MODEL DEVELOPMENT

During the year, ÅF developed its business model to offer concepts and end-to-end solutions to a greater extent. This allows us to enter the process early on and actively help the client choose solutions that create beneficial financial, environmental and social values. In this way, we can more successfully address sustainability concerns in client assignments. ÅF offers:

**Projects.** Major projects and end-to-end solutions where ÅF is the client's partner. Project examples include helping clients reduce costs, increase productivity or gain a foothold in new areas and markets. There is an increasing demand from our clients for ÅF to take overall responsibility for projects. A development project that is under way for Volvo Cars involves such a new approach. For this project ÅF is providing a flexible engineering team ready to carry out development assignments in a variety of areas, such as bodywork, exterior, interior, chassis and climate systems. Continued progress was made this year on introducing a Group-wide project model, based on the PRINCE2 method, which creates value through reduced risks and increased opportunities for collaboration.

**Services.** ÅF provides professional services when the client requires external expertise or staff resources. This might involve delivering complete teams with different skillsets who work towards a specific client goal or running a satellite operation tailored to the client. We continuously develop our service delivery offering.

**Solutions, concepts and products.** Clients increasingly demand solutions that combine cross-functional skills in addition to functional and concept solutions. In these cases, ÅF can unite the latest technology and design with deep domain and process knowledge in infrastructure, industry and energy to offer world-class solutions within smart cities and infrastructure, industrial digitalisation, future mobility and a changing energy market. Through ÅF's new Future Cities platform, we gather all our skills to offer a complete end-to-end solution for developing the sustainable cities of the future. This adds value for clients while enabling ÅF to advance its position as an international engineering and design company.

## SPECIALIST EXPERTISE

ÅF has unrivalled breadth and depth in terms of specialist expertise. This expertise consists of ÅF's own 11,000 highly qualified employees and our unique network of close to 35,000 engineers and specialists. This combination puts us in an ideal position to offer a tailor-made team for each assignment.

To strengthen the sustainability skills of all new employees, we expanded the mandatory introductory course "Welcome to ÅF" to include a workshop on sustainability. In 2019, an updated online course in sustainability will also be launched, which will be required for all employees.

## SUSTAINABLE SOLUTIONS WITH OVERALL RESPONSIBILITY

ÅF's sustainable solutions are important for our clients, ourselves and society. The products and services we deliver aim to create sustainable value for our clients, help our business stay profitable and make a positive impact on communities. The product's or project's sustainability impact is determined primarily in the design and concept phase. Through the acquisition of some of the Nordic region's most high-profile design and architectural firms, we can contribute in the early phases of a project and deliver greater value to the client.

Management of sustainable solutions is done through ÅF's project model, cross-functional teams, and investments in early participation in the design and concept phase. The project model is crucial, as it defines the positive as well as the negative impacts of the project. Through the introductory workshop on sustainability and mandatory sustainability training, ÅF increases knowledge and raises awareness of sustainability and value creation. This could mean avoiding negative impacts by choosing the right solutions and materials or developing solutions that produce positive effects on people and the environment. However, the sustainability performance of ÅF's deliverables is closely linked to what the client defines and orders.

## CONCEPTS AND PRODUCTS

### – SOME EXAMPLES

- Sustainable Business Performance Indicators (SBPI) – Digital tool that measures sustainability using a scientific approach (see page 15)
- PaperLine – Production system for the pulp and paper industry
- SupportLine – Aftermarket service in industry
- Product Regulatory Support (PRS) – Web-based tool for efficient collection of subcontractor data
- retrÅFit – Service catering to needs in ageing thermal power generators
- Radox – System for documenting objects geographically (GIS)
- Visito – Visitor management system for increased security and control
- Easy – Support system for quality assurance and compliance with services
- Tiger – Research and development skills that are put together for specific purposes
- Balance+ – Intelligent adaptive solution for optimising control parameters in thermal power stations
- Liquid Light – Durable, visual and inspiring lighting concept adapted to human needs and activities
- Value Trace – Specification management system for products and projects
- ORDENA model – Modelling that facilitates decision making

By combining ÅF's unique expertise in design with smart digital solutions and in-depth knowledge of the infrastructure, industry and energy sectors, we can provide leading end-to-end solutions.

# World-class sustainable solutions.

## Smart cities and infrastructure

ÅF is driving the development of our cities of the future. We are designing more efficient, greener cities that optimise resources and space for people. Smart homes, self-driving vehicles and sustainable urban planning are some of the solutions that are helping to shape the future. To truly succeed, we adapt global trends to the local market where the assignment takes place. More and more, our clients are demanding solutions and processes that ensure the least possible climate impact. ÅF has the know-how and wants to drive the development of sustainable cities and communities. We look forward to influencing decisions in a sustainable direction.

Through cutting-edge expertise and innovative solutions, we help to influence the development of many public urban development projects both in Sweden and internationally – from the design of roads and public transport to the creation of tomorrow's hospitals, housing, lighting and acoustics. In the overall technology shift currently taking place, we have a great competitive edge through our end-to-end solutions in infrastructure planning.

We are seeing an increase in digitalisation in traditional infrastructure services: increasingly connected traffic, more functions, and demands for flexibility and security in buildings. IT provides scope for innovation and the opportunity to offer the full breadth of our expertise through new business models and services. Our experts

in IT and automation are at the heart of increased efficiency, in traffic systems as well as buildings.

ÅF contributes to the UN's global goal for sustainable cities and communities (SDG 11). Our assignments establish values such as efficient and renewable energy use, resource efficiency, safe workplaces and residences, accessibility, and improved air and water quality. To encourage sustainable solutions within the industry, ÅF is also a member of the Green Cities network.

### CASE: UPPSALA UNIVERSITY HOSPITAL

#### Modern hospitals of the future put patients first

A comprehensive new construction and refurbishment project is under way at Uppsala University Hospital. ÅF has played a central role in the construction of the new care and treatment wing (entrance 100/101) by designing the electricity, plumbing, controls, sprinklers and medical gases for an area of roughly 60,000 m<sup>2</sup>, including premises for highly specialised cancer care, radiation therapy and operations.

In addition, we had responsibility for obtaining environmental certification of the building under the Swedish system Environment Building Gold. By calculating and compiling reports for energy use, solar thermal load, thermal climate and ventilation standards, we have managed to achieve high energy performance along with a pleasant indoor climate.



# Future mobility

**ÅF facilitates the mobility** of the future so that people can move where they want to, whenever they want to. Solutions for improved traffic flows, a better use of spaces, safer traffic and transportation, and reduced pollution are things that we will need even more in the future. It is all being realised using data in real time.

**Today, ÅF offers** world-class vehicle development, leads the development of smart cities, provides in-depth expertise in digital solutions and is recognised for its industrial process mindset. This gives us a unique opportunity to develop innovative, effective solutions for tomorrow's mobility challenges.

**The global** automotive market is growing the most, opening great opportunities for us. When our clients transition from the traditional vehicle-focused market to a much more diversified market, ÅF will stand alongside them and provide support in different ways:

- Connected cars with digital services, such as Spotify, traffic information and real-time data.
- More autonomous vehicles.
- Electromobility for hybrids and electric cars.

With increasing consumer demand for flexible transport solutions, ÅF as an engineering and design company is increasingly gaining business opportunities, and the market is constantly evolving.

In this respect, ÅF further contributes to the UN's global goal for sustainable cities and communities (SDG 11). We do this through our innovations in various transport systems and vehicles, which connect systems, communities and people. This leads to more efficient energy and resource use while creating safer and securer environments.

## CASE: SWEDISH TRANSPORT ADMINISTRATION

### Fewer traffic accidents thanks to a digital solution

**ÅF will deliver** slippery road reports in real time to the Swedish Transport Administration. This is made possible through a partnership with Volvo Cars. The goal is to reduce skidding and accidents on Swedish roads.

"New technologies that make large amounts of data available open the way

for new solutions and new collaborations. This is a prime example of ÅF's digitalisation work in the infrastructure sector," says Malin Frenning, EVP and Head of the Infrastructure Division at ÅF.

All the Volvo cars in Sweden with the Slippery Road Alert system collect and submit information on road conditions.

The first delivery of anonymised data to the Swedish Transport Administration occurred at the end of 2018. This digital solution allows the Swedish Transport Administration to act faster and more strategically to minimise the time that roadways are slippery during cold weather. The project will run for two years, after which it will be evaluated.



# Industrial digitalisation

**ÅF makes digitalised** industries possible, where innovative solutions based on information technology generate profits along the entire value chain. Robotics, automation, cloud data, big data and the Internet of Things are some of the technologies ÅF is using that take us to the next industrial revolution: Industry 4.0. We are noticing huge demand, especially in robotics and automation.

**We have a major advantage** as a supplier when industry becomes digitalised; few other players have such deep domain knowledge in combination with IT expertise as ÅF does. We operate across a wide range of industrial projects – from product development, process development and logistics solutions to efficiency improvements in material flows. We help development-intensive industries transition to completely new production methods. By applying digitalisation and smart technology we help to connect machines, systems and processes, resulting in a more efficient use of energy and resources.

**ÅF also participates** in the development of a huge variety of products that are used every day: washing machines, mobile phones, packaging and vehicles. We can do this quickly thanks to our end-to-end solutions that often involve multidisciplinary projects, where, for example, we combine expertise in automation with industrial IT to connect clients' ERP systems with production.

**In this respect, ÅF contributes to the UN's global goal** for sustainable industry, innovation and infrastructure (SDG 9). We achieve this through our assignments that optimise logistics and process flows to increase productivity and minimise the use of energy and resources.

## CASE: BROR TON SJÖ

### Industry 4.0 – Digital control brings lower costs and higher efficiency

**Bror Tonsjö AB** is a Gothenburg-based company that performs metal cutting in the areas of lathing and milling for the auto and engineering industries.

The client was looking for better control over the capacity utilisation of its machine fleet because they occasionally faced lower production rates and unscheduled downtime that sometimes led to quality problems. Bror Tonsjö saw an opportunity to extract more information about the fleet's capacity and efficiency through digitalisation, thus preventing downtime. Inadequate information meant that decisions were based on assumptions rather than facts.

ÅF was tasked with digitalising Bror Tonsjö's business. All machines were connected to their ERP system in a cloud solution that now visualises KPIs for efficiency and provides alerts when machinery stops or tools need to be replaced.

This means that operators now have a better overview of ongoing work and priorities, maintenance and repairs can be scheduled, and longer, costly production downtime can be avoided. The system also sends information to the correct receiver so that the right person can take the right action. If no action is taken, the alert escalates to the next level until the error is corrected. By digitalising its entire production chain, the client gains a completely different control of its production and machine fleet, saving money and increasing efficiency by 15 percent.



# A changing energy market

**ÅF thinks innovatively** about how energy should be produced in the future. In the future, electricity production will be decentralised and the challenge of storing energy will be solved. This will require a robust, efficient energy infrastructure system to be built over the next few years. We are driven by our desire to ensure access for all to modern forms of affordable, reliable and sustainable energy.

**Within energy**, ÅF has a strong global focus. We have a presence in more than 80 locations in Europe, Asia, Africa and Latin America. Our skills span all the different forms of energy – from hydropower, coal, gas and nuclear power to hydropower and renewable energy – as well as transmission and distribution. On the road to sustainable and modern energy, ÅF also provides technology solutions at the forefront of non-renewable energy to ensure that more people get reliable baseload power. Securing the energy supply and transforming energy into renewables poses a major challenge.

**With our broad expertise** we offer energy clients a wide range of services in energy market analysis, power generation, life-cycle assessments of investments, and independent assessments and audits. By combining smart energy technology with digitalisation, ÅF can also help to link energy systems with communities. In order to strengthen our offering to meet the new needs of a changing energy market, we have adapted our strategy and business model.

**To this end, ÅF contributes to the UN's global** goal for sustainable energy for all (SDG 7). We do this through our services, which ensure access to affordable, reliable, sustainable and renewable energy for all but also help to reduce energy use, make more efficient use of resources and limit greenhouse gas emissions.

## CASE: FORTUM

### A more stable power system with batteries for Fortum Sweden

**To regulate** power balance (the balance between production and consumption of electricity), the Nordic power system mainly uses hydropower. If consumption is greater than production, the frequency drops below 50 Hz and, conversely, rises above 50 Hz if production exceeds consumption. This explains why power balancing is called frequency regulation. Simply put, we want to avoid the peaks and valleys of the power system and keep it at a stable level.

Because an increasingly diverse production of electricity (especially wind and solar power) is connected to our power grid today, the need for rapid frequency regulation is also increasing. The turbines used at hydroelectric power stations today are unfortunately relatively slow in their regulation, which is why we need to develop new methods to keep pace with the modern power system. In addition, constant regulation causes wear on the turbines' hydraulic-mechanical equipment.

In a development project, Fortum will therefore install batteries with accompanying inverters at its main power plant outside Borlänge. The batteries are to work together with the hydropower to help optimise frequency regulation. While hydropower takes up to 60 seconds to regulate the desired effect, the batteries are fast and can deliver the desired effect in the next second.

ÅF is on site, assisting with cable sizing and electrical design as well as configuration of relay protection and programming of additional control systems.

The project is expected to be ready in April, and its goal is to help provide faster frequency regulation while reducing mechanical wear on the water turbine's control equipment.





ÅF's efforts are centred on optimising cities based on human needs, without jeopardising natural resources.

» The future city not only concerns politicians, planners and, of course, residents, but also the manufacturing industry, logistics companies and retail sectors. We are helping our clients seize the opportunities that urban development brings. «

Helena Paulsson, Head of Urban Development



Based on the needs and well-being of the inhabitants, we develop attractive, smart and sustainable cities for future generations.

**Globalisation**, urbanisation, climate change and digitalisation will greatly influence the way we live in the future. By focusing on, and always using as a point of departure, people who live in the city – their needs and well-being – we aim to be involved in developing attractive, sustainable and smart cities for future generations.

**ÅF holds a unique position** to lead this development, with a combination of our broad expertise, strategic advisory role and holistic approach. With our collective expertise in urban development, energy, water, waste, industry, digital solutions, future mobility and much more, we create combined solutions that span multiple fields – the key to developing the cities of tomorrow. We can offer multidisciplinary expert teams from start to finish, through all phases: strategic consulting, concept design and implementation.

**Therefore**, we launched Future Cities in 2018, which showcases our ability to develop sustainable cities locally, regionally, nationally and internationally. ÅF's approach is centred on optimising cities based on human needs, without jeopardising natural resources. We do this by allowing interdisciplinary collaborations, thoughtful design, industrial excellence and digital solutions to guide the densification and development of our future cities.

In just 30 years, 70 percent of the world's population is expected to live in cities. Even today, half of the world lives on three percent of its surface. This means that cities will be the key to sustainable development. We now face complex challenges that require both brave decisions and action. ÅF wants to – and can – lead this development.

# Future Cities.

## CASE: CITY OF HELSINGBORG

### A study of the acoustic environment in city-centre locations

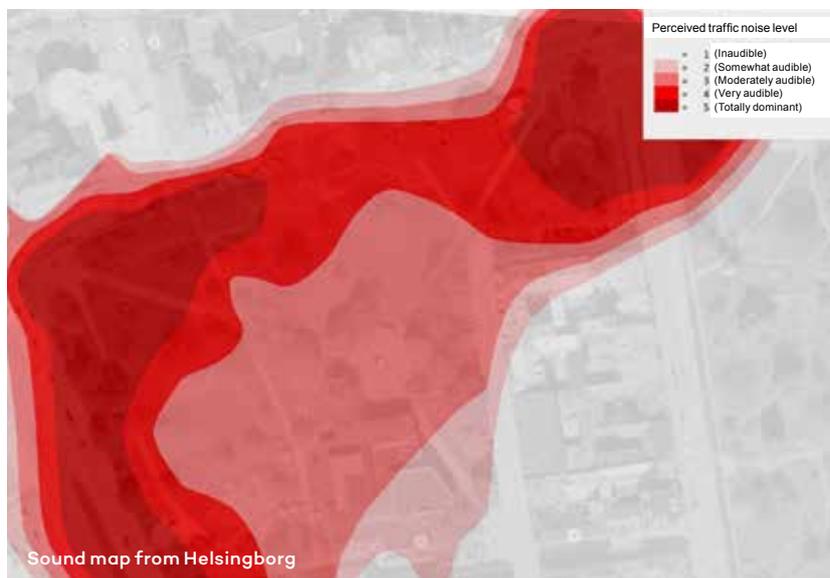
**What do we want a city to sound like?  
What makes a good acoustic environment?  
These issues were the focus of an acoustic environment study that was conducted at four city-centre sites in Helsingborg.**

In order to create attractive spaces for the city's residents, ÅF was commissioned by the City of Helsingborg to come up with visually appealing noise solutions. To provide a nuanced picture of the acoustic environment and create an easy-to-understand basis for decision-making,

a traditional noise measurement was carried out as well as a measurement of the perceived sound landscape at the four sites. Each site was split into a grid, where the perceived acoustic environment was mapped through a survey. Sounds were divided into different categories that were each measured. This resulted in sound maps showing the balance and the levels between the different sound categories. The sound categories measured were human sounds (blue), machine sounds (red) and natural sounds (green). The City of

Helsingborg can thus more easily determine which sounds should be reduced or which should be preserved or amplified.

This assignment involved interaction between several different technology domains (acoustics, sound design and landscape architecture), which facilitated dialogue with the client. One of ÅF's strengths is our many technology domains with related expertise, which, when integrated, facilitate dialogue not only with the client but across departments and technology domains.



ÅF is continuing to improve efficiency and strengthen its capacity. Meanwhile, we are also working to be as sustainable as possible, with business ethics and the choice of partners, clients and projects being vital aspects of this effort.

# Operational Excellence.

## STRATEGIC FOCUS

- Simplified and focused organisation.
- Adjusted financial steering.
- Optimised pricing and sourcing.
- Ethical commitment.



Thea Collett, Senior Lighting Designer  
Rune Berg, Project Manager, Buildings

**Integrated business strategy**

During the year, we fully integrated ÅF's sustainability strategy with the business strategy, which identifies sustainability as the platform for our innovation and growth. Our established orientation towards sustainability in every aspect has thus been clarified. This is mitigating our business risks, generating new product ideas, producing higher revenues and adding value to our brand.

**Financial control**

To ensure satisfied clients and competitive prices, ÅF constantly strives to make its operations more efficient and cost-effective. This is done in each business area and is monitored through various performance indicators, such as quality in project implementation, measurement of client satisfaction, capacity utilisation and cost trends. All business areas in each of the four divisions have full responsibility for profitability. This means international full responsibility for clients, sales and delivery in each area. The business areas are then measured according to financial and non-financial performance indicators with the support of the Balanced Scorecard.

**Pricing**

ÅF strengthens its clients' competitiveness by creating cost-effective solutions and concepts. We strive for pricing that is based on the value we deliver to clients rather than on how many hours we have spent on the project. This is intended to contribute to higher perceived value for clients and increased profitability.

**Business ethics**

By taking responsibility for how ÅF runs its business, we have also become part of the solution for a more sustainable future. This instils greater trust among our employees, clients, partners, suppliers, investors and others affected by us and strengthens our brand and our business. The foundations of our business ethics are summarised in the ÅF Code of Conduct, which was updated during the year to clarify objectives, accountability and values. In a manifestation of our efforts, ÅF has been a member of the UN Global Compact for several years.

Our employees have the main responsibility for complying with business ethics. They are made aware of ÅF's business ethics policy and its contents through the onboarding process and training. The Code of Conduct, whistleblower policy and procedures within the Sustainability Risk Assessment process are monitored in the internal audit procedure and reported to the Audit Committee and Group management. Any non-conformances found via internal and external audits are corrected.

ÅF also takes active responsibility for selecting partners, clients and projects. We seek to act as a role model and source of inspiration for our partners and clients. We accept responsibility for delivering sus-



tainable solutions, as expressed in our vision: Providing leading solutions for generations to come. To the extent possible, ÅF guides its clients in a sustainable direction and requires their respect for our Code of Conduct. If that does not work, we end the collaboration.

**IT security**

As an international engineering and design company, ÅF takes a holistic view of information and IT security management. We preserve confidentiality, privacy and access to all important information to maintain our competitiveness, uphold our reputation and comply with laws and agreements. Our industry is built on trust and clients expect robust protection against external IT threats. ÅF is therefore focusing more than ever on information and IT security, both internally and on-site with clients. Security efforts, which are based on shared responsibility and trust, are integrated throughout the organisation, from individual employees to processes and systems.

**Data privacy**

People are the key to ÅF's success, which is based on their trust in us. Accordingly, it is vital to ÅF that our actions are guided by the principle "your data is our responsibility." During the year, we established a global system for protecting and managing data confidentiality and personal information, in accordance with the EU General Data Protection Regulation (GDPR).

**Energy efficiency and the environment**

ÅF will lead the way through high energy efficiency and low environmental impact. We have an environmental management system certified to ISO 14001 that ensures systematic environmental efforts. Our environmental impact is mainly due to client impact, business travel and energy use in office premises. The goal is to halve ÅF's carbon emissions per employee by 2030 compared to the base year 2016. We work continuously with activities and tracking to achieve that target.

In 2018, ÅF's total emissions amounted to 13,556 tonnes CO<sub>2</sub>e, compared to 11,878 tonnes in 2017. Recalculated per employee, emissions amounted to 1,324 kg CO<sub>2</sub>e, 3.1 percent above last year and 1.7 percent higher than the base year, 2016. The increase in emissions during the year is attributable to continued international expansion and thus increased air travel. See page 101 for more information.

ÅF updated its vehicle policy in 2018 with the target of transitioning to a fossil free, safe, clean and quiet vehicle fleet by 2027. This means that the emissions limit will be reduced by 13 grams CO<sub>2</sub>e on average per year starting from the base level of 120 grams CO<sub>2</sub>e in 2019.

**TEN LARGEST CLIENTS IN 2018**

- AB Volvo	- GE	- Swedish Transport Administration
- AstraZeneca	- Scania	- Vattenfall
- Avinor AS	- Swedish Defence Materiel Administration, FMV	- Volvo Cars
- Ericsson		

**For ÅF to develop** in line with our vision and strategy, brave and devoted team players are essential. We attract new talent and develop those we already have by offering interesting career and development opportunities.

# Attractive employer.

## STRATEGIC FOCUS

- Leadership development.
- People engagement and development.
- Employer branding.
- Recruitment and onboarding.
- Diversity and inclusion.



Sara Lindstrand, Engineer and Senior Manager, Sustainability

## Leadership development

ÅF believes that leadership is about creating long-term sustainable profits by developing both the business and our employees. Good leadership – firmly rooted in our culture and strategy – is a foundation for strong client relationships and a committed workforce. Therefore, we take a structured, long-term approach to identifying managerial talent and planning for advancement and succession in various leadership roles. We advance our managers through leadership training in our own professional training programme, ÅF Academy. We updated our executive review and succession planning during the year and prepared new incentive models for executive management.

## Commitment and development

Given ÅF's size and breadth, we can offer our employees many interesting career and development opportunities. Examples of career paths are specialist, manager, project manager and business developer, and it is becoming increasingly important to bring attention to these to demonstrate the potential of a rewarding career with ÅF. Aimed at encouraging more people to try out new roles, we intend to facilitate job rotation going forward. Services were expanded during the year to provide better support to employees interested in working abroad.

Much of our employees' skills development occurs on the job. As sustainability is at the core of our client offering, we are working to increase understanding and knowledge of sustainability topics throughout ÅF. In addition, opportunities offered to employees include:

- **ÅF Academy.** Our own employee training platform, which offers a wide variety of training options. Digitalisation of ÅF Academy continued during the year, aimed at increasing access, options and training formats.
- **Future ÅF Programme.** A programme offered via a digital platform for individual employees and teams, aimed at activating ÅF's vision, strategy and values.

Ongoing employee/manager dialogues on performance and development are an important factor in boosting motivation and commitment. Managers are supported in this context with a simplified and interactive tool for performance reviews. Each employee must have at least one performance review per year.

ÅF also conducts at least one employee survey every year. This year's results show that employee commitment is persistent, and that the strategy is creating greater clarity about where we are headed as a company.

## Employer brand

ÅF has been working deliberately to build a strong employer brand for a long time, and this effort remains high on the agenda. To strengthen the brand, ÅF is marketed through digital campaigns, visits to universities and internal ambassadors and communication. On Universum's career barometer among young professional engineers, ÅF solidified its position as one of the top companies when we placed fourth in 2018. Activities that will further strengthen the brand over the long term include:

- **ÅF Future Talent.** A programme for talented future engineers. The aim is for students to get to know ÅF and get involved as ÅF ambassadors at their universities.
- **Tekniksprånget.** ÅF participates in Tekniksprånget ("the technological leap"), a national initiative aimed at stimulating interest in engineering degrees, where the university students accepted into the programme are offered a four-month work experience placement. A total of 2,558 young people applied during the year, of whom 515 were seeking a placement with ÅF. Of these, 45 percent were women.

## Recruitment and induction

ÅF is growing rapidly and this year alone, more than 2,000 new employees were hired. This rate of growth demands an effective and well-functioning recruitment process. Each manager is responsible for their recruitment plan and the people they recruit, with support provided by the HR organisation. In Sweden alone, ÅF had about 30 recruiters at the end of the year, who proactively search for and solicit candidates of interest and ensure that they have a good candidate experience in the recruitment process.

We developed a candidate portal during the year to give candidates a clearer "insider view" of ÅF. New

employees are provided an onboarding app packed with useful, inspiring information and a professional welcome at an ÅF Day at the head office.

## Retain and develop talent

ÅF needs engineers in virtually all fields. In addition to recruiting the right individuals, we must successfully retain and develop them to meet client demands. Talent management involves everything from finding the right individual, making sure they end up in the right place and under the right conditions to perform their jobs, to generating commitment and the right culture via ÅF's leadership and processes. The company cul-

## OUR THREE CORE VALUES

- **Brave.** We think big and beyond convention to increase value and make an impact. Challenging each other and making bold decisions. Always taking a stand for what we believe in.
- **Devoted.** We are a unique mix of competence and we are all passionate within our fields. Sharing our expertise to make a difference. Driven by our curiosity to grow and learn more.
- **Team players.** We collaborate to seize new opportunities. To challenge, support and bring out the best in each other. We believe in the power of differences.

» We are convinced that a more diversified workplace makes a company more competitive. «

Frida Wam Grønberg,  
Team Leader HVAC  
Ahmed Alaydi, Architect  
and Urban Designer

**GENDER DISTRIBUTION**

2018

● Women ● Men



**Consultants**

Women 24.7%  
Men 75.3%



**New hires**

Women 29.3%  
Men 70.7%



**Managers**

Women 21.0%  
Men 79.0%

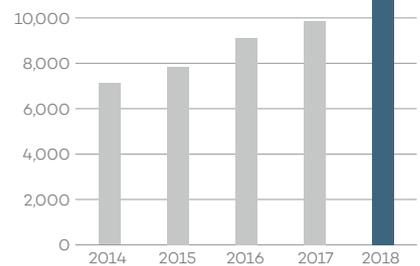


**Employees total**

Women 26.2%  
Men 73.8%

**CHANGES IN THE NUMBER OF EMPLOYEES**

2014-2018



ture must be an integral part of the manager's day-to-day work, which means it must influence all employees and, by extension, all the company's stakeholders.

Employee turnover at ÅF is affected by market trends and business cycles. The expectations of employees and potential employees on ÅF as an employer are influenced by prevailing trends. Moreover, the general skills shortage affects the supply of talent available to ÅF.

**We guide talent management at ÅF** through Group-wide processes, policies and system support. Managers have access to guidelines, tools and templates. HR is available to support them. This guidance reduces the risk of arbitrary decisions, helps managers work more efficiently and ensures a "minimum level" of talent management.

### **Gender equality, diversity and inclusion**

As a rapidly growing company, ÅF is always on the look-out for a diversity of talent who can contribute to the pool of innovative strength both for clients and for society. We are convinced that a more diversified workplace makes a company more competitive. ÅF actively pursues the promotion of diversity and inclusion. Partly, this involves developing our procedures to attract and recruit new managers and employees, to ensure fair and gender-neutral pay and to educate and train managers in inclusive leadership. We are currently undergoing the process of being certified for diversity and inclusion. In that context, we are preparing more concrete action plans for greater diversity. There are two focus areas:

- **More women.** ÅF has an overall objective of creating better gender balance among consultants and managers. An interim target is that the proportion of female managers and employees should reach 30 percent by 2020. At the end of the year, ÅF's employees were 26 percent women and the proportion of women recruited during the year was 29 percent. ÅF engages in various initiatives under the umbrella term EVEN ODDS to improve the gender balance.
- **More newly immigrated engineers.** ÅF has been offering a trainee programme since 2016 aimed at engineers who have recently immigrated to Sweden as a way of bringing valuable skills to the company. Our two diversity coaches are working with the Swedish Public Employment Service to find the right candidates and provide support to trainees who have been taken on and their managers. By the end of the year, ÅF had hired a total of 135 newly immigrated engineers.

Diversity has consequences throughout ÅF, as it affects the company culture through leadership and collaboration. At the end of the day, diversity has measurable impact not only for clients but for all of society, because it equips us to make a contribution with even smarter solutions to major social challenges.

Structures that create and reinforce bias are found everywhere, including within ÅF. We can shape these structures through training, culture-building and leadership, but employees and other stakeholders are also influenced by social signals.

We guide the company towards diversity, equal opportunity and inclusion through structured policies and tools for managers and employees in all employee-related areas. ÅF also works with communication by bringing attention to role models and best practice. This is helping to ensure that fewer decisions are made on non-objective grounds and to boost skills among managers and employees.

### **Working environment, health and safety**

To be an attractive employer, we must ensure a good working environment and the health and safety of our employees. This is also important to clients and other stakeholders, as a good working environment for ÅF's employees assures sustainable outcomes and long-term relationships.

Employees in Sweden are covered by our general agreement with Previa, which provides occupational health services including regular physicals, vocational rehabilitation and support. In other countries, ÅF has local procedures for occupational health services. Voluntary medical insurance cover is available to promote good health off the job. In addition, ÅF offers all employees in Sweden fitness and wellness subsidies and health-promoting activities.

### **Travel safety**

Risks associated with business travel have increased in recent years. To address this issue, ÅF has become more proactive in managing risk associated with employee safety while travelling in international and complex environments. The ambition is to exceed legal requirements for health and safety that apply to travel and international assignments. During the year, we reinforced that effort and set the following priorities:

- 1. Preparations.** Offer travellers the right tools, services and solutions to reduce travel risks and financial consequences.
- 2. Real-time monitoring.** Notify travellers immediately if they might be affected by weather, health situations, terrorism or other events, using technology for global real-time monitoring.
- 3. Immediate assistance.** Give travellers or employees stationed abroad immediate assistance with evacuation services, medical or security support via a global network integrated in the global emergency management system.

**Global trends** – globalisation, urbanisation, digitalisation and repositioning – are the underlying drivers that increase demand for our services. At ÅF we are constantly developing our offering and directing our resources towards adapting our operations to the changing world around us.

# Five reasons to invest in ÅF.

①

## A changing world is increasing the need for our solutions

ÅF creates sustainable solutions covering a broad spectrum of expertise areas and client segments. Combining these enables ÅF to provide solutions in engineering, design and digitalisation that few other consulting companies can match. This makes ÅF an attractive partner as industry is being digitalised or as we build smart cities to be sustainable in the long term.

②

## Diversification for low cyclicity

The extensive portfolio equips ÅF to deliver the end-to-end solutions that are in demand and create value for clients. This also generates stability across fluctuations in the economy and better spreads risk. ÅF has a strong local position in core markets and is aiming to be the international leader in selected segments including the process industry, energy, automotive and lighting.



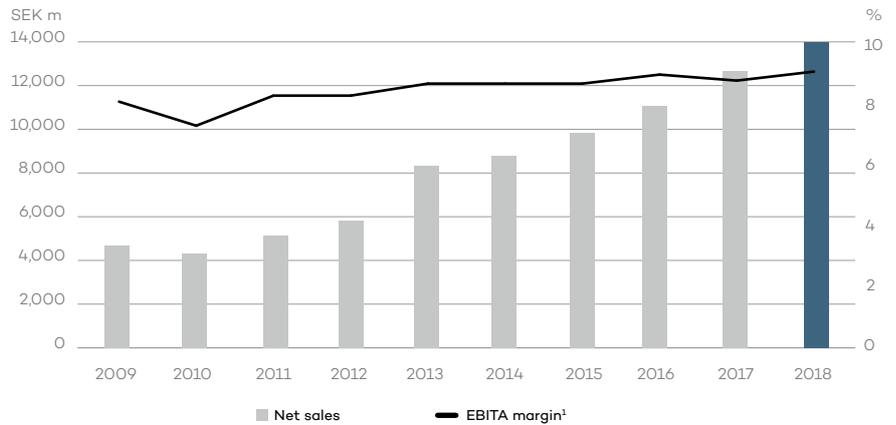
Rickard Berglund, Industrial Engineer  
Thomas Lackman, Engineer, risk management

3

## Successful agenda for growth and stable financial performance

ÅF grows both organically and through acquisitions and its target is to achieve annual growth of 10 percent. Growth strengthens and broadens our client offering, while acquisitions have helped us identify and realise cost synergies. We have a clear agenda for growth and have demonstrated that we can grow profitably. Our target is to achieve an EBITA margin of at least 10 percent over a business cycle. We achieved total growth of 10.4 percent in 2018 and an EBITDA margin of 9.1 percent excluding items affecting comparability.

### NET SALES AND PROFITABILITY



1) Excluding items affecting comparability.

4

## Attractive employer

In the long term, our ability to attract the best employees is crucial. ÅF provides excellent development opportunities and interesting assignments for clients who want to be ahead of the crowd. Being an attractive employer ensures that we can recruit talented employees who want to join us in creating leading solutions, which in turn strengthens our client offering and competitiveness.



5

## Long-term value creation

From 2009 to 2018, ÅF has delivered a total shareholder return of 622 percent compared with 248 percent for the OMX Stockholm GI (OMXSGI). ÅF represents long-term, sustainable development that adds value for shareholders, clients, employees and society.

### TOTAL SHAREHOLDER RETURN 2009–2018, %



1) Based on total return for Sweco, Rejlers, Projektengagemang and Multiconsult since their listing on the stock exchange.

Source: Bloomberg

In the last five-year period (2014–2018), the AF B share has given a total return of 63 percent, compared with 48 percent for the OMX Stockholm GI index.

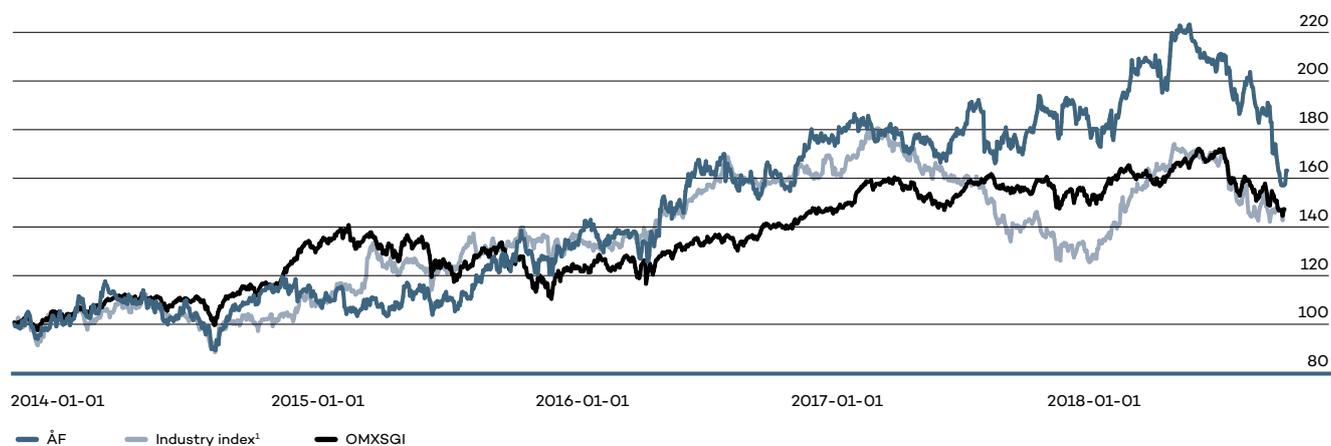
# The share.

ÅF's B shares have been listed on Nasdaq Stockholm since January 1986. Since 2 January 2017, ÅF's shares have been trading on the Nasdaq Stockholm Large Cap, the exchange list for companies with a market capitalisation exceeding EUR 1 billion. At year-end, the combined market value of ÅF's shares, including A shares, was SEK 12,411 million (13,988). ÅF AB acquired Pöyry PLC in February 2019 and the shares are now traded under the name ÅF Pöyry B (AF B).

## Price trend and share turnover

At the end of 2018, the AF B share price was SEK 160.40 (180.90). The total return of the B share, i.e. price trend and reinvested dividends (SEK 5.00), amounted to -8.8 percent during the year, while the OMX Stockholm GI index was -4.3 percent. During the last five-year period, 2014–2018, the AF B share has yielded a total return of 63 percent, compared with 48 percent for the OMX Stockholm GI index. The diagram below shows the total shareholder return for AF B compared to the index and the Nordic region's largest listed technology companies.

## TOTAL SHAREHOLDER RETURN 2014–2018, %



1) Based on total return for Sweco, Rejlers, Projektengagemang and Multiconsult since their listing on the stock exchange.

Source: Bloomberg

## DEVELOPMENT OF SHARE CAPITAL

Year	Quota value Change	Change in number of shares		Total number of shares		Total shares	Share capital
		A shares	B shares	A shares	B shares	Quantity	SEK thousand
2010	5 Split 2:1	804,438	16,225,063	1,608,876	32,450,126	34,059,002	170,295
2012	5 Non-cash issue		5,985,915	1,608,876	38,436,041	40,044,917	200,225
2013	5 Cancellation		-558,782	1,608,876	37,877,259	39,486,135	197,431
2014	5 Cancellation		-383,650	1,608,876	37,493,609	39,102,485	195,513
2014	2.5 Split 2:1	1 608,876	37,493,609	3,217,752	74,987,218	78,204,970	195,513
2015	2.5 Cancellation		-967,869	3,217,752	74,019,349	77,237,101	193,093
2015	2.5 Conversion of staff convertibles		828,192	3,217,752	74,847,541	78,065,293	195,163
2016	2.5 Conversion of staff convertibles		848,660	3,217,752	75,696,001	78,913,733	197,284
2017	2.5 Cancellation		-835,488	3,217,752	74,860,513	78,078,265	195,195
2017	2.5 Conversion of staff convertibles		183,600	3,217,752	75,044,113	78,261,865	195,654
2018	2.5 Cancellation		-1,650,213	3,217,752	73,393,900	76,611,652	191,529
2018	2.5 Conversion of staff convertibles		765,051	3,217,752	74,158,951	77,376,703	193,442

In 2018, a total of 32 million shares (21) were traded on Nasdaq Stockholm for an aggregate value of SEK 6,172 million (3,809). The average turnover per trading day was 127,531 shares (84,778), corresponding to SEK 25 million (15). The share was traded on all trading days.

### Dividend policy and dividend

The Board of Directors has adopted a dividend policy according to which the dividend corresponds to approximately 50 percent of consolidated profit after tax excluding capital gains. For the 2018 financial year the Board of Directors proposes a dividend of SEK 5.00 per share (5.00), equivalent to a payout ratio of 52 percent and a dividend yield of 3.1 percent.

### Changes in the number of shares and holdings of own shares

As of 31 December 2017, ÅF's holding of own shares was 939,285 B shares. In 2018, 270 own shares were used to match the 2013 share plan and 113,677 own shares were used to match the 2014 share plan. Shares were bought back for the 2018 convertible programme, increasing the number of own B shares by 824,875. In 2018, conversion of shares as per the 2015 staff convertible programme increased the number of B shares by 765,051. The share cancellation implemented during the year reduced the number of B shares and ÅF's holding of own shares by 1,650,213. ÅF had no holdings in own shares at the end of the financial year. After the end of 2018, a private placement of 6,576,866 new Class B shares was issued at an issue price of SEK 184.03 per share.

### Long-term communication with the stock market

The company has an ongoing long-term communication strategy towards the capital market, and interest in the ÅF share remained strong in 2018. The CEO and CFO have held numerous meetings with investors and analysts, primarily in Stockholm and London, and have given presentations at investment seminars. In addition, there are regular online conferences with investors, analysts and the media when interim reports are published.

A capital markets day was held at ÅF's head office in November 2018 to present the main features of the strategy.

### ANALYSTS WHO REGULARLY COVER ÅF

Name	Company
Viktor Lindeberg	Carnegie Investment Bank
Erik Elander	Handelsbanken Capital Markets
Ola Södermark	Kepler Cheuvreux
Predrag Savinovic	Nordea
Johan Dahl	Danske Bank

### SHAREHOLDERS IN SWEDEN AND ABROAD

31 December 2018	Number of shareholders	Holding, %
Sweden	12,159	64.4
USA	47	15.0
Norway	30	6.3
UK	18	3.6
Finland	59	1.5
Rest of world	214	2.3
Anonymous ownership		6.8
<b>Total</b>	<b>12,527</b>	<b>100.0</b>

### KEY RATIOS PER SHARE

SEK	2018	2017	2016	2015	2014
Share price 31 December	160.40	180.90	167.00	143.75	126.00
Basic earnings	10.98	9.58	9.32	7.81	7.16
Diluted earnings	10.76	9.39	9.14	7.63	7.03
Equity attributable to shareholders in the parent	70.42	64.30	60.19	54.46	51.17
Dividend yield, percent	3.1 <sup>1</sup>	2.8	2.7	2.6	2.8
Dividend	5.00 <sup>2</sup>	5.00	4.50	3.75	3.50
Market capitalisation, SEK m	12,411	13,988	12,978	11,153	9,734

1) Based on proposed dividend.

2) Proposed dividend.

A 2:1 share split was carried out in 2014. The comparative figures have been adjusted.

### SIZE OF SHAREHOLDINGS

31 December 2018	Number of shareholders	Holding, %
1 – 500	9,319	1.5
501 – 5000	2,787	5.3
5001 –	421	86.3
Anonymous ownership		6.8
<b>Total</b>	<b>12,527</b>	<b>100.0</b>

### TEN LARGEST SHAREHOLDERS AT 31 DECEMBER 2018

Owner	Holding, %	Votes, %	A shares	B shares
The ÅForsk Foundation	14.3	37.5	3,205,752	7,840,951
SEB Fonder	10.8	7.8		8,324,150
Handelsbanken Fonder	9.0	6.6		6,995,614
Swedbank Robur Fonder	5.7	4.2		4,444,130
Norges Bank	4.8	3.5		3,707,473
JP Morgan Asset Management	3.2	2.3		2,493,011
Mondrian Investment Partners Ltd	2.8	2.0		2,177,438
Vanguard	2.3	1.7		1,782,308
EQT	2.2	1.6		1,717,316
Dimensional Fund Advisors	1.5	1.1		1,192,640
<b>Total ten largest shareholders</b>	<b>56.7</b>	<b>68.4</b>	<b>3,205,752</b>	<b>40,675,031</b>
Total other	43.3	31.6	12,000	33,483,920
<b>Total shares</b>	<b>100.0</b>	<b>100.0</b>	<b>3,217,752</b>	<b>74,158,951</b>

## ÅF Pöyry AB (publ), corporate identity number 556120-6474 (formerly ÅF AB).

The Board of Directors and the CEO of ÅF Pöyry AB (publ) herewith submit the annual report and consolidated financial statements for the 2018 financial year. ÅF Pöyry AB is the parent of the Group. The registered office is in Stockholm.

# Administration report.

### Net sales and profit

Net sales for the year totalled SEK 13,975 million (12,658). Growth was 10.4 percent (14.3). Organic growth was 6.3 percent (3.3). Underlying organic growth was 5.6 percent (3.5) after adjusting for currency effects and the period having one less working day than the previous year.

Adjusted for items affecting comparability, EBITA totalled SEK 1,268 million (1,117) and the EBITA margin was 9.1 percent (8.8). EBITA was SEK 1,243 million (1,027) and the EBITA margin was 8.9 percent (8.1). Items affecting comparability amounted to SEK 25 million (90) and concern transaction costs related to the acquisition of the Pöyry PLC shares. Items affecting comparability in the previous year amounted to SEK 90 million and concerned restructuring costs.

Operating profit (EBIT) totalled SEK 1,203 million (1,033). The difference between EBIT and EBITA consists entirely of acquisition-related non-cash items: amortisation of acquisition-related assets amounting to SEK 41 million (38) and the change in estimates of future contingent consideration amounting to SEK 2 million (44).

Profit after financial items amounted to SEK 1,103 million (957). Net financial items totalled SEK -99 million (-76). Interest expense rose due to more borrowing and an increase in the average credit term in the loan portfolio. Net financial items was also charged with financing costs of SEK 15 million linked to the takeover bid to acquire all shares issued and outstanding in Pöyry PLC. Net financial items was charged with discount rates related to contingent consideration, which do not affect cash flow, of SEK 16 million (17). Profit after tax

amounted to SEK 850 million (742). Basic earnings per share were SEK 10.98 (9.58). Diluted earnings per share were SEK 10.76 (9.39). Tax for the year amounted to SEK 253 million (215), which corresponds to an effective tax rate of 22.9 percent (22.4).

### Acquisitions and divestments

Eleven businesses have been acquired since the beginning of the year and are expected to contribute sales of about SEK 590 million. See Note 3. Pöyry PLC was acquired after the end of the financial year (see Note 29).

### Events after the end of the reporting period

Due to the acquisition of Pöyry PLC, the parent changed its name to ÅF Pöyry AB. In addition, a new Group management team was appointed and changes were made to the company's Board of Directors. A private placement of approximately SEK 1,210 million was issued and the Board is also authorised to issue preferential rights shares worth approximately SEK 2,777 million (see Note 29).

### Cash flow and financial position

Consolidated net debt totalled SEK 3,455 million (2,631) at the end of the year. At the beginning of the year, consolidated net debt totalled SEK 2,631 million (2,298), generating an accumulated increase in net debt of SEK 823 million (333). Net debt increased through dividends paid of SEK 387 million, share buy-backs of SEK 177 million, purchase of Pöyry PLC shares for SEK 657 million, investments in non-current assets of SEK 121 million and consideration paid, including contingent consideration, of SEK 374 million. Cash flow from operating activities reduced net debt by SEK 874 million.



During the fourth quarter, ÅF Pöyry AB entered into new credit facility contracts with Skandinaviska Enskilda Banken AB (publ) and Svenska Handelsbanken AB (publ) to guarantee available funds in debt financing for the takeover bid for Pöyry PLC. The availability of this credit to ÅF is contingent on the completion of the takeover bid for Pöyry PLC and certain other standard covenants within ÅF's control.

During the second quarter, ÅF Pöyry AB established a Medium Term Note (MTN) programme with a loan facility of SEK 3,000 million. The MTN programme allows ÅF to issue bonds on the Swedish market and will be a complement to the current financing structure. On 13 June 2018, an unsecured bond loan was issued under the MTN programme totalling SEK 500 million, maturing in five years.

Consolidated cash and cash equivalents totalled SEK 239 million (223) at the end of the period and unused credit facilities amounted to SEK 7,841 million (1,498), including credit facilities to finance the takeover bid to acquire all shares issued and outstanding in Pöyry PLC. Equity per share was SEK 70.42 (64.30). The equity ratio was 41.4 percent (43.8). Equity totalled SEK 5,465 million (4,989).

#### Parent company

Parent company operating income for the period of January–December totalled SEK 831 million (764) and relates chiefly to internal services within the Group. Profit after net financial items was SEK 684 million (599). Cash and cash equivalents totalled SEK 32 million (21) and gross investment in non-current assets was SEK 56 million (34).



#### Sustainability

In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, ÅF has elected to prepare the statutory sustainability report separately. The scope of the statutory sustainability report, which also refers to ÅF's Sustainability Report, is given on page 97. ÅF has no licensable operations.

#### Employees

The average number of FTEs was 10,037 (9,329). The total number of employees at the end of the period was 10,928 (9,865). ÅF adopts an active, long-term perspective to HR work to attract and retain skilled employees. This is done by strengthening ÅF's employer brand both externally and internally, working actively with management issues and ensuring that all employees are offered interesting tasks and good development opportunities. To strengthen ÅF's employer brand, the company is marketed in various ways, including



digital campaigns and through internal ambassadors and communication to increase internal commitment. During the year several activities were also held at universities and the ÅF Future Talent Programme was held for the third consecutive year. ÅF came in fourth after IKEA, Volvo and Google in Universum's Most Attractive Employers rankings among young practising engineers. It is important that the positive image of ÅF as an employer is also reflected on the inside, and several initiatives were taken during the year to simplify and clarify onboarding of new employees. The launch of ÅF's new "Making Future" strategy was followed by a strategy activation programme via a digital platform, aimed at bringing the strategy to life for all employees and managers using exercises and good examples. ÅF works in a structured and long-term manner with leadership recruitment and retention. Every year, management and succession planning is carried out with the aim of securing good replacements for key positions in the Group and developing managers at different levels. To retain employees at ÅF, career and continuing professional development are important areas within which several initiatives were taken in 2018. In one of these, the digitalisation of ÅF's own competence development platform, ÅF Academy, continued and the platform was strengthened with new courses. ÅF works actively with diversity and equality issues. For example, issues relating to diversity and inclusion are integrated

into all leadership training at ÅF and the successful programme for recruiting more immigrant engineers continued in 2018. ÅF has collective agreements with Sveriges Ingenjörer (the Swedish Association of Graduate Engineers) and Unionen, Sweden's largest private-sector trade union.

#### **The share**

The ÅF share is listed on Nasdaq Stockholm Large Cap. The quota value of the shares is SEK 2.50 (2.50). Class A shares carry 10 votes per share and Class B shares carry 1 vote per share. The number of shares at 31 December 2018 was 77,376,703. See Note 12 for changes in holdings of own shares in 2018.

There are no restrictions on the transferability of shares due to statutory provisions, articles of association or, as far as the company is aware, in shareholder agreements.

#### **Long-term incentive programmes**

The 2018 AGM approved a motion on a convertible programme for key employees of ÅF. The programme means that ÅF AB raised a staff convertible of a nominal maximum of SEK 200 million through the issue of convertibles. The convertibles may be exchanged for shares at a predetermined price per share of SEK 224.60 between 15 June 2021 and 15 March 2022. Convertibles



with a nominal value of SEK 189 million were subscribed for, equivalent to 839,657 shares. The company bought back a corresponding number of shares, of which 824,875 shares were bought back in the current year to neutralise the dilutive effect a conversion would otherwise entail.

#### **Guidelines for the remuneration of Group management**

The guidelines adopted for 2018 by the AGM are set out in Note 6. The Board of Directors proposes that the 2019 AGM resolve that the policies for remuneration and other conditions of employment for Group management for 2019 are generally in line with the policies that applied in 2018.

#### **Corporate governance**

ÅF prepares its Corporate Governance Report as a separate document from the statutory annual report. Please see page 111.

#### **Dividend**

The Board of Directors proposes a dividend for 2018 of SEK 5.00 per share (5.00).

#### **Expectations for 2019**

ÅF's assessment is that the market outlook is good, based on stable demand for ÅF's competence and delivery capacity within industry and on the per-

sistently high level of investments in infrastructure in our core markets. The energy market is assessed as stable, while demand is being driven in other regions by higher energy use per capita, resulting in new investments. The ongoing digitalisation is expected to lead to good demand for embedded systems and IT in the industrial, energy and infrastructure markets.

#### **Proposed appropriation of profits**

Non-restricted profits of SEK 4,009,501,556 are at the disposal of the AGM. The Board of Directors and CEO propose that these profits be appropriated as follows:

A dividend of SEK 5.00 per share paid to the shareholders	386,883,515
To be carried forward	3,622,618,041
<b>Total</b>	<b>4,009,501,556</b>

The number of shares increased after the end of the financial year, through a private placement. The number of shares will also increase through a preferential rights issue. The dividend will be based on the number of shares outstanding on the date the dividend was determined. The Board of Directors' explanation of the proposed appropriation of profits will be posted on the company's website, [www.afconsult.com](http://www.afconsult.com). It is also available from the company on request.

## Infrastructure Division

KEY RATIOS	2018		2017	
Net sales, SEK m	<b>5,935</b>		5,110	
Share of net sales, %	<b>41</b>		39	
EBITA, SEK m	<b>638</b>		515	
EBITA margin, %	<b>10.8</b>		10.1	
Average number of full-time employees (FTEs)	<b>4,426</b>		3,969	

As society moves at an accelerating pace towards smart, sustainable solutions, demands are increasing for cutting-edge mobility and property solutions. Flexible properties that can be adapted to changing needs and infrastructure that facilitates fast, safe and sustainable transportation. This is contributing to strong demand in road and rail as well as architecture and the property segment, where ÅF operates mainly in commercial and public properties.

The market for infrastructure in both properties and road and rail is strong in all geographical regions, and ÅF is developing its offering for an increasingly digitalised infrastructure.

Total demand is increasing in the property segment. The biggest segment is public properties, where demand is extremely strong. Society has a great need for new and modern buildings in the healthcare and education sectors and to modernise existing properties. Demand remains stable in commercial properties, including energy efficiency enhancements and conversion of offices and retail spaces to achieve greater flexibility. In turn, this drives continued strong demand for architectural and design solutions.

Demand in road and rail remains strong, with stable growth. The level of investment is high in all countries and regions.

Growth was 16.1 percent, of which 11.8 percentage points were organic. When adjusted for calendar and currency translation effects, organic growth amounted to 10.6 percent. Underlying strong demand, primarily in the property segment, contributed to the high rate of growth.

EBITA and the EBITA margin were SEK 638 million (515) and 10.8 percent (10.1), respectively. Growth and improved profits in Norway are the primary reasons for the improvement in profit. EBITA for 2017 was affected by a downward adjustment of the pension liability in the Swiss business, amounting to SEK 12 million.

The division continued to strengthen the offering in design and architecture during the year through the acquisition of the Danish firm Gottlieb Paludan Architects, whose focus areas include energy and technical supply systems, and the acquisition of the Swiss firm Arcad Architectes, which specialises in industrial and commercial buildings. Effekt, an electronics and telecommunications consultancy, was also acquired during the year.

# 41%

Share of net sales

## Industry Division

KEY RATIOS	2018		2017	
Net sales, SEK m	<b>4,503</b>		4,371	
Share of net sales, %	<b>31</b>		33	
EBITA, SEK m	<b>383</b>		387	
EBITA margin, %	<b>8.5</b>		8.9	
Average number of full-time employees (FTEs)	<b>3,146</b>		3,097	

Demand from industry was strong during the year.

Demand for ÅF's services in the automotive industry remained high. The long-term trend towards electrification of powertrains and connected and self-driving vehicles persists. Automotive clients continue to increase both quality and productivity in their plants with increasingly advanced automation solutions.

Developments in Food & Pharma remain positive. Clients are investing and upgrading their production equipment to enhance delivery capacity and to introduce new products to the market. This is very clear in the dairy industry, where many new product variants are being introduced.

Demand in the manufacturing industry remains high and ÅF won several significant contracts during the year, demonstrating clients' faith in our ability to deliver complete functions and solutions. ÅF is at the cutting edge of virtual commissioning, where we have recreated a secure, tried and tested platform in a virtual environment.

The global transition to a more sustainable society is an increasingly strong driver in our business, with fossil-based materials and fuels being replaced by renewable alternatives. ÅF has deep, unique experience of the forest industry and the petrochemical and energy sectors. ÅF helps its clients succeed in the transition to sustainable industry. ÅF has observed a persistently strong order intake in the process industry, both in Sweden and worldwide.

Growth was 3.0 percent, of which 1.4 percentage points were organic. Adjusted for calendar and currency effects, organic growth was 1.4 percent. EBITA was SEK 383 million (387) and the EBITA margin was 8.5 percent (8.9).

The Finnish company Profil-Bau Industrial was acquired during the year, which has strengthened the division's Industrial Engineering offering on the Finnish market.

# 31%

Share of net sales

## Energy Division

## Digital Solutions Division

### KEY RATIOS

	2018	2017
Net sales, SEK m	1,552	1,467
Share of net sales, %	11	12
EBITA, SEK m	69	88
EBITA margin, %	4.4	6.0
Average number of full-time employees (FTEs)	986	1,015

Focus on reducing climate impact has increased globally among both political decision-makers and consumers. The ongoing transition to more sustainable and renewable energy production is becoming increasingly apparent, which is contributing to sharper focus on energy efficiency, stability and the costs of electricity provision.

Energy market trends vary widely from region to region. In the mature markets in Europe, transmission networks are being upgraded and the lifetime of existing systems is being extended. In parallel, supplementary investments are being made in renewable and decentralised production. Production and transmission systems are still in the build-up phase in other regions, a trend driven by increased energy consumption per capita, resulting in new investments in hydropower plants, thermal power plants and more robust transmission networks.

Growth was 5.8 percent, of which 3.3 percentage points were organic. Adjusted for calendar and currency effects, organic growth was 1.0 percent.

EBITA amounted to SEK 69 million (88) and the EBITA margin was 4.4 percent (6.0). The Nordic business reported growth and stable margins, while the international business still has challenges to address. We continue to restructure our international energy operations, where the focus is on developing attractive offerings for ÅF's core markets.

The energy and infrastructure markets are becoming increasingly integrated due to a greater need for energy-efficient buildings and collection and optimisation of energy consumption data. In line with ÅF's ambition to strengthen its position in its domestic markets in the specified areas, ÅF acquired the Danish energy company P.A.P and the Swiss energy consultancy firm IFEC Ingegneria during the year. P.A.P provides services in the areas of transmission and distribution, renewable energy and power and heat production. IFEC specialises in engineering services in the areas of environmental advisory services, energy efficiency and heat and ventilation.

# 11%

Share of net sales

### KEY RATIOS

	2018	2017
Net sales, SEK m	2,360	2,046
Share of net sales, %	17	16
EBITA, SEK m	236	199
EBITA margin, %	10.0	9.7
Average number of full-time employees (FTEs)	1,315	1,112

The ongoing digital transformation in all sectors is generating persistently strong demand for the division's projects and services. The market remains strong in telecom, where the development of 5G is a strong driver.

During the year, ÅF and Ericsson entered into a cooperation agreement to strengthen the offering in mobile communication for industry. Secure mobile networks facilitate a more data-driven business. ÅF combines its deep knowledge in industry and digitalisation with Ericsson's expertise in telecommunications, which helps ÅF's clients take the next step in Industry 4.0.

Demand for embedded intelligence in product development also remains good. The automotive sector continues to demand new solutions in design and mobility, and ÅF's initiatives in this area are being stepped up.

Business in defence showed good growth, with orders in existing framework agreements with the Swedish Defence Materiel Administration (FMV). The demand for telecommunications networks remained stable, with several orders from several leading telecom operators in Sweden.

Operations in ÅF's newly established development centre in China continue to expand. ÅF sees interesting business opportunities that include the telecom industry in the local market and the opportunity to use the centre for projects in the Scandinavian market. Growth was 15.3 percent, of which 5.9 percentage points were organic. Adjusted for calendar and currency effects, organic growth was 6.2 percent. Organic growth was strong during the year. This is driven by strong demand and ÅF's ability to deliver end-to-end solutions for the entire development chain from design and specifications to architecture, development and testing.

EBITA rose to SEK 236 million (199) and the EBITA margin increased to 10.0 percent (9.7).

As an aspect of ÅF's strategic initiative in digitalisation and design, it acquired inUse, which has about 100 employees. The acquisition has made ÅF the largest provider in Sweden within service design and user experience. The acquisition of Samtanke, an IT consultancy, strengthens ÅF's ability to deliver end-to-end projects within the development and management of app, online and integration solutions. Konsultbolag1, which offers specialist consulting services and specification management and testing, as well as well-established training operations, was acquired during the year. ÅF strengthened its digital services business in Norway through the acquisition of the digital advisor Mometo, which is active in the energy, health and government/public sectors.

# 17%

Share of net sales

ÅF's risk management model has been implemented to meet the strategic, operational and financial risks linked to ÅF's operations. In 2018, ÅF continuously assessed and monitored risk trends, which helped ÅF to cope with both changes in the market and changes resulting from the company's strong growth.

# Risks.

Strategic and operational risks	Description	Risk management
Market	<p>Changes in the economic cycle, structural changes and changes in market trends are events which challenge ÅF at regular intervals, demanding watchfulness and initiative at several levels and throughout the organisation. In addition, ÅF faces challenges from several major international players as well as various small and medium-sized local competitors in each market.</p>	<p>ÅF manages the risks linked to the economic cycle, structure and market trends by trading in multiple markets and in areas which have different business cycles, and which are affected in individual ways by structural changes and fluctuating market trends. ÅF is also flexible internally and utilises its resources to best meet the needs of the moment. The company also carries out regular assessments of the current competitive situation in each local market and at appropriate levels within the business.</p>
Responsible business	<p>ÅF's presence in a global energy, industrial and infrastructure market gives rise to sustainability risks in areas such as human rights, working conditions, the environment and anti-corruption. Risks associated with working conditions are described in the "Employees" risk area.</p> <p><b>Corruption</b> ÅF operates in 30 countries and participates in projects in more than 100 countries. The risks of corruption are higher in some markets. ÅF has identified sales, purchasing, gifts and client activities as the greatest risk areas.</p> <p><b>Human rights</b> The risk of human rights violations in the context of ÅF's own activities is relatively small. The question is more relevant in some client assignments such as hydroelectric projects and mining operations, where displacement of people or conflicts with indigenous peoples may occur.</p> <p><b>Climate and environment</b> Negative environmental impact due to ÅF's operations is found mainly within the framework of business travel, energy consumption in office premises and purchasing. There is also risk of negative environmental impact within the framework of ÅF's assignments. ÅF's own operations are not considered to be particularly exposed to effects of environmental damage and climate change, as ÅF does not engage in manufacturing or distribution.</p>	<p>ÅF reduces its exposure to risks related to sustainability through its internal Code of Conduct, and a clearly regulatory sustainability policy.</p> <p>To ensure compliance with the ten principles of the Global Compact, a systematic process based on the principles has been instituted: the Sustainability Risk Assessment process. A risk assessment of assignments is carried out during the tendering stage. Based on the risk assessment, an in-depth analysis may be performed including recommendations for actions if so required.</p> <p>The whistle-blowing channel enables every ÅF employee to report potential deviations with complete confidentiality.</p> <p>ÅF has ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (occupational health and safety) certification and has procedures to ensure compliance with legal requirements.</p> <p><b>Anti-corruption</b> Risks related to corruption are identified within the context of the SRA process as above.</p> <p>ÅF uses the Transparency International Corruption Perceptions Index to assess the risk of corruption. All ÅF employees are required to comply with ÅF's anti-corruption framework. All employees must receive anti-corruption training within the framework of the mandatory induction course, sustainability training and managerial training programmes. When ÅF can identify a risk of corruption, all consultants who are expected to participate in the project are trained in anti-corruption issues, current legislation and ÅF's anti-corruption framework.</p> <p><b>Human rights</b> Risks related to human rights are identified within the context of the SRA process as above. Prior to project launch, ÅF goes through the Environmental and Social Impact Assessment (ESIA) and ensures that international standards such as IFC Performance Standards are applied in the context of displacement.</p> <p><b>Climate and environment</b> ÅF quantifies its carbon emissions from business travel and energy consumption in office premises on an annual basis and carries out regular activities aimed at reducing them.</p> <p>The precautionary principle is applied through the SRA process, which also ensures identification of risks related to the environment within the framework of assignments.</p> <p>The negative environmental impact associated with ÅF's assignments must be minimised and the positive impact maximised. This is ensured through ÅF's project model and mandatory training and workshops for all new employees.</p> <p>The parts of operations and the projects that are particularly exposed to environmental risks have separate procedures for minimising environmental impact.</p> <p>ÅF assesses suppliers with which it has general agreements in accordance with criteria that reflect the 10 principles of the Global Compact.</p>

Strategic and operational risks	Description	Risk management
Acquisitions	Acquisitions are a key part of ÅF's growth strategy. Upon acquisition, it is important to retain key personnel and to have a well-functioning and efficient integration process so that the integration has as little impact on the business as possible.	Getting to know the management and clarifying roles and responsibilities reduces the risk of losing key employees. To minimise the risks of integration, an acquisition and integration process with defined roles and responsibilities has been implemented. Acquisition decisions are made within Group management and by the Board of Directors. An annual review of recent acquisitions over a certain limit is carried out by the Board of Directors.
IT	It is crucial that the IT infrastructure at ÅF is operationally reliable since unplanned outages mean loss of income.	ÅF ensures that the Group has the appropriate IT resources by utilising internal expertise and by outsourcing. Procedures and agreements govern development, backup, deviation management and support. ÅF ensures system ownership and administration and checks continuously to ensure that the available resources are adequate and are assigned the necessary expertise.
Delivery	The technical engineering services that ÅF supplies form the basis for the development of products, systems, buildings, infrastructure and industry. ÅF has a major responsibility to supply services and/or functions which meet clients' requirements and expectations as to quality, performance and scheduling, and which follow applicable legislation and the UN Global Compact.	ÅF has its own business support system for internal control, management, follow-up and continual improvement of operations. This system has been certified under ISO 9001:2015 (quality), ISO 14001:2015 (environment) and OHSAS 18001:2007 (occupational health and safety) and is accessible to all employees via the intranet. This system's process descriptions for operations are tailored to suit each technical area, and contain detailed support for planning, follow-up, control and delivery of the assignments ÅF is tasked with. The operational system's implementation is continually monitored through ÅF's internal audit program. ÅF has comprehensive insurance cover including public liability insurance, product liability insurance and consultant liability insurance.
Capacity utilisation and hourly rate	ÅF has a relatively high proportion of engineers working within its clients' organisations, providing expertise and detailed knowledge. Competition is fierce and it is essential to monitor the operation's financial performance continuously, since every percentage point change in capacity utilisation and price per hour has an appreciable impact on ÅF's annual profit. Every percentage point change in capacity utilisation affects ÅF's profit by about plus/minus SEK 130 million. An increase in the price per hour of one percent, with unchanged capacity utilisation, improves ÅF's annual profit by around SEK 100 million.	ÅF has effective systems for sales support and managing expertise to ensure sustainable business relationships and successful matching of expertise with the notified needs. Regular follow-up and analysis are done to catch trends early.
Project operations	Large assignments with great responsibility also increase risk exposure financially in the project result. A fixed-price contract may involve an increased risk if the time required to complete the assignment is not correctly estimated, which can lead to reduced margins.	The systems for sales support, managing expertise and internal training provide a basis for creating competent project organisations and achieving sustainable business relationships. ÅF's Project/Assignment process implements procedures that include calculation, inspection, tendering and contract reviews, risk analysis, identification of the project's most important sustainability aspects, project planning, verification and validation of delivery. Steering committees are formed to monitor project progress, results and risks. ÅF conducts internal audits annually to ensure that the process and procedures are complied with and functions as intended.
Partners, subcontractors and subconsultants	ÅF's continued growth, both in respect of supplying professional engineers and complete project organisations, is leading to an increasing need for subcontractors with specialist expertise as well as subcontractors that can supply specific project planning services. ÅF is exposed to risk both when the company arranges an assignment and where partners are working in ÅF's name as subcontractors in a project assignment.	ÅF has a process and a support system for evaluating and qualifying partners and subcontractors in order to ensure the right skills and conditions are in place to safeguard quality deliveries. Business Partner Criteria are defined in line with ÅF's sustainability policy.
Human resources	As competition for qualified employees increases, so too does the pressure on ÅF to present itself as an attractive employer. For an engineering and consulting company to achieve its objectives, it is essential that employees are motivated and have appropriate skills and knowledge. There is always a risk that highly competent employees may leave ÅF to join competitors or clients or set up their own businesses.	There is a strong focus on recruitment and induction activities. In order to retain and motivate employees of the right calibre, ÅF invests in continual professional development, skills development and management training (via the ÅF Academy, for example). Individual development plans are formulated at each employee's annual performance review. Employee surveys are carried out to ascertain how satisfied employees are with their work situation.
Disputes	There is a risk that disputes may arise in the course of doing business. Disputes may arise if ÅF disagrees with a client about the conditions that pertain to a certain assignment. Disputes may also arise, for example, in conjunction with the acquisition of operations.	To prevent disputes, tenders and contracts are examined carefully to ensure that there are no uncertainties in terms of content and conditions. Verifications during an assignment are part of the Project/Assignment process, as are procedures for handling alterations and additions. Authorisation rules are defined such that certain tenders and contracts are always reviewed by a lawyer.

Strategic and operational risks	Description	Risk management
Security risk	<p>ÅF's assets (human resources and information) in the global macro-environment are facing several threats, ranging from terrorism, criminality and kidnapping to natural disasters, cyber attacks and health-related risks.</p> <p><b>Global mobility</b> The probability of threats and negative impact on human resources and the business is increasing in connection with ÅF's continued international expansion. ÅF operates in countries where violence and threats of kidnapping for ransom or extortion are considered potentially major risks.</p>	<p>ÅF has reinforced its security capability in the past year to better protect its assets and ensure the company's resiliency. Systematic security efforts are carried out at both the strategic and operational levels within ÅF and are designed to identify, evaluate and prevent risks from the operational to the strategic level.</p> <p><b>Global mobility</b> To mitigate these risks, ÅF has launched a travel safety and assistance programme that helps the global operations manage risks, making it possible for managers and employees to assess, prioritise and prevent threats and dangers.</p>
Information and cybersecurity	<p>Increased global cybercrime, targeted threats and sophisticated cyber-related attacks are part of the rapidly changing digital world. These threats constitute a risk to the information assets of ÅF's clients, partners and suppliers, and demands for confidentiality, privacy and access are higher than in the past and require stronger resiliency against cyber attacks. A cyber-related attack can have severe negative consequences, including damage to ÅF's brand or competitiveness, remediation or increased costs of protection, legal disputes or regulatory measures.</p>	<p>The risk is mitigated through a holistic approach to information security with focus on three measurement areas:</p> <p><b>People</b> ÅF has recently appointed a Chief Information Security Officer (CISO) to lead and manage a business-oriented information security strategy. ÅF has integrated information and data protection training throughout the entire employment cycle and provides continuous information about cyber-threats and how to protect oneself against them.</p> <p><b>Processes</b> ÅF continuously develops the global information security management system for application in a rapidly changing global digital landscape and to facilitate business transaction. The management system is based on ISO-27001 and was developed to be seamlessly integrated with ÅF's support and business processes.</p> <p><b>Systems</b> ÅF's holistic cybersecurity strategy is focused on a proactive approach through preventive protective mechanisms. ÅF has implemented new, smart automated solutions that detect threats, analyse risks and neutralise threats. ÅF has also further developed its operational security capacity with the expansion of security resources and continuous monitoring through the ÅF Security Operations Center.</p>
Data privacy	<p>Today, data protection and privacy are more important than ever. This affects ÅF's employees, partners and clients, and is therefore essential to achieving digital sustainability and safeguarding ÅF's relationships. Several new laws have been enacted that govern and regulate personal data, which also affect the requirements for how our business is built and developed.</p>	<p>During 2017/2018, ÅF ran a comprehensive, Group-wide project aimed at enhancing security and raising awareness of data protection issues. The initiative has resulted in increased control over the secure processing of personal data based on law, ethics and the privacy perspective. The result is a global framework that is now being managed and developed by ÅF's Data Privacy function. Data protection is a key area within ÅF that is being continuously further developed in order to integrate and support internal operations and within ÅF's client offering.</p>

Financial risks	Description	Risk management
<b>Financing and liquidity risks</b>	The financing risk faced by the Group is the risk of not being able to raise new loans or refinance existing ones on acceptable terms. The Group is also exposed to liquidity risk, which is defined as the risk that it will not be able to meet its immediate payment obligations.	Responsibility for the Group's financial transactions and risks is handled centrally by the parent's Treasury Department, which implements the policy set by the Board of Directors. There is a procedure in place to ensure the availability of appropriate lines of credit whenever necessary. ÅF's policy is that the company shall have a net debt in relation to EBITDA of 2.5 over time. In accordance with the current policy, the company is to have cash and cash equivalents and unused credit facilities that together correspond to at least six percent of annual sales.
<b>Interest rate risk</b>	Interest rate risk is the risk that changes in interest rates may have a negative impact on the Group's net interest income/expense and cash flow.	ÅF's exposure to interest rate risk relates chiefly to outstanding external loans. Under the current policy, ÅF raises loans both at fixed and variable interest, but the average fixed-interest period must not exceed 12 months. If necessary, ÅF can use interest rate swaps to achieve the desired average duration. A change of one percentage point in market rates during the next 12 months would have an effect of SEK 21 million on the Group's interest expenses.
<b>Exchange rate risk</b>	Exchange rate risk refers to changes in exchange rates which have a negative impact on the consolidated income statement, balance sheet and cash flow. Exchange rate risk can be split into transaction exposure and translation exposure. Transaction exposure is the net of operating and financial inflows and outflows in foreign currencies. Translation exposure consists of the net assets and profit/loss of foreign subsidiaries in foreign currency.	Transaction exposure is relatively limited within ÅF, as most sales and expenses are invoiced in local currencies. Under current policy, payment flows in foreign currencies are hedged when it is possible to reliably estimate the amount and time of the transaction and when the future payment flow is anticipated to exceed a value of EUR 100,000. ÅF's largest operational transaction exposures involve the currency pairs EUR/SEK, USD/EUR and EUR/CHF. An unhedged currency fluctuation of 10 percent in these currencies would affect ÅF's operating profit/loss by SEK 5.3 million, SEK 1.4 million and SEK 1.3 million respectively on an annual basis. The Group generates income and expenses in foreign currencies and is therefore exposed to exchange rate fluctuations against the Group's presentation currency, SEK. An isolated appreciation of the exchange rate against SEK by 5 percent for profit/loss denominated in a currency other than SEK would affect profit/loss for the year by SEK 12.4 million. The estimate is based on circumstances prevailing in 2018 and is expressed on an annual basis. Profit/loss in subsidiaries is translated to SEK based on the average rate for the period in which the profit/loss arises. In line with current policy, ÅF does not hedge translation exposure. In connection with major acquisitions, the translation exposure may be hedged by raising loans in the same currency as corresponding net assets.
<b>Credit risk</b>	ÅF's commercial and financial transactions give rise to credit risks in respect of counterparties. Credit risk or counterparty risk is the risk of loss if the counterparty does not fulfil its obligations.	The credit risk consists of outstanding accounts receivable and rendered but unbilled consulting assignments. This risk is limited through ÅF's highly effective credit policy. All new clients are vetted for creditworthiness and project services are invoiced on a pay-as-you-go basis to minimise the cumulative credit risk. ÅF's ten largest clients, which account for a total of 25 percent of Group sales, are all large multinational companies or publicly owned institutions and enterprises. The remaining 75 percent of net sales is spread over many clients.

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# Consolidated income statement

1 January – 31 December (SEK million)	Note	2018	2017
Net sales	2	13,975	12,658
Purchases of services and materials		-3,547	-3,192
Other external costs	5, 23	-1,073	-1,066
Personnel costs	6	-7,996	-7,269
Other operating income	4	0	4
Other operating expenses	7	-1	-3
Profit attributable to participations in associates	16	0	0
<b>EBITDA</b>		<b>1,358</b>	<b>1,132</b>
Depreciation/amortisation and impairment of non-current assets <sup>1</sup>	14, 15	-115	-105
<b>EBITA</b>		<b>1,243</b>	<b>1,027</b>
Acquisition-related items <sup>2</sup>	8, 13, 14	-40	6
<b>Operating profit (EBIT)</b>	2, 9	<b>1,203</b>	<b>1,033</b>
<b>Profit/loss from financial items</b>			
Financial income	10	26	16
Financial expenses	10	-125	-92
<b>Net financial items</b>		<b>-99</b>	<b>-76</b>
<b>Profit after financial items</b>		<b>1,103</b>	<b>957</b>
Tax	21	-253	-215
<b>Profit for the period</b>		<b>850</b>	<b>742</b>
Attributable to:			
Shareholders in the parent		850	744
Non-controlling interest		0	-2
		<b>850</b>	<b>742</b>
<b>Attributable to the parent's shareholders</b>	12		
Basic earnings per share (SEK)		10.98	9.58
Diluted earnings per share (SEK)		10.76	9.39

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

<sup>2</sup>Acquisition-related items are defined as depreciation/amortisation and impairment of acquisition-related intangible assets including goodwill, revaluation of contingent considerations and gains/losses on divestment of companies and operations.

# Statement of consolidated comprehensive income

1 January – 31 December (SEK million)	2018	2017
<b>Profit for the period</b>	<b>850</b>	<b>742</b>
<b>Items which will be classified to profit or loss</b>		
Translation differences for foreign operations for the period	87	-44
Changes in hedge reserve	2	5
Tax	0	-1
<b>Items which will not be classified to profit or loss</b>		
Changes in fair value of shares in Pöyry	15	—
Revaluation of defined-benefit pension plans	-31	38
Tax	6	-7
<b>Other comprehensive income</b>	<b>79</b>	<b>-9</b>
<b>Comprehensive income for the period</b>	<b>929</b>	<b>733</b>
Attributable to:		
Shareholders in the parent	929	735
Non-controlling interest	0	-2
	<b>929</b>	<b>733</b>

# Consolidated balance sheet

As at 31 December (SEK million)	Note	2018	2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	2, 14	7,166	6,542
Property, plant and equipment	2, 15	571	510
Participations in associates	16	0	0
Financial investments	13	673	3
Non-current receivables	13	4	1
Deferred tax asset	21	17	14
<b>Total non-current assets</b>		<b>8,432</b>	<b>7,070</b>
<b>Current assets</b>			
Accounts receivable	13	3,105	2,721
Revenue generated but not invoiced	13	1,096	1,042
Current tax assets	21	13	15
Other receivables		144	151
Prepaid expenses and accrued income	17	179	157
Cash and cash equivalents		239	223
<b>Total current assets</b>		<b>4,776</b>	<b>4,308</b>
<b>Total assets</b>		<b>13,208</b>	<b>11,378</b>

Balance sheet, cont.

As at 31 December (SEK million)	Note	2018	2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	18		
Share capital		193	196
Other contributed capital		953	1,015
Reserves		227	124
Profits brought forward including profit for the period		4,076	3,637
<b>Equity attributable to shareholders in the parent</b>		<b>5,449</b>	<b>4,972</b>
Non-controlling interest		16	17
<b>Total equity</b>		<b>5,465</b>	<b>4,989</b>
<b>Liabilities</b>			
Loans and credit facilities	13	2,865	1,559
Provisions for pensions	19	141	96
Other provisions	20	15	18
Deferred tax liabilities	21	233	180
Other liabilities	13	464	469
<b>Total non-current liabilities</b>		<b>3,718</b>	<b>2,323</b>
Loans and credit facilities	13	688	1,199
Other provisions	20	58	105
Work invoiced but not yet carried out		368	235
Accounts payable		854	716
Current tax liability	21	59	88
Accrued expenses and prepaid income	22	1,231	1,141
Other liabilities	13	770	583
<b>Total current liabilities</b>		<b>4,026</b>	<b>4,067</b>
<b>Total liabilities</b>		<b>7,744</b>	<b>6,390</b>
<b>Total equity and liabilities</b>		<b>13,208</b>	<b>11,378</b>
<b>Net debt</b>			
Loans and credit facilities		3,553	2,758
Net pension liability		141	96
Cash and cash equivalents		-239	-223
		<b>3,455</b>	<b>2,631</b>

# Statement of change in consolidated equity

SEK million	Equity attributable to shareholders in the parent					Non-controlling interest	Total equity
	Share capital	Other contributed capital	Reserves	Retained profit incl. profit for the period	Total		
Equity brought forward 1 Jan 2017	197	1,104	164	3,212	4,677	19	4,697
Profit for the period				744	744	-2	742
Other comprehensive income			-40	31	-9	0	-9
<b>Comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>-40</b>	<b>775</b>	<b>735</b>	<b>-2</b>	<b>733</b>
Dividends				-350	-350		-350
Conversion of convertible bonds into shares (2013 programme)	0	18			18		18
Value of conversion option (2017 programme)		12			12		12
Tax on value of conversion option (2017 programme)		-3			-3		-3
Share buy-backs/sales		-114			-114		-114
Cancellation of shares	-2	2			—		—
Share plans		-5			-5		-5
<b>Equity carried forward 31 Dec 2017</b>	<b>196</b>	<b>1,015</b>	<b>124</b>	<b>3,637</b>	<b>4,972</b>	<b>17</b>	<b>4,989</b>
Equity brought forward 1 Jan 2018	196	1,015	124	3,637	4,972	17	4,989
Changed accounting policy (IFRS 9)				-2	-2		-2
Adjusted equity at start of period	196	1,015	124	3,635	4,970	17	4,987
Profit for the period				850	850	0	850
Other comprehensive income			103	-24	79	0	79
<b>Comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>103</b>	<b>826</b>	<b>929</b>	<b>0</b>	<b>929</b>
Dividends				-387	-387		-387
Conversion of convertible bonds into shares (2015 programme)	2	101			103		103
Value of conversion option (2018 programme)		13			13		13
Tax on value of conversion option (2018 programme)		-3			-3		-3
Share buy-backs/sales		-177			-177		-177
Cancellation of shares	-4	4			—		—
Transactions related to non-controlling interest				2	2	-2	—
Share plans		0			0		0
<b>Equity carried forward 31 Dec 2018</b>	<b>193</b>	<b>953</b>	<b>227</b>	<b>4,076</b>	<b>5,449</b>	<b>16</b>	<b>5,465</b>

For supplementary information, see Note 18.

# Statement of consolidated cash flows

1 January – 31 December (SEK million)	Note	2018	2017
<b>Operating activities</b>	28		
Profit after financial items		1,103	957
Adjustment for items not included in cash flow		47	114
Income tax paid		-256	-211
<b>Cash flow from operating activities before changes in working capital</b>		<b>894</b>	<b>861</b>
<b>Cash flow from changes in working capital</b>			
Change in operating receivables		-239	-370
Change in operating liabilities		218	133
<b>Cash flow from operating activities</b>		<b>874</b>	<b>624</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		-110	-85
Disposal of property, plant and equipment		4	2
Acquisition of intangible assets		-15	-9
Acquisition of operations	3	-335	-359
Contingent considerations paid and step acquisitions		-39	-74
Acquisition/Disposal of financial assets		-658	1
<b>Cash flow from investing activities</b>		<b>-1,153</b>	<b>-525</b>
<b>Financing activities</b>			
Borrowings		1,285	1,048
Amortisation of loans		-416	-793
Dividend paid		-387	-350
Share buy-backs/sales		-177	-114
Payout, convertible programme		0	0
<b>Cash flow from financing activities</b>		<b>306</b>	<b>-209</b>
<b>Cash flow for the period</b>		<b>26</b>	<b>-109</b>
Opening cash and cash equivalents		223	329
Exchange difference in cash and cash equivalents		-10	3
<b>Closing cash and cash equivalents</b>		<b>239</b>	<b>223</b>

# Change in consolidated net debt

SEK million	2018	2017
Opening balance	2,631	2,298
Cash flow from operating activities	-874	-624
Investments	121	92
Acquisitions and contingent considerations/options	374	433
Dividend	387	350
Share buy-backs/sales, own shares	177	114
Acquisition of Pöyry PLC shares	657	—
Other	-19	-32
<b>Closing balance</b>	<b>3,455</b>	<b>2,631</b>

# Parent income statement

1 January – 31 December (SEK million)	Note	2018	2017
<b>Operating income</b>			
Net sales		601	561
Other operating income	4	230	202
		<b>831</b>	<b>763</b>
<b>Operating expenses</b>			
Other external costs	5, 23	-452	-427
Personnel costs	6	-188	-168
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	14, 15	-34	-35
Other operating expenses	7	-226	-195
<b>Operating profit/loss</b>		<b>-69</b>	<b>-62</b>
<b>Profit/loss from financial items</b>			
Profit from participations in Group companies	10	801	687
Interest income and similar profit/loss items	10	53	37
Interest expense and similar profit/loss items	10	-101	-63
		<b>753</b>	<b>662</b>
<b>Profit after financial items</b>		<b>684</b>	<b>600</b>
Appropriations	11	107	88
<b>Pre-tax profit</b>		<b>791</b>	<b>687</b>
Tax	21	1	-2
<b>Profit for the period</b>		<b>792</b>	<b>685</b>

# Parent statement of comprehensive income

1 January – 31 December (SEK million)	2018	2017
<b>Profit for the period</b>	<b>792</b>	<b>685</b>
<b>Items which will be classified to profit or loss</b>		
Changes in hedge reserve	2	5
Tax	-1	-1
<b>Items which will not be classified to profit or loss</b>		
Changes in fair value of shares in Pöyry	15	—
<b>Other comprehensive income</b>	<b>17</b>	<b>4</b>
<b>Comprehensive income for the period</b>	<b>808</b>	<b>689</b>

# Parent balance sheet

As at 31 December (SEK million)	Note	2018	2017
<b>Non-current assets</b>			
Intangible assets	14	12	11
Property, plant and equipment	15	137	115
Financial assets			
Participations in Group companies	26	2,099	1,821
Receivables from Group companies	25	4,045	—
Non-current receivables		673	8
<b>Total non-current assets</b>		<b>6,967</b>	<b>1,955</b>
<b>Current assets</b>			
Current receivables			
Accounts receivable		21	0
Receivables from Group companies and associates	25	1,693	5,502
Other receivables		765	594
Prepaid expenses and accrued income	17	151	111
<b>Total current receivables</b>		<b>2,630</b>	<b>6,208</b>
Cash and bank balances		32	21
<b>Total current assets</b>		<b>2,662</b>	<b>6,229</b>
<b>Total assets</b>		<b>9,629</b>	<b>8,184</b>

## Parent balance sheet, cont.

As at 31 December (SEK million)	Note	2018	2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	18		
<b>Restricted equity</b>			
Share capital		193	196
Statutory reserve		47	47
<b>Non-restricted equity</b>			
Share premium reserve		870	932
Fair value reserve		10	-7
Profit brought forward		3,130	2,832
Profit for the period		792	685
<b>Total equity</b>		<b>5,041</b>	<b>4,685</b>
<b>Untaxed reserves</b>	27	<b>57</b>	<b>136</b>
<b>Provisions</b>			
Provisions for pensions and similar obligations	19	17	18
Deferred tax liability	21	5	5
Other provisions	20	230	133
<b>Total provisions</b>		<b>252</b>	<b>156</b>
<b>Non-current liabilities</b>			
Bond loan	13	2,340	1,200
Staff convertible	13	487	304
Liabilities to Group companies	25	—	0
Other liabilities	13	1	0
<b>Total non-current liabilities</b>		<b>2,828</b>	<b>1,505</b>
<b>Current liabilities</b>			
Staff convertible	13	26	126
Liabilities to credit institutions	13	565	1,003
Accounts payable		152	111
Liabilities to Group companies	25	615	365
Current tax liability	21	5	6
Other liabilities	13	17	23
Accrued expenses and prepaid income	22	72	69
<b>Total current liabilities</b>		<b>1,451</b>	<b>1,703</b>
<b>Total equity and liabilities</b>		<b>9,629</b>	<b>8,184</b>

# Statement of change in parent equity

SEK million	Restricted equity		Non-restricted equity				Total equity
	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Profit brought forward	Profit for the period	
Equity brought forward 1 Jan 2017	197	47	1,016	-11	2,599	587	4,436
Profit for the period						685	685
Other comprehensive income				4			4
<b>Comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4</b>	<b>—</b>	<b>685</b>	<b>689</b>
Appropriations					587	-587	—
Dividends					-350		-350
Conversion of convertible bonds into shares (2013 programme)	0		18				18
Value of conversion option (2017 programme)			12				12
Tax on value of conversion option (2017 programme)			-3				-3
Share buy-backs/sales			-114				-114
Cancellation of shares	-2		2				—
Share plans					-5		-5
<b>Equity carried forward 31 Dec 2017</b>	<b>196</b>	<b>47</b>	<b>932</b>	<b>-7</b>	<b>2,832</b>	<b>685</b>	<b>4,685</b>
Equity brought forward 1 Jan 2018	196	47	932	-7	2,832	685	4,685
Profit for the period						792	792
Other comprehensive income				17			17
<b>Comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>17</b>	<b>—</b>	<b>792</b>	<b>808</b>
Appropriations					685	-685	—
Dividends					-387		-387
Conversion of convertible bonds into shares	2		101				103
Value of conversion option (2018 programme)			13				13
Tax on value of conversion option (2018 programme)			-3				-3
Share buy-backs/sales			-177				-177
Cancellation of shares	-4		4				—
Share plans					0		0
<b>Equity carried forward 31 Dec 2018</b>	<b>193</b>	<b>47</b>	<b>870</b>	<b>10</b>	<b>3,130</b>	<b>792</b>	<b>5,041</b>

For supplementary information, see Note 18.

# Statement of cash flows for parent

1 January – 31 December (SEK million)	Note	2018	2017
<b>Operating activities</b>	28		
Profit after financial items		684	599
Adjustment for items not included in cash flow		-3	142
Income tax paid		-3	-1
<b>Cash flow from operating activities before changes in working capital</b>		<b>678</b>	<b>741</b>
<b>Cash flow from changes in working capital</b>			
Change in operating receivables		-286	-151
Change in operating liabilities		290	-233
<b>Cash flow from operating activities</b>		<b>682</b>	<b>357</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		-50	-31
Disposal of property, plant and equipment		1	1
Acquisition of intangible assets		-9	-4
Acquisition of financial assets		-652	—
Acquisition of subsidiaries		-287	-168
Shareholders' contribution made		—	-6
Contingent considerations/options paid		-1	-17
<b>Cash flow from investing activities</b>		<b>-998</b>	<b>-226</b>
<b>Financing activities</b>			
Borrowings		1,278	1,030
Amortisation of loans		-388	-738
Dividend paid		-387	-350
Share buy-backs		-177	-114
Conversion proceeds		0	0
<b>Cash flow from financing activities</b>		<b>326</b>	<b>-173</b>
<b>Cash flow for the period</b>		<b>10</b>	<b>-41</b>
Opening cash and cash equivalents		21	62
<b>Closing cash and cash equivalents</b>		<b>32</b>	<b>21</b>

# Notes

## Note 1

### Accounting policies

#### 1.1 Compliance with standards and legal requirements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations published by the International Financial Reporting Interpretations Committee (IFRIC) approved by the European Commission for application in the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary Accounting Rules for Groups) has been applied.

The parent applies the same accounting policies as the Group except in those cases specified below in the "Parent accounting policies" section. The differences between the accounting policies of the parent and the Group are due to limitations in the parent's scope to apply IFRS imposed by the Swedish Annual Accounts Act and the Pension Obligations Vesting Act (Tryg-gandelagen), and in some cases to tax reasons.

#### 1.2 Basis of preparation of the parent and consolidated financial statements

The parent's functional currency is the Swedish krona (SEK), which is also the presentation currency for the parent and the Group. This means that the financial statements are presented in SEK.

Assets and liabilities are recognised at cost, except for various investments and liabilities which are carried at fair value. The financial assets and liabilities which are carried at fair value are derivative instruments, contingent consideration and financial investments.

The preparation of financial statements in accordance with IFRS requires management to make judgements and estimates, and to make assumptions which affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on historical experience and several other factors deemed reasonable under the circumstances. The results of these estimates and assumptions are then used to judge the carrying amounts of assets and liabilities where these are not clear from other sources. The actual outcome may differ from these estimates and judgements.

Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which the change is made if the change affects only that period, or in both the period in which the change is made and future periods if the change affects both the current and future periods. Judgements made by management in applying IFRS which have a significant effect on the financial statements, and estimates made which could result in material adjustments in subsequent year's financial statements, are described in more detail in Note 30.

The following accounting policies for the Group have been applied consistently to all periods presented in the Group's financial statements unless otherwise stated below. The Group's accounting policies have been applied consistently in the reporting and consolidation of the parent, subsidiaries and the inclusion of associates and joint ventures in the consolidated accounts.

The annual report and consolidated financial statements were approved for release by the Board of Directors on 27 March 2019. The consolidated income statement and balance sheet and the parent income statement and balance sheet will be put forward for adoption at the AGM on 15 May 2019.

#### 1.3 Amended accounting policies and disclosure requirements

##### 1.3.1 Amended and new accounting policies for the year

Amended and new accounting policies have had no significant effect on the Group.

##### *IFRS 9 – Financial Instruments*

IFRS 9 Financial Instruments entered into force on 1 January 2018, replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 classifies financial assets in three different categories. Classification is determined at initial recognition based on asset characteristics and the company's business model. The second part concerns hedge accounting. To a large extent, the new policies make it easier for a company to present a fair view of its management of financial risks with financial instruments. Finally, new policies have been introduced regarding impairment of financial assets, where the model is based on expected losses. One of the purposes of the new impairment model is to require that reserves for credit losses be made at an earlier stage. IFRS 9 has not had any material effect, but one effect amounting to SEK 2 million was recorded as an adjustment to consolidated equity brought forward as of 1 January 2018, as an effect of the implementation of IFRS 9.

##### *IFRS 15 – Revenue from Contracts with Customers*

IFRS 15 is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 is based on the principle that revenue be recognised when the customer takes control of the sold item or service. It replaces the previous principle that revenue be recognised when the risks and benefits of ownership have passed to the buyer. The standard applies to the Group from 1 January 2018. A company may choose between full retrospective or prospective application with additional disclosures. ÅF has chosen prospective application. The standard was deemed to have no impact on the financial statements besides the expanded disclosure requirements, so no adjustment was made to the opening balances.

##### 1.3.2 Future changes in accounting policies

##### *IFRS 16 – Leases*

The Group applies IFRS 16 Leases as of 1 January 2019. IFRS 16 introduces a uniform lease accounting model for lessees. A lessee recognises a right-of-use asset that represents a right to use the underlying asset and a lease liability that represents an obligation to make lease payments. ÅF applies exemptions for short-term leases and leasing of low-value assets. The interest rate that has been used is set per country and asset class, and as regards the respective contract's lease term.

Based on the information available, the Group estimates that it will recognise additional lease liabilities of approximately SEK 2.5 billion (after adjustment for prepayment of leases recognised on 31 December 2018), as well as right-of-use assets of approximately SEK 2.5 billion.

The Group expects operating profit for 2019 to increase compared to if previous accounting principles had been used, since some of the lease costs will be recognised as interest expense. Cash flow from operating activities is expected to increase and from financing activities is expected to decrease, since amortisation of the lease payments will be recognised as a disbursement under financing activities.

## Note 1, cont.

The Group will apply the modified retrospective approach. This means that the accumulated effect of IFRS 16 being introduced will be recognised in the opening balance at 1 January 2019 without restating comparative figures. The right-of-use assets attributable to previous operational leases will be recognised at the value of the liability on 1 January 2019, with adjustments for advance payments recognised in the balance sheet at 31 December 2018. Existing finance leases recognised in accordance with IAS 17 will be recognised in accordance with IFRS 16 at the amount of their value directly before the transition to the new standard.

The Group does not expect the introduction of IFRS 16 to affect its ability to meet the requirements contained in the covenants for the Group. The parent will not apply IFRS; it will utilise the exception in RFR 2.

In general, none of the IFRS or IFRIC interpretations which have not yet become effective are estimated to have any significant impact on the Group.

#### 1.4 Segment reporting

Segment reporting is based on operating segments which consist of the Group's four divisions. This corresponds to the structure for the CEO's monitoring and management of operations.

#### 1.5 Classification etc.

In the financial statements for both the parent and the Group, non-current assets and non-current liabilities consist essentially of amounts expected to be recovered or settled more than 12 months after the end of the reporting period. Current assets and liabilities consist essentially of amounts expected to be recovered or settled within 12 months of the end of the reporting period.

#### 1.6 Basis of consolidation

##### 1.6.1 Subsidiaries

Subsidiaries are companies over which ÅF Pöyry AB has a controlling influence. A controlling influence means, directly or indirectly, the power to govern a company's financial and operating policies with a view to deriving economic benefits.

Subsidiaries are accounted for using the acquisition method. This means that the acquisition of a subsidiary is treated as a transaction where the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated cost is determined by means of an acquisition analysis undertaken in connection with a business combination. The analysis determines the cost of participations or businesses, the fair value of acquired identifiable assets and assumed liabilities, contingent liabilities and equity instruments issued as consideration for the net assets acquired.

Goodwill is the difference between the cost of the shares in a subsidiary and the fair value of the assets acquired and liabilities and contingent liabilities assumed.

Subsidiaries' financial statements are consolidated from the date of acquisition until the controlling influence is relinquished.

##### 1.6.2 Associates and joint arrangements

###### Associates

Associates are companies over whose operational and financial management the Group exercises a significant but not controlling influence, generally through a holding of 20-50 percent of the votes. As from and including the date on which the controlling influence is obtained, participations in associates are recognised in accordance with the equity method in the consolidated financial statements.

###### Joint arrangements

There are two types of joint arrangement: joint operation and joint venture. A joint operation arises when one party in a joint operation has direct rights to the assets and obligations for the liabilities in that joint arrangement. In such an arrangement,

assets, liabilities, income and expenses are recognised in proportion to the operator's interest in these. A joint venture is a joint arrangement whereby the parties that have joint control over the arrangement have rights to the net assets of the arrangement. Holdings in such an arrangement are recognised using the equity method.

###### The equity method

The equity method means that the carrying amount of the shares in the associate/joint venture recognised in the consolidated financial statements consists of the Group's share of the associate's/joint venture's equity plus goodwill and any other remaining fair value adjustments. The Group's share of the associate's/joint venture's net income after tax and non-controlling interests, adjusted for any depreciation/amortisation, impairment or reversal of fair value adjustments, is recognised in the consolidated income statement under profit/loss attributable to participation in associates. Any dividends received reduce the carrying amount of the investment.

Any difference at the time of acquisition between the cost of the investment and the investor's interest in the net fair value of the associate's/joint venture's identifiable assets, liabilities and contingent liabilities is recognised in accordance with IFRS 3 Business Combinations.

If the Group's interest in recognised losses exceeds the carrying amount of the shares in the consolidated balance sheet, the carrying amount of the shares is reduced to zero. Further losses are not recognised unless the Group has issued guarantees to cover losses arising. The equity method is applied until the significant influence is relinquished.

##### 1.6.3 Transactions eliminated on consolidation

Intra-Group receivables and liabilities, income or expenses, and unrealised gains or losses arising on transactions between Group companies, are eliminated in their entirety when preparing the consolidated financial statements.

Unrealised gains arising on transactions with associates and joint arrangements are eliminated in proportion to the Group's interests in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication of impairment.

#### 1.7 Foreign currencies

##### 1.7.1 Transactions in foreign currency

Transactions in foreign currency are translated into the functional currency at the exchange rate in effect on the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate in effect at the end of the reporting period. Exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities carried at cost are translated at the exchange rate in effect on the transaction date. Non-monetary assets and liabilities carried at fair value are translated into the functional currency at the exchange rate in effect when their fair value was determined, and changes in exchange rates are then recognised in the same way as other changes in the value of the asset or liability.

The functional currency is the currency of the primary economic environments in which the companies in the Group operate. The parent's functional currency and presentation currency is the Swedish krona (SEK). The Group's presentation currency is also the Swedish krona (SEK).

##### 1.7.2 Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and other fair value adjustments, are translated into SEK at the exchange rate in effect at the end of the reporting period. The income and expenses of foreign operations are translated into SEK at an average exchange rate which approximates the exchange rates on the various transaction dates.

Translation differences arising on the translation of net investments in foreign operations are recognised in other comprehensive income. When a foreign operation is sold, the accumulated translation differences attributable to the operation are realised net of any currency hedging in the consolidated income statement.

## 1.8 Revenue

The Group began to apply the new accounting standard IFRS 15 Revenue from Contracts with Customers beginning on 1 January 2018. ÅF's business model is divided into two client offerings: Project Business and Professional Services. Project Business is ÅF's offering for major projects and end-to-end solutions. ÅF acts as a partner to the client, leading and running the entire project. Professional Services is ÅF's offering where the client leads and runs the project, while ÅF provides suitable expertise at the right time.

The new standard has not produced any material effect on the financial statements aside from expanded disclosure requirements. Invoicing in Project Business takes place as work proceeds in accordance with agreed terms and conditions, either periodically (monthly) or when contractual milestones are reached. Invoicing ordinarily takes place after the income has been recorded, resulting in revenue generated but not invoiced (contract assets). However, ÅF sometimes receives advance payments or deposits from our customers before the income is recognised, which then results in revenue invoiced but not generated (contract liabilities). In Professional Services, hours spent on a project are ordinarily invoiced at the end of each month. Performance obligations in Project Business are fulfilled over time as the service is provided. Revenue recognition is based on costs with accumulated costs set in relation to total estimated costs. In Professional Services, revenue is recognised by the amount that the unit is entitled to invoice, in accordance with IFRS 15 B16.

## 1.9 Operating expense and financial income and expense

### 1.9.1 Operating leases

Costs for operating leases are recognised in the income statement on a straight-line basis over the lease term. Benefits received in connection with signing a lease are recognised as part of the total lease cost in profit or loss. Contingent rents are expensed in the periods in which they arise.

### 1.9.2 Finance leases

Minimum lease payments are apportioned between interest expense and a reduction of the outstanding liability. The interest expense is spread over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Contingent rents are expensed in the periods in which they arise.

### 1.9.3 Financial income and expense

Financial income and expense consists of interest income on bank balances and receivables, interest expense on loans, borrowing costs, dividend income and exchange differences on loans.

Interest income on receivables and interest expense on liabilities are calculated using the effective interest method. The effective rate is the interest rate that makes the present value of all future receipts and payments during the period of fixed interest equal to the carrying amount of the receivable or liability.

The interest component of finance lease payments is recognised in profit or loss by applying the effective interest method. Interest income includes accrued transaction costs and any discounts, premiums or other differences between the original value of the receivable and the amount received at maturity.

Borrowing costs are charged against profit/loss for the period to which they refer. Costs arising when raising a loan are divided over the maturity of the loan based on the recognised liability.

Dividend income is recognised when the right to receive payment has been determined.

## 1.10 Financial instruments

Financial instruments recognised among assets in the balance sheet include cash and cash equivalents, accounts receivable, shares, financial investments and other equity instruments and derivatives. Liabilities and equity include accounts payable, debt and equity instruments issued, borrowings, contingent considerations and derivatives.

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the terms and conditions of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been sent. A liability is recognised when the counterparty has completed its undertaking and a contractual obligation to pay exists, even if no invoice has yet been received. Accounts payable are recognised when the invoice has been received.

A financial asset is derecognised from the balance sheet when the rights in the contract are realised or mature or the company loses control of them. This also applies to parts of financial assets. A financial liability is derecognised from the balance sheet when the obligation in the contract is performed or otherwise extinguished. This also applies to parts of financial liabilities.

Acquisition and disposal of financial assets are recognised on the trade date, which is the date on which the company makes a binding commitment to buy or sell the asset.

### 1.10.1 Classification and valuation

Financial instruments that are not derivatives are recognised initially at a cost equal to the fair value of the instrument plus transaction costs for all financial instruments except those in the financial assets at fair value through profit or loss category, which are recognised at fair value excluding transaction costs. A financial instrument is classified on initial recognition based on the purpose for which the instrument was acquired. The classification determines how the financial instrument is measured after initial recognition, as described below.

Derivative instruments are initially recognised at fair value, meaning that transaction costs are charged to profit or loss for the period. After initial recognition, derivative instruments are recognised in the manner described below.

### 1.10.2 Financial assets not recognised at fair value (Loans and receivables)

Financial assets not recognised at fair value are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost. Amortised cost is determined based on the effective interest rate calculated on the date of acquisition. Assets with short maturities are not discounted.

Accounts receivable are recognised at the amount which is expected to be received, i.e. after the deduction of bad debts, assessed individually. Impairment losses on accounts receivable are recognised in operating expenses.

Other receivables are classified as non-current receivables if the holding period is longer than one year and if they are shorter than other receivables.

Cash and cash equivalents consists of cash and funds immediately available in banks and equivalent institutions, as well as short-term liquid investments that mature less than three months after the time of acquisition and are subject to only an insignificant risk of fluctuation in value.

Note 1, cont.

**1.10.3 Financial assets and liabilities measured at fair value through profit or loss**

Assets and liabilities in this category are measured continuously at fair value with changes for the period recognised in profit or loss for the period. Conditional consideration is in this category.

**1.10.4 Financial liabilities not recognised at fair value (Other financial liabilities)**

Loans and other financial liabilities, such as accounts payable, are included in this category. These liabilities are measured at amortised cost. Accounts payable have a short expected term and are valued without discounting to their nominal amount.

Non-current liabilities have an anticipated term exceeding one year, while current liabilities have a term of less than one year.

Staff convertibles may be converted into shares by the counterparty exercising their option to convert the receivable into shares and are recognised as a combined financial instrument divided into a liability component and an equity component. The fair value of the liability is calculated by discounting the future cash flows by the current market rate for a similar liability with no right to conversion. The value of an equity instrument is calculated as the difference between the issue proceeds when the convertible debt instrument was issued and the fair value of the financial liability at the time of issue. Any deferred tax attributable to the liability at the time of issue is deducted from the carrying amount of the equity instrument. Transaction costs in connection with the issue of a combined financial instrument are divided into the liability component and the equity component in proportion to the division of the issue proceeds. The interest expense is recognised in profit or loss and calculated using the effective interest method.

**1.10.5 Financial assets and liabilities measured at fair value in other comprehensive income**

Financial investments measured at fair value in other comprehensive income are included in this category.

**1.11 Derivatives and hedging**

Derivative instruments used for hedging future cash flows are recognised in the balance sheet at fair value. The changes in value are recognised in other comprehensive income until the hedged flow affects profit or loss, at which point the accumulated changes in value of the hedging instrument are recycled into profit or loss simultaneously with the profit or loss effects of the hedged transaction. The flows hedged may be both contracted and forecast transactions. Gains and losses on hedges are recognised in the income statement concurrently with recognition of gains and losses for the items that are hedged. Even if hedge accounting is not applied, increases and decreases in the value of a derivative are recognised as income and expense, respectively, in operating profit or in net financial items, based on the intended use of the derivative instrument. In hedge accounting, the ineffective portion is recognised in the same way as changes in the value of derivatives not used for hedge accounting.

**1.12 Property, plant and equipment****1.12.1 Owned assets**

Property plant and equipment are recognised as assets in the balance sheet if it is likely that future economic benefits will accrue to the company, and the cost of the asset can be calculated reliably. Property plant and equipment are recognised in the Group at cost less accumulated depreciation and any impairments. Cost is defined as the purchase price plus any additional expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner.

Property, plant and equipment comprising parts that have different useful lives are treated as separate components of property, plant and equipment.

The carrying amount of property, plant and equipment is derecognised from the balance sheet on retirement or disposal or when no future economic benefits are expected to flow from the use or retirement/disposal of the asset. Gains or losses realised on the disposal or retirement of an asset consist of the difference between the sales price and the carrying amount of the asset, less direct selling expenses. Gains and losses are recognised as other operating income/expenses.

**Subsequent expenditure**

Subsequent expenditure is added to the cost only if it is probable that the future economic benefits associated with the asset will accrue to the company and the cost can be measured reliably.

**1.12.2 Leased assets**

Leased assets are accounted for in accordance with IAS 17 (see Note 23). In the consolidated financial statements, leases are classified as finance or operational leases. A lease is classified as a finance lease when the economic risks and benefits associated with ownership are essentially transferred to the lessee. If this is not the case, the leases are operational leases. Assets that are leased under finance leases are recognised as assets in the consolidated balance sheet. The obligation to pay future leasing charges is recognised as non-current and current liabilities. The leased assets are written down on a straight-line basis.

**1.12.3 Depreciation**

Depreciation is linear over the estimated useful life of the asset. Estimated useful lives:

IT equipment.....	3 years
Cars.....	5 years
Office equipment.....	5 years
Office furnishings.....	10 years
Buildings (owner-occupied properties).....	40–100 years

Owner-occupied properties consist of several components with different useful lives. The main division is land and buildings. Land is not subject to depreciation as its useful life is deemed to be infinite. However, buildings consist of several components with different useful lives. The useful lives have been estimated to vary between 40 and 100 years for these components.

An asset's residual value and useful life are assessed annually.

**1.13 Intangible assets****1.13.1 Goodwill**

Goodwill is the difference between the cost of acquired businesses and the fair value of the assets acquired and liabilities and contingent liabilities assumed.

Goodwill is apportioned between cash-generating units and groups of cash-generating units and is tested annually for impairment. Thus, goodwill is carried at cost less accumulated impairment losses. Goodwill arising from the acquisition of associates is included in the carrying amount for participations in associates.

Where the cost of acquired businesses is less than the net fair value of the assets acquired and liabilities and contingent liabilities assumed, the difference is recognised immediately in profit or loss.

**1.13.2 Other intangible assets**

Other intangible assets acquired by the Group are carried at cost less accumulated amortisation and impairment.

Costs incurred for internally generated goodwill and brands are recognised in the income statement when the cost is incurred.

### 1.13.3 Subsequent expenditure

Subsequent expenditures for capitalised intangible assets are recognised as assets in the balance sheet only when they increase the future economic benefits of the specific asset to which they are attributed. All other expenditure is expensed as it is incurred.

### 1.13.4 Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of the intangible assets unless such useful lives are unspecified. Amortisable intangible assets are amortised from the date on which they are available for use. Estimated useful lives:

Capitalised development expenditure .....	1–3 years
Outstanding orders .....	2–5 years
Client relationships .....	10–20 years
Trademarks .....	2–5 years

## 1.14 Impairment

The carrying amounts of the Group's assets — except for assets held for sale recognised in accordance with IFRS 5 and deferred tax assets — are tested at the end of each reporting period to assess whether there is any indication of impairment. If there is such an indication, the recoverable amount of the asset is calculated. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, or as soon as there are indications that the asset in question has declined in value. For exempt assets described above, the measurement is tested in compliance with the respective standard.

### 1.14.1 Impairment tests for property, plant and equipment and intangible assets, as well as participations in subsidiaries and associates

The recoverable amount is the higher of fair value less costs to sell and value in use. When estimating value in use, future cash flows are discounted by a factor that considers risk-free interest and the risk associated with the specific asset. For an asset that does not generate cash flows that are materially independent of other assets, value in use is calculated for the cash-generating unit to which the asset belongs. Impairment reflects the excess of the asset's carrying amount over its recoverable amount. Impairment of assets attributable to a cash-generating unit is initially allocated to goodwill. This is followed by proportional impairment of other assets in the unit.

### 1.14.2 Impairment test for financial assets

When accounts are prepared for reporting, the company assesses whether there is objective evidence that any financial asset or group of assets is impaired. Objective evidence consists both of observable circumstances that have arisen which have a negative effect on the ability to recover the cost, and of significant or long-lasting reductions in the fair value of an investment in a financial asset classified as a financial asset measured at fair value via comprehensive income.

The recoverable amount of assets in the financial assets not recognised at fair value category which are recognised at amortised cost is measured as the present value of the future cash flow discounted at the effective interest rate of the date on which the asset was first recognised. Assets with short maturities are not discounted. Impairment is charged to profit or loss. IFRS 9 replaces the 'incurred loss model' from IAS 39 with an

'expected credit loss model'. The new impairment model is applied to financial assets measured at amortised cost, contract assets and debt instruments measured at fair value via comprehensive income, but not to any investments in equity instruments.

### 1.14.3 Reversal of an impairment loss

An impairment is reversed if there is an indication that there is no longer a need for the impairment and there has been a change in the assumptions on which the calculation of the recoverable amount was based. However, impairment of goodwill is never reversed. An impairment is reversed only to the extent to which the carrying amount of the asset after reversal does not exceed the carrying amount that would have been recognised, less depreciation where relevant, if no impairment had been made.

Impairments of loans and receivables recognised at amortised cost are reversed if a later increase in the recoverable amount is objectively attributable to an event that occurred after the impairment was made. Impairment losses on equity instruments designated as available-for-sale financial assets that have already been recognised in profit or loss may not subsequently be reversed through profit or loss. The impaired value is the value from which subsequent remeasurement takes place, which is recognised in other comprehensive income. Impairments of interest-bearing instruments classified as financial assets available for sale are reversed to profit or loss if the fair value increases and the increase may be objectively attributed to an event that occurred after the impairment was made.

## 1.15 Dividends

Dividends are recognised as a liability once they have been approved at the Annual General Meeting.

## 1.16 Employee benefits

### 1.16.1 Defined-contribution pension plans

Obligations concerning contributions to defined-contribution pension plans are recognised as expenses in the income statement when they are incurred.

### 1.16.2 Defined-benefit pension plans

The Group's obligations concerning defined-benefit pension plans are calculated separately for each plan by estimating the future payment which the employees earned through employment in both current and previous periods. This payment is discounted to present value. The discount rate is the interest rate at the end of the reporting period on a high-quality investment-grade corporate bond with the term equivalent to the Group's pension obligations. When there is no active market for this type of corporate bond, the market rate for government mortgage bonds with an equivalent term is used instead. The calculations are performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses are recognised in other comprehensive income for the period in which they arise. The Group's net debt, which is also recognised in the balance sheet for each defined-benefit plan, consists of the present value of the obligation less the fair value of plan assets. If the value of plan assets exceeds the value of the obligation, a surplus arises, and this is recognised as an asset under other receivables. Past service costs are recognised immediately in profit or loss.

When there is a difference in how the cost of a pension is determined for a legal entity and the Group, a provision or claim for special employer's contribution is recognised based on this difference. The provision or claim is not calculated at present value.

## Note 1, cont.

**1.16.3 Share-based payment**

Under the share plan adopted by the AGM, employees are eligible to receive performance-related matching shares for shares which they have themselves purchased under the plan. For these share plans, payroll expenses for matching shares are recognised during the vesting period (three years) based on the fair value of the shares on the date on which the employee purchased shares under the plan. Provisions are made for estimated social security contributions during the vesting period. The buy-back of shares to meet obligations under outstanding share plans is recognised in equity.

**1.16.4 Convertible programme**

The Group has issued convertible instruments to its employees. The convertible instruments are divided into an amount owed and a conversion option. The latter is recognised in equity. The programmes do not entail any personnel costs.

**1.16.5 Termination benefits**

A provision is made for termination benefits only when the company is demonstrably committed to terminating employment before the normal date, or when the benefits are based on an offer made to encourage voluntary redundancy. If the company is obliged to lay off members of staff, a detailed plan is drawn up specifying as a minimum the location, function and approximate number of employees involved, the benefits for each job classification or function, and the time at which the plan will be implemented.

**1.17 Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation from a past event, and when it is probable that an outflow of economic resources will be required to meet this obligation, and a reliable estimate of the amount of the obligation can be made. If the effect of when in time payment is made is significant, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks associated with the liability. A provision for restructuring is recognised when the Group has adopted a comprehensive and formal restructuring plan, and the restructuring has either been started or published. No provisions are made for future operating expenses.

**1.18 Taxes**

Income taxes comprise current tax and deferred tax. Income taxes are recognised in the income statement except when the underlying transaction is recognised in other comprehensive income, in which case the associated tax effect is recognised in other comprehensive income.

Current tax is the tax payable or recoverable in respect of the current year, based on the tax rates enacted or substantively enacted at the end of the reporting period, including adjustments of current tax in respect of prior periods.

Deferred tax is calculated using the balance sheet method, based on temporary differences between the carrying amount and tax values of assets and liabilities. The following temporary differences are not taken into consideration: temporary differences that occurred when goodwill was first recognised and the first recognition of assets and liabilities that are not business combinations and, at the time of the transaction, do not affect either the recognised or taxable profit. Nor are temporary differences considered that are attributable to participations in subsidiaries and associates in which the parent, the investor or

the co-owner may control the time of reversal of the temporary differences, and it is probable that they will not be reversed in the foreseeable future. The measurement of deferred tax is based on how the carrying amounts of assets and liabilities are expected to be realised or settled. Deferred tax is calculated applying the tax rates and tax rules adopted or adopted in practice at the reporting date.

Deferred tax assets for tax-deductible temporary differences and loss carry-forwards are recognised only to the extent it is likely that it will be possible to utilise these items. The value of deferred tax assets is reduced when it is no longer deemed likely that they can be utilised.

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

**1.19 Contingent liabilities**

A contingent liability is recognised whenever there is a possible obligation arising from past events and the existence of which is confirmed only by one or more uncertain future events, or there is an obligation not recognised as a liability or provision because it is not probable that an outflow of resources will be required, or the amount cannot be calculated with adequate reliability.

**1.20 Earnings per share**

Calculation of earnings per share is based on consolidated profit or loss for the year attributable to shareholders of the parent and on the weighted average number of outstanding shares during the year. In calculating earnings per share after dilution, the profit or loss and the average number of shares are adjusted to take account of the effects of potential diluting ordinary shares, which derive during the reporting periods from matching shares in the share plan and the staff convertible programme.

**1.21 Parent accounting policies**

The parent has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. RFR 2 requires that the parent's annual report apply all IFRS standards and interpretations approved by the EU as far as is possible within the constraints of the Annual Accounts Act and the Pension Obligations Vesting Act (Tryggandelagen), and while considering the relationship between reporting and taxation. The recommendation specifies which exceptions from and additions to IFRS must be made. The differences between Group and Parent accounting policies are stated below.

The accounting policies outlined below have been applied consistently to all periods presented in the parent's financial statements.

**Differences between the Group's and the parent's accounting policies****1.21.1 Subsidiaries and associates**

Shares in subsidiaries and associates are recognised in the parent using the cost method. Acquisition costs are recognised as shares in subsidiaries instead of being expensed. Dividends received are recognised as income.

**1.21.2 Property, plant and equipment****Leased assets**

The parent recognises all leases based on the rules for operating leases.

Note 1, cont.

### 1.21.3 Financial guarantees

The parent's financial guarantee contracts consist mainly of guarantees in favour of subsidiaries and associates. Financial guarantees mean that the company has an obligation to compensate the holder of a debt instrument for losses the latter incurs as a result of a specified debtor failing to make payment when due under the contract terms. The parent applies RFR 2 for the recognition of financial guarantee contracts. This represents a relaxation compared with the rules in IAS 39 in respect of financial guarantee contracts issued for the benefit of subsidiaries and associates. The parent recognises financial guarantee contracts as a provision in the balance sheet when the company has an obligation for which payment is probably necessary to settle the obligation.

### 1.21.4 Employee benefits

#### Defined-benefit pension plans

In calculating defined-benefit pension plans, the bases for calculation applied by the parent differ from those specified in IAS 19. The parent complies with the provisions of the Pension Obligations Vesting Act and the Swedish Financial Supervisory Authority's regulations as this is a precondition for tax deductibility. The most significant differences compared with IAS 19 are the method for determining the discount rate, the calculation of defined-benefit obligations based on current salary levels without assumptions on future salary increases and the recognition of all actuarial gains and losses in profit or loss when they arise.

### 1.21.5 Taxes

In the parent, untaxed reserves are recognised inclusive of deferred tax liability. In the consolidated accounts, however, untaxed reserves are split into deferred tax liability and equity.

### 1.21.6 Group contributions and shareholders' contributions for legal entities

Both Group contributions received and paid are recognised as appropriations. Shareholders' contributions are recognised directly in equity by the recipient and are capitalised as participations by the contributor, insofar as impairment is not required.

Note 2

## Segment reporting

Income and expense	Infrastructure		Industry		Energy		Digital Solutions		Group-wide and eliminations		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Sales to external clients	5,830	5,023	4,287	4,281	1,505	1,417	2,216	1,957	138	-21	13,975	12,658
Sales between segments	105	86	216	91	47	49	144	89	-512	-316	—	—
Net sales	5,935	5,110	4,503	4,371	1,552	1,467	2,360	2,046	-374	-336	13,975	12,658
Operating expense	-5,257	-4,561	-4,111	-3,976	-1,472	-1,367	-2,123	-1,846	345	224	-12,617	-11,526
Amortisation and impairment of intangible assets	-3	-2	-1	-1	-1	-1	0	0	-8	-11	-13	-16
Depreciation and impairment, property, plant and equipment	-38	-32	-9	-8	-11	-10	-1	-1	-44	-38	-102	-89
EBITA	638	515	383	387	69	88	236	199	-82	-162	1,243	1,027
Acquisition-related items	—	—	—	—	0	-1	—	—	-40	7	-40	6
EBIT	638	515	383	387	69	87	236	199	-123	-155	1,203	1,033
EBITA margin, %	10.8	10.1	8.5	8.9	4.4	6.0	10.0	9.7	—	—	8.9	8.1
Total growth, %	16.1	—	3.0	—	5.8	—	15.3	—	—	—	10.4	14.3

Note 2, cont.

### Operating Segments

The Group's operating structure and internal reporting to the CEO are based on accounting by divisions. The aim is to classify the divisions based on their clients and their own expertise. Intra-group sales between segments are based on an internal market price, calculated on an arms-length basis, i.e. as between parties who are mutually independent, well-informed and with an interest in completing the transactions.

The Group-wide items concern traditional parent functions. The same accounting policies apply to operating segments as to the rest of the Group. There are no individual clients whose sales amount to 10 percent or more of the Group's total sales.

The historical figures above are adjusted based on the organisational changes implemented on 1 January 2018, which affected all four divisions and 21 business areas to differing degrees. The change aims to create clarity and well-defined

divisions and business areas that have full responsibility for profitability in a decentralised governance model. All divisions bear international responsibility.

By geographical area	Net sales		Non-current assets	
	2018	2017	2018	2017
Sweden	10,405	9,504	4,794	4,597
Norway	1,301	1,189	1,083	966
Switzerland	921	891	960	783
Other countries	1,348	1,073	901	705
<b>Total</b>	<b>13,975</b>	<b>12,658</b>	<b>7,737</b>	<b>7,052</b>

Income from external clients has been attributed to individual countries based on the country from which the sale was made.

### Income

#### Net sales according to the business model

SEK million	Infrastructure	Industry	Energy	Digital Solutions	Group-wide and eliminations	Group
Project Business	5,904	1,548	1,365	354	-232	<b>8,939</b>
Professional Services	31	2,954	187	2,006	-142	<b>5,036</b>
<b>Total</b>	<b>5,935</b>	<b>4,502</b>	<b>1,552</b>	<b>2,360</b>	<b>-374</b>	<b>13,975</b>

The Group began to apply the new accounting standard IFRS 15 Revenue from Contracts with Customers beginning on 1 January 2018. ÅF's business model is divided into two client offerings: Project Business and Professional Services. Project Business is ÅF's offering for major projects and end-to-end solutions. ÅF acts as a partner to the client, leading and running the entire project. Professional Services is ÅF's offering where the client leads and runs the project, while ÅF provides suitable expertise at the right time.

The new standard has not produced any material effect on the financial statements aside from expanded disclosure requirements. No adjustment was made to the 1 January 2018 opening balance. Invoicing in Project Business takes place as work proceeds in accordance with agreed terms and conditions, either periodically (monthly) or when contractual milestones are reached. Invoicing ordinarily takes place after the income has been recorded, resulting in contract assets. However, ÅF sometimes receives advance payments or deposits from our customers before the income is recognised, which then results in contract liabilities. In Professional Services, hours spent on a project are ordinarily invoiced at the end of each month. Performance obligations in Project Business are fulfilled over time as the

service is provided. Revenue recognition is based on costs with accumulated costs set in relation to total estimated costs. In Professional Services, revenue is recognised by the amount that the unit is entitled to invoice, in accordance with IFRS 15 B16.

#### Order backlog (Unfulfilled performance obligations)

At the end of the reporting period, the Group had unfulfilled obligations of approximately SEK 9 billion. Most of these obligations will be realised as income in the coming year. The order backlog excludes obligations for which the company is entitled to payment for time spent, i.e. primarily professional services. Given the nature of the Group's business and in terms of order backlog, monitoring focuses on large project obligations.

#### Revenue generated but not invoiced

No significant reserves have been made in the balance sheet for revenue generated but not invoiced during the year. Acquisitions have affected the balance sheet to a value of approximately SEK 30 million.

#### Work invoiced but not yet carried out

The items that were in the opening balance have essentially been entered as income during the year. There was no significant impact from acquisitions on work invoiced but not yet carried out.

## Acquisition of operations

### Acquisitions 2018

In 2018, ÅF took possession of all shares in the companies shown in the table below. The eleven acquired companies added approximately 485 employees to ÅF's roster. None of the acquisitions is substantial, based on net sales and number of employees, and for that reason they are all recognised together in the table Total net assets of acquired companies at date of acquisition, 2018.

2018	Company	Country	Division	Annual net sales	FTEs
Jan-Mar	Gottlieb Paludan Architects AS	Denmark	Infrastructure	140	90
	Arcad Architectes AG	Switzerland	Infrastructure	11	8
Apr-Jun	Samtanke	Sweden	Digital Solutions	7	6
	Konsultbolag1 AB	Sweden	Digital Solutions	110	100
	Facilia AB	Sweden	Energy	19	14
	Mometo AS	Norway	Digital Solutions	38	14
Jul-Sep	Effekt i Varberg AB	Sweden	Infrastructure	31	40
	LBP AG	Switzerland	Infrastructure	24	17
	Profil-Bau Industrial Oy	Finland	Industry	60	70
Oct-Dec	P.A.P A/S	Denmark	Energy	60	46
	IFEC Ingegneria SA	Switzerland	Energy	90	80
<b>Total</b>				<b>590</b>	<b>485</b>

### Effects of acquisitions

The table below shows the effect of the 2018 acquisitions on consolidated assets and liabilities. The acquisition analyses are preliminary since fair value has not been determined for all items.

### Total net assets of acquired companies at date of acquisition, 2018

2018	Identifiable assets and liabilities	Fair value adjustment	Fair value recognised in the Group
Intangible assets	1	36	37
Property, plant and equipment	12		12
Financial assets	0		0
Accounts receivable and other receivables	185		185
Cash and cash equivalents	81		81
Deferred tax	-22	-8	-30
Accounts payable, loans and other liabilities	-160		-160
<b>Net identifiable assets and liabilities</b>	<b>98</b>	<b>28</b>	<b>126</b>
Goodwill			477
<b>Consideration including estimated contingent consideration/option</b>			<b>603</b>
Transaction costs			4
Less:			
Cash (acquired)			-81
Estimated contingent consideration/option			-191
<b>Net cash outflow</b>			<b>335</b>

### Goodwill

Goodwill primarily concerns human capital in the form of employee skills and synergy effects. Goodwill from acquisitions is not expected to be tax-deductible. For asset acquisitions, goodwill is tax-deductible in some countries. Non-controlling interest arising from an acquisition is recognised at fair value, which means that non-controlling interest has a measure of goodwill.

### Contingent consideration

Agreed contingent considerations in the acquired companies relate to the performance of each company for up to three years. Total contingent consideration for the companies acquired during the year may not exceed SEK 203 million (321). For further information on contingent consideration, see Note 13.

### Acquisition-related expenditure

Transaction costs are recognised in Other external costs in profit or loss.

### Acquired receivables

The fair value of the acquired receivables is expected to be settled in full. The agreed gross values essentially correspond to the fair values of the receivables.

### Revenue and profit from acquired companies

During the year, acquired companies/operations contributed SEK 523 million (336) to consolidated revenue and SEK 38 million to operating profit.

If the above-mentioned acquisitions had been executed on 1 January 2018, they would have contributed net sales of SEK 590 million (601) and operating profit of SEK 45 million.

## Note 3, cont.

**Fixed acquisition analyses 2017**

In 2017, ÅF acquired all the shares in AB Teknoplan, Midtconsult A/S, Quality Engineering Group AB, Vatten & Miljöbyrå i Sverige AB, Teroc AB, Cecon AB, Koncept Stockholm AB, Eitech AB Automation, KIAB Konsult & Installationstjänst AB, Light Bureau Ltd, InUse Experience AB and Digifex AB. The acquired companies added approximately 500 employees to ÅF's roster. None of the acquisitions is substantial, and for that reason they are all recognised together in the table below. All acquisition analyses are fixed.

**Total net assets of acquired companies at date of acquisition, 2017**

2017	Identifiable assets and liabilities	Fair value adjustment	Fair value recognised in the Group
Intangible assets	6	44	51
Property, plant and equipment	9		9
Financial assets	1		1
Accounts receivable and other receivables	145		145
Cash and cash equivalents	31		31
Deferred tax	-15	-10	-25
Accounts payable, loans and other liabilities	-148		-148
<b>Net identifiable assets and liabilities</b>	<b>28</b>	<b>35</b>	<b>63</b>
Goodwill			624
<b>Consideration including estimated contingent consideration/option</b>			<b>687</b>
Transaction costs			0
Less:			
Cash (acquired)			-31
Estimated contingent consideration/option			-293
<b>Net cash outflow<sup>1</sup></b>			<b>363</b>

<sup>1</sup> In addition to the above, an adjustment of cash from acquisitions in prior years had an effect of SEK -4 million on cash flow.

## Note 4

**Other operating income**

Group	2018	2017
Capital gain on disposal of non-current assets	0	—
Government grants	—	4
	<b>0</b>	<b>4</b>

Other operating income of SEK 230 million (202) in the parent largely relates to the re-invoicing of rental charges, chiefly to subsidiaries.

## Note 5

**Fees and reimbursement of auditors' expenses**

	Group		Parent	
	2018	2017	2018	2017
<b>Auditing firm KPMG</b>				
Audit engagements	7	5	1	1
Tax advice	0	0	0	0
Other services	2	0	2	0
	<b>9</b>	<b>6</b>	<b>3</b>	<b>1</b>
<b>Other auditors</b>				
Audit engagements	1	0	—	—
Tax advice	1	0	—	—
Other services	1	1	—	—
	<b>3</b>	<b>1</b>	<b>0</b>	<b>0</b>

'Audit engagements' refers to the auditing of the annual report, the accounting records and the administration by the Board of Directors and the CEO, other duties which it is incumbent upon the company's auditors to carry out, as well as advice and other assistance stemming from observations made during such audits or the execution of such other duties.

## Note 6

**Employees and personnel costs****Average number of full-time employees (FTEs) by gender**

Parent	2018			2017		
	Women	Men	Total	Women	Men	Total
Sweden	79	45	124	70	47	118
<b>Subsidiaries</b>						
Sweden	1,809	5,587	7,395	1,628	5,285	6,913
Norway	237	570	807	248	476	724
Switzerland	136	464	600	128	468	596
Denmark	136	406	542	86	293	380
Czech Republic	34	135	170	36	146	182
Finland	33	131	164	32	105	137
Brazil	11	39	51	6	31	37
India	2	43	45	2	37	39
Spain	14	23	37	17	31	49
Turkey	5	19	25	6	26	32
Estonia	2	19	21	4	24	27
Russia	5	13	19	6	15	21
China	1	11	12	1	6	7
Germany	1	7	8	1	9	10
Other	5	12	17	12	6	18
<b>Group total</b>	<b>2,512</b>	<b>7,525</b>	<b>10,037</b>	<b>2,284</b>	<b>7,008</b>	<b>9,292</b>

**Gender distribution on the Board of Directors and in Group management**

Group	Women, %	
	2018	2017
Board of Directors	30	30
Group management	22	20

**Salaries, other remuneration and social security contributions**

Group	2018		2017	
	Salaries and remuneration	Social security contributions	Salaries and remuneration <sup>2</sup>	Social security contributions
Board of Directors and Group management	46	22	50	26
of which annual variable remuneration	10	3	11	3
of which pension costs <sup>1</sup>	—	10	—	12
Other employees	5,659	2,089	5,143	1,869
of which annual variable remuneration	162	51	146	49
of which pension costs <sup>1</sup>	—	698	—	607
	<b>5,704</b>	<b>2,111</b>	<b>5,193</b>	<b>1,895</b>

Parent	2018		2017	
	Salaries and remuneration	Social security contributions	Salaries and remuneration <sup>2</sup>	Social security contributions
Board of Directors and CEO	18	9	15	7
of which annual variable remuneration	4	1	5	1
of which pension costs <sup>1</sup>	—	4	—	3
Other employees	101	50	87	48
of which annual variable remuneration	10	3	8	3
of which pension costs <sup>1</sup>	—	18	—	20
	<b>119</b>	<b>60</b>	<b>102</b>	<b>56</b>

<sup>1</sup>Including statutory charges.

<sup>2</sup>Including severance pay.

**Annual variable remuneration**

Within ÅF's divisions, there are different systems of variable remuneration for employees. Remuneration may be based on the division's performance or be linked directly to individual performance.

**Remuneration of the Board of Directors**

The AGM held on 25 April 2018 approved remuneration, including remuneration for committee work, totalling SEK 3,695,000 for the work of the Board in 2018. The Chairman received SEK 810,000 and other members of the Board of Directors not employed by the Group received SEK 350,000 each.

Fees for committee work of SEK 60,000 are to be paid to each member of the Audit Committee not employed in the Group, SEK 45,000 to each member of the Remuneration Committee not employed in the Group, SEK 150,000 to the Chairman of the Audit Committee, and SEK 75,000 to the Chairman of the Remuneration Committee.

The remuneration of the Board of Directors is determined annually at the AGM and relates to the period until the next AGM. This means that the remuneration to the Board of Directors was at the rate determined by the AGM in 2017 for the first two quarters and at the rate determined by the AGM in 2018 for the remaining two quarters of the year.

Total remuneration of SEK 48,000 (48,000) was paid to the employee representatives.

There are no agreements on future pension commitments/severance pay for either the Chairman of the Board or other directors.

Director	Fees in SEK 2018		
	Board of Directors	Committee	Total
Jonas Abrahamsson	175,000	—	175,000
Gunilla Berg	330,000	55,000	385,000
Staffan Jufors	155,000	—	155,000
Anders Narvinger	767,500	75,000	842,500
Björn O. Nilsson	155,000	25,000	180,000
Maud Olofsson	330,000	22,500	352,500
Joakim Rubin	330,000	45,000	375,000
Kristina Schauman	330,000	137,500	467,500
Anders Snell	330,000	52,500	382,500
Ulf Södergren	175,000	—	175,000
<b>Total</b>	<b>3,077,500</b>	<b>412,500</b>	<b>3,490,000</b>

Director	Fees in SEK 2017		
	Board of Directors	Committee	Total
Gunilla Berg	155,000	25,000	180,000
Marika Fredriksson	137,500	22,500	160,000
Staffan Jufors	292,500	—	292,500
Anders Narvinger	687,500	75,000	762,500
Björn O. Nilsson	292,500	50,000	342,500
Maud Olofsson	292,500	—	292,500
Joakim Rubin	292,500	47,500	340,000
Kristina Schauman	292,500	112,500	405,000
Anders Snell	292,500	45,000	337,500
<b>Total</b>	<b>2,735,000</b>	<b>377,500</b>	<b>3,112,500</b>

**Guidelines for remuneration of senior executives in accordance with the resolution of the 2018 AGM**

ÅF Group policy is that remuneration should be on competitive market terms, as this will facilitate recruitment and enable the Group to retain senior executives. ÅF applies the grandfather principle, which means that terms and conditions of employment must always be approved by the immediate superior of the manager who negotiated the terms and conditions. Remuneration of senior executives may consist of the following components: basic salary, variable remuneration, pension and long-term incentive programmes. Other remuneration may be paid and generally means a company car.

The Board of Directors must ensure that there is a suitable balance between fixed and variable components.

**Basic salary and variable remuneration**

Remuneration is renegotiated annually. Remuneration must be based on factors such as tasks, skills, experience, position and performance. In addition, the distribution between basic salary and variable remuneration must be proportionate to the employee's position and tasks. Variable remuneration for the CEO and senior executives may not exceed 60% of fixed annual salary. The fixed annual salary is current monthly salary multiplied by 12. The variable salary component is based on outcome relative to set targets. The targets and salary for the CEO are set by the Board of Directors. For other senior executives, these are set by the Remuneration Committee.

**Long-term incentive programmes**

Key personnel within the ÅF Group may be offered a range of long-term incentive programmes. The emphasis is on share-based incentive programmes, with the object of rewarding performance, increasing and spreading ownership among senior executives and providing an inducement for them to remain with the company. A personal, long-term ownership commitment among key personnel can be expected to stimulate interest in the business and its future performance and to increase motivation and a sense of affinity with the company, resulting in the retention of valuable expertise.

Decisions on the details of long-term incentive programmes have been delegated to the Board of Directors, with the proviso

## Note 6, cont.

that share-based and share-price-based programmes are to be submitted to the Annual General Meeting for approval.

### Pensions

Senior executives have defined-contribution pension plans with market-based premiums. All pension benefits must be vested and thus not subject to future employment. Remuneration under the long-term incentive programmes must not be pensionable.

### Termination of employment and severance pay

The period of notice for the CEO is 12 months from the company's side, and the CEO is entitled to 12 months' severance pay. The period of notice from the CEO's side is 6 months.

The period of notice for other senior executives is normally 12 months from the company's side and 6 months from the senior executive's side.

The period of notice for one senior executive is two years until the year the person turns 63 from the company's side and six months from the senior executive's side.

### Proposal and decision process

The level of remuneration paid to the CEO is set by the Board of Directors following a proposal drafted by the Board's Remuneration Committee. Remuneration paid to other senior executives is set by the Remuneration Committee.

### Cost of remuneration of the CEO and other members of Group management

	2018		Total
	CEO	Other members of Group management	
Salary including daily allowance	8	21	29
Provisions for annual variable remuneration earned during the current year	4	7	10
Provisions for long-term variable remuneration	2	0	2
Pension costs <sup>1)</sup>	4	7	10
Other social security contributions	4	6	11
<b>Total</b>	<b>22</b>	<b>41</b>	<b>63</b>

	2017		Total
	CEO	Other members of Group management <sup>2)</sup>	
Salary including daily allowance	8	29	37
Provisions for annual variable remuneration earned during the current year	5	7	11
Provisions for long-term variable remuneration	0	0	0
Pension costs <sup>1)</sup>	3	9	12
Other social security contributions	4	10	14
<b>Total</b>	<b>19</b>	<b>54</b>	<b>73</b>

<sup>1)</sup>Including statutory charges.

<sup>2)</sup>Including severance pay.

### President/CEO

The remuneration of the CEO is based on the 'Guidelines for the remuneration of senior executives' as set out above.

The fixed basic salary of the CEO was SEK 8 million (8). There is also a company car benefit. Annual variable remuneration is based on the Group's results, as well as several pre-set targets, and may amount to a maximum of 60 percent of fixed basic salary. There is also a special incentive program for the CEO that is tied to the company's growth target up to 2020. The amount of remuneration depends on the share price development between the first quarter of 2017 and the first quarter of 2021.

The CEO also participates in ÅF's long-term incentive programmes.

The CEO's retirement benefit plan is defined-contribution, and an annual provision equivalent to 40 percent of the year's basic salary is made for this.

Full salary continues to be payable during the period of notice. A duty to work during the period of notice may apply for no more than one year.

### Group management, excluding the CEO

At the end of the reporting period, Group management consisted of eight (nine) individuals, not including the CEO.

The remuneration of Group management has been based on the 'Guidelines for the remuneration of senior executives' as set out above. Members of Group management have a defined-contribution pension to which an amount equivalent to 30% of basic salary is contributed annually.

ÅF has no outstanding pension obligations to present and former directors or CEOs. Full salary continues to be payable during the period of notice.

### Long-term variable remuneration

#### Staff convertible

In 2015, ÅF Pöyry AB issued convertible instruments to key staff members totalling SEK 130 million. The loan runs with an annual interest of Stibor 180 and a margin of 1.65 with effect from 20 August 2015. Conversion may be called during the period from 15 June 2018 to 15 March 2019. The conversion price is SEK 134.10. A commercial interest rate for the corresponding liability without conversion right has been estimated at Stibor 180 and a margin of 4.10.

In 2016, ÅF Pöyry AB issued convertible instruments to key staff members totalling SEK 142 million. The loan runs with an annual interest of Stibor 180 and a margin of 1.50 with effect from 17 August 2016. Conversion may be called during the period from 14 June 2019 to 13 March 2020. The conversion price is SEK 170.20. A commercial interest rate for the corresponding liability without conversion right has been estimated at Stibor 180 and a margin of 3.68.

In 2017, ÅF Pöyry AB issued convertible instruments to key staff members totalling SEK 180 million. The loan runs with an annual interest of Stibor 180 and a margin of 1.19 with effect from 17 August 2017. Conversion may be called during the period from 15 June 2020 to 15 March 2021. The conversion price is SEK 221.90. A commercial interest rate for the corresponding liability without conversion right has been estimated at Stibor 180 and a margin of 3.26.

In 2018, ÅF Pöyry AB issued convertible instruments to key staff members totalling SEK 189 million. The loan runs with an annual interest of Stibor 180 and a margin of 0.92 with effect from 17 August 2018. Conversion may be called during the period from 15 June 2021 to 15 March 2022. The conversion price is SEK 224.60. A commercial interest rate for the corresponding liability without conversion right has been estimated at Stibor 180 and a margin of 3.27. The convertible programmes are not conditional on continued employment during the terms of the convertible programmes.

### Performance share plan

The last share plan expired in 2018.

## Note 7

### Other operating expenses

Group	2018	2017
Exchange losses	0	3
Capital loss on disposal of non-current assets	—	0
Other	1	—
	<b>1</b>	<b>3</b>

Other operating expenses of SEK 226 million (195) in the parent relate primarily to rental charges.

### Note 8

#### Acquisition-related costs

Group	2018	2017
Amortisation and impairment of intangible non-current assets	-41	-38
Revaluation of contingent considerations/options	2	44
Divestment of business	-1	—
	<b>-40</b>	<b>6</b>

To improve analysis between periods, acquisition-related items are reported separately here.

### Note 9

#### Items affecting comparability

Group	2018	2017
Restructuring	—	-90
Transaction costs related to Pöyry	-25	—
	<b>-25</b>	<b>-90</b>

To improve analysis between periods, items affecting comparability are reported separately here.

### Note 10

#### Financial items

Group	2018	2017
Interest income <sup>1</sup>	5	5
Exchange gains	21	11
<b>Financial income</b>	<b>26</b>	<b>16</b>
Interest expense <sup>1</sup>	-57	-48
Interest expense, discounting of contingent considerations	-16	-17
Other financial expenses	-28	-11
Exchange losses	-24	-16
<b>Financial expenses</b>	<b>-125</b>	<b>-92</b>
<b>Financial items</b>	<b>-99</b>	<b>-76</b>
<b>Parent</b>	<b>2018</b>	<b>2017</b>
Dividends from Group companies	809	699
Impairment of shares in Group companies	-8	-12
<b>Results from participations in Group companies</b>	<b>801</b>	<b>687</b>
Interest income, Group companies	37	28
Interest income	0	0
Exchange gains	16	9
<b>Interest income and similar profit/loss items</b>	<b>53</b>	<b>37</b>
Interest expense, Group companies	-1	-1
Interest expense, discounting of contingent considerations/options	-4	-2
Interest expense <sup>1</sup>	-78	-50
Exchange losses	-18	-10
<b>Interest expense and similar profit/loss items</b>	<b>-101</b>	<b>-63</b>
<b>Financial items</b>	<b>753</b>	<b>662</b>

<sup>1</sup> Includes interest on pension provisions.

### Note 11

#### Appropriations

Parent	2018	2017
Difference between recognised depreciation and depreciation according to plan	-9	-2
Group contribution received	28	90
Reversal, tax allocation reserve	91	—
Transfers to tax allocation reserve	-3	—
	<b>107</b>	<b>88</b>

### Note 12

#### Earnings per share and number of shares

	Basic earnings per share		Diluted earnings per share	
	2018	2017	2018	2017
Earnings per share	10.98	9.58	10.76	9.39

The calculation of the numerators and denominators used in the above calculations of earnings per share is specified below.

##### Basic earnings per share

The calculation of earnings per share for 2018 has been based on the profit for the period attributable to the parent's ordinary shareholders, amounting to SEK 850 million (744) and on a weighted average number of outstanding shares in 2018 amounting to 77,396,321 (77,700,879).

##### Diluted earnings per share

In calculating diluted earnings per share, the weighted number of outstanding ordinary shares was adjusted for the dilution effect of all outstanding potential ordinary shares. In calculating diluted earnings per share, outstanding ordinary shares have been adjusted for a potential dilution effect for shares in outstanding share plans, as well as staff convertibles.

##### Profit attributable to the parent's diluted ordinary shares

	2018	2017
Profit attributable to the parent's ordinary shares	850	744
Reversal of interest expense for staff convertibles	11	8
	<b>861</b>	<b>752</b>

##### Weighted average number of diluted ordinary shares outstanding

	2018	2017
Weighted average number of basic ordinary shares during the year	77,396,321	77,700,879
Effect of outstanding PSPs	44,221	180,625
Effect of outstanding staff convertibles	2,580,855	2,288,377
<b>Weighted average number of diluted ordinary shares during the year</b>	<b>80,021,397</b>	<b>80,169,882</b>

## Note 12, cont.

## Total number of shares

	2017				
	Class A shares	Class B shares	Total number of shares	Of which own shares	Total number of outstanding shares
Opening balance 2017	3,217,752	75,696,001	78,913,753	1,202,750	77,711,003
Cancellation	—	-835,488	-835,488	-835,488	—
Conversion to shares (convertible programme)	—	183,600	183,600	—	183,600
Share buy-backs	—	—	—	648,416	-648,416
Matching shares for share plans	—	—	—	-76,393	76,393
<b>Closing balance 2017</b>	<b>3,217,752</b>	<b>75,044,113</b>	<b>78,261,865</b>	<b>939,285</b>	<b>77,322,580</b>

	2018				
	Class A shares	Class B shares	Total number of shares	Of which own shares	Total number of outstanding shares
Opening balance 2018	3,217,752	75,044,113	78,261,865	939,285	77,322,580
Cancellation	—	-1,650,213	-1,650,213	-1,650,213	—
Conversion to shares (convertible programme)	—	765,051	765,051	—	765,051
Share buy-backs	—	—	—	824,875	-824,875
Matching shares for share plans	—	—	—	-113,947	113,947
<b>Closing balance 2018</b>	<b>3,217,752</b>	<b>74,158,951</b>	<b>77,376,703</b>	<b>—</b>	<b>77,376,703</b>

The total number of shares is divided into Class A shares (10 votes per share) and Class B shares (1 vote per share). As per the articles of association, the maximum permitted number of shares is one hundred million (100,000,000).

## Note 13

## Financial assets and liabilities

The Group's overall financial risk management policy is intended to reduce financial risks at a cost that is reasonable for ÅF. The aim is to ensure cost-effective financing while minimising the negative effects of market fluctuations on consolidated profit/loss. Derivative instruments are used to hedge some risk exposure.

The Group's risk management is handled centrally by the Group Treasury Department based on policies adopted by the Board of Directors. The Treasury Department identifies, evaluates and hedges financial risks in close collaboration with the Group's operating units.

The Group is exposed to different kinds of financial risk through its operations, including exchange rate risk, interest rate risk, credit risk and financing risk.

**Exchange rate risk**

Exchange rate risk covers future business transactions, recognised assets and liabilities in foreign currency, and net investments in foreign operations. Exchange rate risk within ÅF is relatively limited.

Loans are raised and investments made in the local currency for each company through ÅF's central Treasury Department.

**Translation exposure**

Translation exposure consists of the net assets and profit/loss of foreign subsidiaries in foreign currency. In line with current policy, ÅF does not hedge translation exposure. For major acquisitions, translation exposure may be hedged by raising loans in the same currency as the corresponding net assets.

**Transaction exposure**

Exchange rate risks are relatively limited as most payments are made in the local currency for each company. Where this is not the case, any large sums are hedged using derivatives. The Group classifies the forward contracts used for hedging forecast transactions as cash flow hedges.

**Interest rate risk**

The Group's cash and cash equivalents are kept in central cash pools or in bank accounts in local banks. There are no other significant interest-bearing assets otherwise.

Loans and credit facilities consist of bank loans, commercial papers, bond loans and staff convertibles at both fixed and floating interest rates. Interest swaps are used to convert variable interest rates to fixed interest rates.

**Credit risk**

Credit risk is a result of the company always having a substantial number of outstanding accounts receivables, as well as fees earned but not invoiced, that is, the credit granted to clients. This risk is limited through the Group's established policies for ensuring that sales are made to clients with an appropriate payment history, and through advance payments. ÅF's ten largest clients, who together account for 25 percent of consolidated sales, are all large listed companies with good credit ratings or government institutions and companies. The remaining 75 percent of net sales is spread over many clients. There is, therefore, not deemed to be any significant credit risk regarding any single major client. Counterparties to derivative contracts and cash transactions are limited to financial institutions with a high credit rating. Historically, ÅF has only experienced small credit losses.

**Financing risk**

Financing risk is the risk of not being able to obtain financing at all, or only at a greatly inflated price. For ÅF, prudent management of financing risk means having adequate cash and cash equivalents and committed credit lines. The Group has credit facilities at banks amounting to SEK 7,841 million at the end of the reporting period, including credit facilities to finance the takeover bid to acquire all shares issued and outstanding in Pöyry PLC. The company also finances itself in the capital market through commercial paper and bond loans.

**Sensitivity analysis****Interest**

Of the Group's borrowings at the end of the reporting period, loans at floating interest rates comprised 100 percent of all borrowings, and 44 percent of the loans are converted at a fixed interest rate through interest rate swaps. A change in the average annual interest rate on these loans of +/- 1 percent affects interest expense by +/- SEK 21 million.

### Currency

Transaction exposure is relatively limited, as most sales and expenses are invoiced in local currencies. Flows in foreign currency are also hedged according to certain criteria in ÅF's policy. ÅF's largest operational transaction exposures involve the currency pairs EUR/SEK, USD/SEK and EUR/CHF. An unhedged currency fluctuation of 10 percent in these currencies would affect ÅF's operating profit by SEK 5 million, SEK 1 million and SEK 1 million respectively on an annual basis.

The Group generates income and expenses in foreign currencies and is therefore exposed to exchange rate fluctuations against the Group's presentation currency, SEK. An isolated increase in the exchange rate for SEK with a five percent profit denominated in a currency other than SEK would have an impact of SEK 12 million on profit/loss for the period. The calculation is

based on the conditions that applied in 2018 and is expressed on an annual basis. Profit/loss in subsidiaries is translated to SEK based on the average rate for the period in which the profit/loss arises. In line with current policy, ÅF does not hedge translation exposure. For major acquisitions, translation exposure may be hedged by raising loans in the same currency as the corresponding net assets.

Closing day rate	2018	2017
CHF	9.10	8.43
CZK	0.40	0.38
DKK	1.38	1.32
EUR	10.28	9.85
NOK	1.02	1.00

Group	2018							Fair value			
	Carrying amount										
	Fair value hedging instrument	Mandatorily measured at fair value through profit or loss	Fair value through other comprehensive income – debt instruments	Fair value through other comprehensive income – equity instruments	Financial assets measured at amortised cost	Other liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>											
Forward exchange contracts for hedging	16						16		16		16
Financial investments				1			1			1	1
Shares in Pöyry PLC				672			672	672			672
<b>Total</b>	<b>16</b>	<b>—</b>	<b>—</b>	<b>673</b>	<b>—</b>	<b>—</b>	<b>689</b>	<b>672</b>	<b>16</b>	<b>1</b>	<b>689</b>
<b>Financial assets not recognised at fair value</b>											
Accounts receivable					3,105		3,105				
Revenue generated but not invoiced					1,096		1,096				
Non-current receivables					4		4				
Cash and cash equivalents					225		225				
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,430</b>	<b>—</b>	<b>4,430</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Financial liabilities measured at fair value</b>											
Interest rate swaps for hedging	6						6		6		6
Forward exchange contracts for hedging	3						3		3		3
Contingent consideration		731					731			731	731
<b>Total</b>	<b>9</b>	<b>731</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>740</b>	<b>—</b>	<b>9</b>	<b>731</b>	<b>740</b>
<b>Financial liabilities not recognised at fair value</b>											
Bank loans						630	630				
Commercial papers						640	640				
Bod loan						1,700	1,700	1,698			1,698
Staff convertibles						514	514				
Finance lease liabilities						69	69				
Accounts payable						854	854				
Accrued expenses, subcontractors						158	158				
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,565</b>	<b>4,565</b>	<b>1,698</b>	<b>—</b>	<b>—</b>	<b>1,698</b>

Note 13, cont.

2017						
Group	Derivatives used in hedge accounting	Financial assets/liabilities measured at fair value through profit or loss	Loans and receivables	Financial liabilities	Total carrying amount	Fair value
Financial investments (level 3)		2			2	2
Non-current receivables			1		1	1
Accounts receivable			2,721		2,721	2,721
Revenue generated but not invoiced			1,042		1,042	1,042
Derivatives (level 2)	12				12	12
Cash and cash equivalents			223		223	223
<b>Total</b>	<b>12</b>	<b>2</b>	<b>3,986</b>	<b>—</b>	<b>4,000</b>	<b>4,000</b>
Non-current loans and credit facilities				1,559	1,559	1,571
Other non-current liabilities				15	15	15
Current loans and credit facilities				1,199	1,199	1,199
Accounts payable				716	716	716
Accrued expenses, subcontractors				165	165	165
Derivatives (level 2)	11				11	11
Contingent consideration (level 3)						
– Other liabilities		552			552	552
Option (level 3) – Other liabilities		2			2	2
<b>Total</b>	<b>11</b>	<b>554</b>	<b>—</b>	<b>3,654</b>	<b>4,219</b>	<b>4,231</b>

2018											
Parent	Carrying amount							Fair value			
	Fair value hedging instrument	Mandatorily measured at fair value through profit or loss	Fair value through other comprehensive income – debt instruments	Fair value through other comprehensive income – equity instruments	Financial assets measured at amortised cost	Other liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>											
Forward exchange contracts for hedging	16						16				0
Shares in Pöyry PLC				672			672	672			672
<b>Total</b>	<b>16</b>	<b>—</b>	<b>—</b>	<b>672</b>	<b>—</b>	<b>—</b>	<b>688</b>	<b>672</b>	<b>16</b>	<b>—</b>	<b>688</b>
<b>Financial assets not recognised at fair value</b>											
Accounts receivable					154		154				
Cash and cash equivalents					32		32				
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>186</b>	<b>—</b>	<b>186</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Financial liabilities measured at fair value</b>											
Interest rate swaps for hedging	6						6		6		6
Forward exchange contracts for hedging	3						3		3		3
<b>Total</b>	<b>9</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>9</b>	<b>—</b>	<b>9</b>	<b>—</b>	<b>9</b>
<b>Financial liabilities not recognised at fair value</b>											
Bank loans						564	564				
Commercial papers						640	640				
Bond loan						1,700	1,700	1,698			1,698
Staff convertibles						514	514				
Accounts payable						162	162				
Other current liabilities						85	85				
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,665</b>	<b>3,665</b>	<b>1,698</b>	<b>—</b>	<b>—</b>	<b>1,698</b>

2017						
Parent	Derivatives used in hedge accounting	Financial assets/liabilities measured at fair value through profit or loss	Loans and receivables	Financial liabilities	Total carrying amount	Fair value
Accounts receivable			129		129	129
Derivatives (level 2)	12				12	12
Cash and bank balances			21		21	21
<b>Total</b>	<b>12</b>	<b>—</b>	<b>150</b>	<b>—</b>	<b>163</b>	<b>163</b>
Non-current liabilities to credit institutions						
Other non-current liabilities				1,504	1,504	1,504
Current liabilities to credit institutions				1,003	1,003	1,003
Other current liabilities				126	126	126
Accounts payable				117	117	117
Derivatives (level 2)	11				11	11
<b>Total</b>	<b>11</b>	<b>—</b>	<b>—</b>	<b>2,750</b>	<b>2,761</b>	<b>2,761</b>

### Measurement of fair value

When setting the fair value of an asset or liability, the Group uses observable data to the greatest extent possible. Fair value is categorised at different levels in a fair value hierarchy based on input which is used in the valuation technique as follows:

Level 1: according to quoted prices for identical instruments on active markets

Level 2: based on directly or indirectly observable market inputs not included in level 1

Level 3: based on inputs that are not observable on the market

Fair value corresponds with carrying amount, except for the bond loan. The following provides a summary of the main methods and assumptions used to determine the fair value of the Group's financial instruments.

### Fair value hedging instruments/derivatives and currency options

Forward contracts and interest rate swaps are measured at market value in accordance with level 2, i.e. fair value determined using a measurement method based on directly observable market inputs, either direct (such as price) or indirect (derived from price), and which are not included in level 1 (fair value determined based on quoted prices for the same instruments on active markets).

### Fair value via other comprehensive income

Shareholding in Pöyry PLC is listed on Nasdaq Helsinki. Changes in value are recognised as fair value in other comprehensive income according to level 1.

### Financial assets measured at amortised cost

This category includes accounts receivable and revenue generated but not invoiced, as well as cash and cash equivalents.

### Other liabilities

#### Bank loans/Non-current and current liabilities to credit institutions

Since interest on these liabilities is considered to essentially correspond to current market rates, the carrying amount is also considered to essentially correspond to fair value.

### Bond loan

The bonds are listed on Nasdaq Stockholm. The market value is based on the market price at the end of the reporting period.

### Commercial paper

Outstanding commercial papers are classified as long-term loans since the certificate programme is secured by underlying credit facilities with a maturity exceeding 12 months.

### Obligorily measured at fair value through profit or loss Contingent consideration

Contingent considerations are valued at market value in accordance with level 3, that is, fair value based on input that is not observable on the market. The calculation of contingent consideration is dependent on parameters in the relevant agreements. These parameters are chiefly linked to expected EBIT over the next two to three years for the acquired companies.

An increase in expected EBIT means a higher liability for the contingent consideration. Normally, there is a ceiling on each contingent consideration which limits how large the liability can become (see Note 3).

Maximum payout for the contingent considerations totalled SEK 785 million (607) at the end of the reporting period.

### Option

Options are measured at market value in accordance with level 3. Measurement of fair value on put/call options is at fair value based on the present value of expected future payments. Acquisition of additional shares as found in some acquisition agreements depends on the parameters of the respective agreement. These parameters are chiefly linked to expected EBIT over the next few years for the acquired companies.

An increase in expected EBIT means a higher liability is related to the option. Normally, there is a ceiling on each option which limits how large the liability can become (see Note 3).

Maximum payout for the options totalled SEK 0 million (33) at the end of the reporting period.

### Due date structure, financial liabilities

Group	2018			
	<1 year	1-2 years	3-5 years	>5 years
Bank loans, SEK	65	—	500	—
Bank loans, CHF	36	—	—	—
Bank loans, BRL	22	—	—	—
Other bank loans	7	—	—	—
Bond loan	500	700	500	—
Commercial paper	—	640	—	—
Staff convertibles	26	142	369	—
Finance lease liabilities	32	20	18	—
Contingent consideration	284	278	200	—
Accounts payable	854	—	—	—
Accrued expenses, subcontractors	158	—	—	—
Interest	25	11	12	2

## Note 13, cont.

Group	2017			
	<1 year	1-2 years	3-5 years	>5 years
Bank loans, SEK	153	—	—	—
Bank loans, CHF	37	7	—	—
Bank loans, BRL	—	15	—	—
Bank loans, DKK	9	—	—	—
Bond loan	—	1,200	—	—
Commercial paper	850	—	—	—
Staff convertibles	121	135	169	—
Finance lease liabilities	23	18	15	—
Contingent consideration/option	77	398	106	—
Accounts payable	716	—	—	—
Accrued expenses, subcontractors	165	—	—	—
Interest	23	15	6	—

## Accounts receivable

Age analysis of accounts receivable that are due but not impaired	Group		Parent	
	2018	2017	2018	2017
<30 days	319	225	—	—
30–90 days	79	85	—	—
91–180 days	51	41	—	—
>180 days	40	24	—	—
<b>Total</b>	<b>489</b>	<b>375</b>	<b>—</b>	<b>—</b>

Provision for doubtful receivables	Group		Parent	
	2018	2017	2018	2017
Provision at start of year	52	65	—	—
Provision for anticipated losses	47	31	—	—
Established losses	-1	-14	—	—
Recovered losses	-30	-26	—	—
Acquired operations	1	-2	—	—
Exchange differences	0	-1	—	—
<b>Provision at end of year</b>	<b>70</b>	<b>52</b>	<b>—</b>	<b>—</b>

## Credit quality

Client credit risk is handled in each subsidiary in accordance with the centrally established credit policy. Outstanding accounts receivable are monitored and reported regularly within each company and within the Group. Provisions are made after individual assessment. The assessment of the amount which is expected to be received is based on careful analysis of the clients' ability to pay and the markets they operate in. ÅF's ten largest clients, which account for a total of 25 percent of Group sales, are all large multinational companies or publicly owned institutions and enterprises.

## Loans and credit facilities

Group	2018	2017
<b>Non-current liabilities</b>		
Bank loans	500	22
Staff convertibles	487	304
Bond loan	1,200	1,200
Commercial paper	640	—
Finance lease liabilities	38	33
	<b>2,865</b>	<b>1,559</b>
<b>Current liabilities</b>		
Bank loans	130	199
Staff convertibles	26	126
Bond loan	500	0
Commercial paper	—	850
Finance lease liabilities	32	23
	<b>688</b>	<b>1,199</b>

ÅF has a Swedish programme for commercial papers that was established in 2017. The programme totals SEK 1,000 million and enables the issuance of commercial papers with maturities of up to 12 months. At 31 December 2018, ÅF issued commercial papers in the amount of SEK 640 million (850).

ÅF has a Swedish medium term note (MTN) programme that was established in May 2018 with a loan limit of SEK 3 billion. On 31 December 2018, ÅF issued bonds in the amount of SEK 500 million. ÅF also has two senior non-secured bond loans issued totalling SEK 500 million and SEK 700 million, which mature in March 2019 and May 2020.

ÅF holds two syndicated revolving credit agreements, Revolving Credit Facility Agreement 2014 and Revolving Credit Facility Agreement 2017, amounting to SEK 1,000 million each. The credit facilities are provided in equal parts by Svenska Handelsbanken and SEB. At 31 December 2018, ÅF had utilised SEK 500 (0) million. In connection with the acquisition of Pöyry, Revolving Credit Facility Agreement 2014 was refinanced to secure underlying available credit facilities in the company's other financing. The facility runs over three years with possible extension.

The agreements governing the Group's bank loans contain certain financial covenants that must be fulfilled to retain the loans and avoid increased borrowing costs. The most important covenant is net debt/operating profit (EBITDA). During the year, all financial covenants were met with a good margin.

## Conditions and repayment periods

Group	2018			
	Nom. amount in original currency	Carrying amount	Year due	Fair value
<b>Non-current liabilities</b>				
Bond loan, SEK	700	700	2020	704
Bond loan, SEK	500	500	2023	493
Sweden, SEK, floating interest rate	500	500	2021	500
Commercial paper	640	640	2020	640
Other		0		0
		<b>2,340</b>		<b>2,337</b>
<b>Current liabilities</b>				
Bond loan, SEK	500	500	2019	501
Sweden, SEK, floating interest rate	53	53	2019	53
Sweden, SEK, floating interest rate	11	11	2019	11
Switzerland, CHF, floating interest rate	4	36	2019	36
Finland, EUR, floating interest rate	1	6	2019	6
Brazil, BRL, floating interest rate	9	22	2019	22
Other		2		2
		<b>630</b>		<b>631</b>

Note 13, cont.

Group	2017			
	Nom. amount in original currency	Carrying amount	Year due	Fair value
<b>Non-current liabilities</b>				
Bond loan, SEK	700	700	2020	707
Bond loan, SEK	500	500	2019	505
Switzerland, CHF, floating interest rate	1	7	2019	7
Brazil, BRL, floating interest rate	6	15	2019	15
Other		0		0
		<b>1,222</b>		<b>1,234</b>
<b>Current liabilities</b>				
Sweden, SEK, floating interest rate	150	150	2018	150
Sweden, SEK, floating interest rate	3	3	2018	3
Switzerland, CHF, floating interest rate	4	36	2018	36
Commercial paper	850	850	2018	850
Other		10		10
		<b>1,049</b>		<b>1,049</b>

Contingent considerations/options (level 3)

Change in contingent considerations/options	2018	2017
<b>Opening balance</b>	<b>554</b>	<b>385</b>
Estimated liabilities, acquisitions	191	293
Payments	-39	-74
Changes in value recognised in other operating income – other	-2	-44
Adjustment of preliminary acquisition analysis	—	-16
Discounting	16	17
Exchange differences	9	-7
<b>Closing balance</b>	<b>731</b>	<b>554</b>

Note 14

Intangible assets

Group	Goodwill		Intangible assets related to acquired businesses		Other intangible assets		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Cost</b>	6,810	6,190	603	559	131	114	7,544	6,862
Accumulated depreciation	—	—	-238	-194	-105	-92	-343	-286
Accumulated impairment	-34	-33	—	—	-1	-1	-35	-34
<b>Carrying amount</b>	<b>6,776</b>	<b>6,157</b>	<b>365</b>	<b>365</b>	<b>25</b>	<b>21</b>	<b>7,166</b>	<b>6,542</b>
Opening carrying amount	6,157	5,553	365	368	21	35	6,542	5,955
Purchases	—	—	—	—	15	9	15	9
Divestments and disposals	—	—	—	—	0	-6	0	-2
Acquired operations	529	684	39	37	1	—	570	717
Changes in contingent consideration	—	-16	—	—	—	—	—	-16
Depreciation for the period	—	—	-41	-38	-13	-16	-54	-53
Impairment for the period	—	-1	—	—	—	—	—	-1
Exchange differences	90	-64	2	-2	0	0	93	-67
<b>Closing carrying amount</b>	<b>6,776</b>	<b>6,157</b>	<b>365</b>	<b>365</b>	<b>25</b>	<b>21</b>	<b>7,166</b>	<b>6,542</b>

Group

The Group's intangible assets arise primarily from acquired businesses. These acquired intangible assets consist largely of goodwill, as it is mainly human capital in the form of employee skills that constitutes the value of consulting companies. Other intangible assets identified in connection with acquisitions include client relationships. For information on amortisation, see the accounting policies in Note 1.

Goodwill has been allocated to cash-generating units. The cash-generating units comprise the Group's segments. In 2017, the company AF Toscano AG had not yet been fully integrated and was therefore seen as a separate cash-generating unit. The company was integrated in 2018.

Impairment tests on goodwill are carried out annually in the fourth quarter, or when there are indications that an impairment loss has arisen due to the expected future cash flow being discounted with a weighted average cost of capital per cash-generating unit. The present value of cash flows, the value in use, is compared with the carrying amount including goodwill and other intangible assets.

Forecasts used in respect of future cash flows are based on the forecast approved by Group management for the next year supplemented by an individual assessment of a further four years. From that point on, the calculation is based on an annual growth rate of two percent.

The forecasts are based on previous experience, internal judgements and external sources of information. The most important variable is operating margin, which is affected by hourly rate, capacity utilisation, payroll expenses and number of employees. No reasonable changes in the assumptions for these variables would lead to impairment.

The weighted average cost of capital is based on assumptions about average interest rates on 10-year government bonds, as well as company-specific risk factors and beta values. The forecast cash flows have been discounted to present value.

## Note 14, cont.

Cash-generating unit	Discount rate before tax, %		Parent	Intangible assets	
	2018	2017		2018	2017
Infrastructure Division	9.2	9.2	Cost	76	67
Industry Division	9.2	9.2	Accumulated depreciation	-64	-56
Energy Division	9.2	9.2	<b>Carrying amount</b>	<b>12</b>	<b>11</b>
Digital Solutions Division	9.2	9.2	Opening carrying amount	11	19
			Purchases	9	4
			Divestments and disposals	—	-1
			Depreciation for the period	-8	-11
			<b>Closing carrying amount</b>	<b>12</b>	<b>11</b>
Cash-generating unit	Goodwill				
2018	2017				
Infrastructure Division	2,663	2,423			
Industry Division	2,368	2,265			
Energy Division	854	674			
Digital Solutions Division	890	795			
<b>Total</b>	<b>6,776</b>	<b>6,157</b>			

## Note 15

## Property, plant and equipment

Group	Equipment, tools, fixtures and fittings		Land and buildings		Total	
	2018	2017	2018	2017	2018	2017
Cost	729	600	273	253	1 002	853
Accumulated depreciation	-360	-283	-71	-61	-431	-344
<b>Carrying amount</b>	<b>369</b>	<b>317</b>	<b>203</b>	<b>192</b>	<b>571</b>	<b>510</b>
Opening carrying amount	317	276	192	200	509	476
Purchases	151	123	0	0	151	123
Divestments and disposals	-17	-10	—	—	-51	-10
Acquired operations	12	15	—	8	23	24
Depreciation for the period	-97	-85	-5	-5	-78	-89
Exchange differences	3	-1	16	-11	19	-13
<b>Closing carrying amount</b>	<b>369</b>	<b>317</b>	<b>203</b>	<b>192</b>	<b>571</b>	<b>510</b>

## Group

## Finance leases

Current and non-current liabilities in the consolidated balance sheet include future payments in respect of lease obligations entered as liabilities. See Note 13.

Parent	Equipment, tools, fixtures and fittings	
	2018	2017
Cost	302	254
Accumulated depreciation	-164	-139
<b>Carrying amount</b>	<b>137</b>	<b>115</b>
Opening carrying amount	115	107
Purchases	47	31
Depreciation for the period	-25	-24
<b>Closing carrying amount</b>	<b>137</b>	<b>115</b>

Note 16

## Participations in associates and joint arrangements

	Group	
	2018	2017
Carrying amount at start of year	0	0
Dividend	0	0
<b>Carrying amount at end of year</b>	<b>0</b>	<b>0</b>

	Country	Category	Project
Project group akutcenter Viborg	Denmark	Associate	Hospital
FEM Consult I/S	Denmark	Joint venture	Tunnel
Ukraine District Heating Energy Efficiency Project	Switzerland	Joint venture	Thermal power
Sweco ÅF Healthcare AB	Sweden	Joint venture	Hospital
ÅF-Wood	South Africa	Joint venture	Pulp
Stockholm Bypass	Sweden	Joint operation	Roads
East Link	Sweden	Joint operation	Railways
Fennovoima	Finland	Joint operation	Nuclear power
Axpo	Switzerland	Joint operations	Transmission
Berschnerbach	Switzerland	Joint operation	Hydropower
Cotlan	Switzerland	Joint operation	Hydropower
RSM Turkey	Switzerland	Joint operation	Resource validation
Jerada	Switzerland	Joint operation	Thermal power
Piva	Switzerland	Joint operation	Hydropower
Vinh	Switzerland	Joint operation	Renewable energy
Verkis hf.	Switzerland	Joint operation	Thermal power
GM-TOS	Switzerland	Joint operation	Roads
Toscana / ewp / Brüniger	Switzerland	Joint operation	Roads
Rothenbrunnen-Vial	Switzerland	Joint operation	Roads
LU-NA	Switzerland	Joint operation	Railways
Valascia Gallerie	Switzerland	Joint operation	Tunnel
ARCHING GIORNICO	Switzerland	Joint operation	Roads
Toscana-ESM	Switzerland	Joint operation	Tunnel
BL ALVRA	Switzerland	Joint operation	Tunnel
Ispezioni Tunnel Mesolcina	Switzerland	Joint operation	Tunnel
Ted	Switzerland	Joint operation	Tunnel
Sempach	Switzerland	Joint operation	Roads
Oberland	Switzerland	Joint operation	Roads
Vizan	Switzerland	Joint operation	Roads
TOLO	Switzerland	Joint operation	Tunnel

	Country	Category	Project
Reuss	Switzerland	Joint operation	Roads
ETIP	Switzerland	Joint operation	Roads
C.-C.Ingénieurs Conseils SA et RS Ingénieur Conseil Sàrl	Switzerland	Joint operation	Roads
NO1 - Wil West	Switzerland	Joint operation	Roads
ET-MA	Switzerland	Joint operation	Railways
PreBe Toscano-FG	Switzerland	Joint operation	Roads
ETMA-SABA	Switzerland	Joint operation	Roads
ETENG	Switzerland	Joint operation	Roads
ETASP - Sopraceneri	Switzerland	Joint operation	Tunnel
Valascia Quinto	Switzerland	Joint operation	Roads
Surveillance F1	Switzerland	Joint operation	Roads
NIV-ETARPA	Switzerland	Joint operation	Roads
OLS+	Switzerland	Joint operation	Roads
TARABUSINO	Switzerland	Joint operation	Roads
AFTB	Switzerland	Joint operation	Water and the environment
Station Sedrun	Switzerland	Joint operation	Railways
BZU-Ticino23	Switzerland	Joint operation	Railways
TREI	Switzerland	Joint operation	Property

Note 17

## Prepaid expenses and accrued income

	Group		Parent	
	2018	2017	2018	2017
Rent, premises	73	64	64	58
Support and maintenance agreements	14	30	10	24
Insurance	1	2	0	1
Other	91	60	77	28
	<b>179</b>	<b>157</b>	<b>151</b>	<b>110</b>

## Note 18

## Equity

## Group

Holders of ordinary shares are entitled to dividends as approved annually by the Annual General Meeting. All shares have the same rights to the company's residual net assets. The quota value of the shares is SEK 2.50 (2.50).

The proposed dividend has not been recognised in these financial statements.

Dividends	2018	2017
Dividend per share, SEK	5.00	4.50
Number of shares outstanding	77,322,580	77,711,003
Dividend	387	350

<sup>1)</sup> Proposed dividend

Reserves	Translation reserve	Hedge reserve	Fair value reserve	Total reserves
<b>Opening balance, 2017</b>	<b>174</b>	<b>-11</b>	<b>—</b>	<b>164</b>
Translation difference for the year	-44	—	—	-44
Cash flow hedges	—	0	—	0
Interest rate swap	—	5	—	5
Tax	—	-1	—	-1
<b>Closing balance, 2017</b>	<b>130</b>	<b>-6</b>	<b>—</b>	<b>124</b>

<b>Opening balance, 2018</b>	<b>130</b>	<b>-6</b>	<b>—</b>	<b>124</b>
Translation difference for the year	87	—	—	87
Cash flow hedges	—	-4	—	-4
Interest rate swap	—	6	—	6
Shareholdings in Pöyry PLC	—	—	15	15
Tax	—	0	—	0
<b>Closing balance, 2018</b>	<b>217</b>	<b>-5</b>	<b>15</b>	<b>227</b>

## Capital management

Capital is defined as total equity, which corresponds to equity in the consolidated balance sheet. ÅF's objective is for the Group to maintain a net debt position over time.

Net debt is measured in relation to EBITDA (net debt/EBITDA) and the financial target is 2.5.

As at 31 December 2018, net debt/EBITDA was 2.5 (2.3).

There are external requirements in the agreements governing the bank loans. Additional information on these is given in Note 13.

There were no changes in capital requirements during the year.

## Proposed appropriation of profits

Non-restricted profits of SEK 4,009,501,556 are at the disposal of the AGM. The Board of Directors and CEO propose that these profits be appropriated as follows:

Dividend of SEK 5.00 per share paid to shareholders	386,883,515
To be carried forward	3,622,618,041
<b>Total</b>	<b>4,009,501,556</b>

The number of shares increased after the end of the financial year through a private placement. The dividend will be based on the number of shares outstanding on the date the dividend was determined.

## Pension obligations

Of the Group's total number of employees at the end of the year, around 10 percent have pensions that are recognised as defined-benefit. Other employees within ÅF have pensions that are recognised as defined-contribution.

Defined-benefit plans are in place in Sweden, Switzerland and Finland. The plan in Finland is not significant.

The defined-benefit plans in Sweden and Switzerland are governed by a broadly similar framework of rules. The plans are final salary retirement plans which give employees benefits in the form of a guaranteed level of pension payment during their lives. The plans are exposed, broadly speaking, to similar risks. The Swedish plan, however, covers only pensioners and paid-up policyholders, while the Swiss plan covers only active employees. The plan in Switzerland is secured by a fund. The Swedish plan is unfunded.

### Alecta

For white-collar staff in Sweden, the ITP 2 occupational pension plan's defined-benefit pension obligation for retirement and survivor pensions is secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board this is a defined-benefit multiemployer plan. For the financial year, the company has not had access to the information required to recognise this plan as a defined-benefit plan. The ITP supplementary pension plan for salaried employees' retirement benefits that is secured through insurance with Alecta is, therefore, recognised as a defined-contribution plan.

Contributions during the year for retirement benefit insurance

with Alecta amounted to SEK 388 million (332). The fees for next year are expected to be in line with this year, adjusted for growth. Alecta's surplus may be allocated to the insurance policy holder and/or the insured. At year-end Alecta's surplus in the form of the collective funding ratio was 142 percent (154). The collective funding ratio is the market value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's actuarial calculation assumptions, which are not in conformity with IAS 19.

If funding is low, one possible action is to raise the agreed price for new entrants and for the extension of existing benefits. If funding is high, one possible action is to reduce premiums.

### Group Defined-benefit plans

	2018	2017
Present value of funded obligations	-945	-839
Fair value of plan assets	862	808
	<b>-82</b>	<b>-31</b>
Present value of unfunded obligations	-58	-65
<b>Liability recognised in balance sheet</b>	<b>-141</b>	<b>-96</b>
Of which Switzerland	-82	-31
Of which Sweden	-58	-65

### Change in the defined-benefit net debt

Group	2018			2017		
	Present value of plan assets	Present value of obligations	Total	Present value of plan assets	Present value of obligations	Total
Opening balance	808	-905	-96	795	-958	-163
Current service costs	0	-16	-16	—	-30	-30
Past service costs	0	-15	-15	—	12	12
Change in special employers' contribution	—	0	0	—	-1	-1
Interest income/expense	4	-4	-1	3	-5	-2
Return on plan assets (excluding interest)	-16	0	-16	36	0	36
Actuarial gains/losses	0	15	15	—	2	2
Exchange difference	31	-54	-23	-43	47	3
Contributions by employer	29	0	29	27	—	27
Contributions by plan participants	27	-27	0	26	-26	0
Benefits paid	-84	87	3	-36	39	3
Acquisitions	64	-84	-20	—	15	15
<b>Closing balance</b>	<b>862</b>	<b>-1,003</b>	<b>-140</b>	<b>808</b>	<b>-905</b>	<b>-96</b>

### Actuarial gains and losses

	2018	2017
Financial assumptions	-26	-18
Demographic assumptions	-6	21
Experience-based adjustments	21	-2
<b>Total</b>	<b>-10</b>	<b>2</b>

### Allocation of plan assets

	2018	2017
Cash and cash equivalents	20	22
Equity instruments	229	225
Debt instruments	438	414
Property	154	133
Other	21	15
<b>Total</b>	<b>862</b>	<b>808</b>

All assets have a quoted market price.

### Assumptions for defined-benefit obligations

Sweden	2018	2017
Discount rate, %	2.1	2.1
Inflation, %	2.0	1.8
Switzerland	2018	2017
Discount rate, %	0.6	0.4
Inflation, %	0.5	0.5
Future increase in pensions, %	0.0	0.0
Future increase in salaries, %	0.5	0.5

The discount rate is equivalent to the market interest rate on mortgage bonds and corporate bonds, respectively, with the duration corresponding to the average remaining term of the obligation.

## Note 19, cont.

## Sensitivity analysis of pension obligations

	Sweden		Switzerland	
	Change in assumptions	Increase/decrease	Change in assumptions	Increase/decrease
Discount rate	+/-0.25%	+/-2	+/- 0.25%	+35/-31
Rate of salary increases	—	—	+/- 0.25%	+/-9

The sensitivity analysis is based on a change in one assumption while all other assumptions remain constant. It is unlikely that this will occur in practice, and changes in several of the assumptions may be correlated. Payments to plans are expected to total SEK 32 million (26) over the coming year. The average remaining term for the Swedish plan is 13 years (13) and for the Swiss plan, 15 years (15).

## Defined-contribution plans

	Group		Parent	
	2018	2017	2018	2017
Cost of defined-contribution plans (including Alecta)	677	609	25	23

Parent  
Defined-benefit plans

	2018	2017
Present value of unfunded obligations	19	18
<b>Net amount recognised for defined-benefit plans</b>	<b>19</b>	<b>18</b>
Of this, covered by credit insurance via FPG/PRI	19	18

## Changes in obligations during the year

	2018	2017
Net present value of pension obligations at start of year	18	19
Cost excluding interest expense charged to profit or loss	2	—
Interest expense	0	1
Payment of pensions	-2	-2
<b>Net present value of pension obligations at end of year</b>	<b>19</b>	<b>18</b>

All obligations are for pension provisions under the Pension Obligations Vesting Act.

## Note 20

## Other provisions

## Change in non-current provisions

	2018	2017
Carrying amount at start of period	18	57
Provisions during the period	7	8
Amount utilised during the period	-8	-2
Releases during the period	-4	-8
Transfer from non-current to current	0	-5
Provisions from acquired operations	1	—
Adjustment regarding previously acquired operations	0	-31
Translation differences	1	0
<b>Carrying amount at end of period</b>	<b>15</b>	<b>18</b>

## Change in current provisions

Group	Restructuring		Other		Total	
	2018	2017	2018	2017	2018	2017
Carrying amount at start of period	67	17	37	21	104	39
Provisions during the period	9	82	72	63	81	145
Amount utilised during the period	-56	-32	-73	-54	-128	-87
Releases during the period	0	—	0	2	-1	2
Transfer from non-current to current	0	—	0	5	0	5
Translation differences	0	0	0	0	0	0
<b>Carrying amount at end of period</b>	<b>21</b>	<b>67</b>	<b>37</b>	<b>37</b>	<b>57</b>	<b>104</b>

Parent  
Other provisions

	2018	2017
Carrying amount at start of period	133	63
Provisions during the period	113	88
Amount utilised during the period	-21	-17
Releases during the period	0	0
Translation differences	4	—
<b>Carrying amount at end of period</b>	<b>230</b>	<b>133</b>

Of the recognised provisions, SEK 230 million (132) is for contingent considerations.

## Taxes

### Recognised in profit or loss

Group	2018	2017	Parent	2018	2017
<b>Current tax</b>			<b>Current tax</b>		
Tax expense for the period	217	210	Tax expense for the period	1	3
Adjustment of tax attributable to previous years	2	1	Adjustment of tax attributable to previous years	0	0
<b>Deferred tax</b>			<b>Deferred tax</b>		
Deferred tax expense	34	5	Deferred tax expense	-2	-2
<b>Total recognised consolidated tax expense</b>	<b>253</b>	<b>215</b>	<b>Total recognised parent tax expense</b>	<b>-1</b>	<b>2</b>

### Reconciliation of effective tax

Group	2018 (%)	2018	2017 (%)	2017
Pre-tax profit		1,103		957
Tax per parent's applicable tax rate	22.0	243	22.0	211
Effect of other tax rates for foreign subsidiaries	-0.6	-7	-0.2	-2
Non-deductible costs	1.1	12	1.0	10
Non-taxable income	-0.7	-8	-1.0	-10
Tax for previous non-capitalised loss carry-forwards	0.0	0	-0.1	-1
Effects of loss carry-forward without corresponding capitalisation of deferred tax	0.2	2	0.3	2
Effect of changed tax rates	-0.3	-4	0.0	0
Tax attributable to previous years	0.2	2	0.1	1
Other	1.1	13	0.4	5
<b>Recognised effective tax</b>	<b>22.9</b>	<b>253</b>	<b>22.5</b>	<b>215</b>

Parent	2018 (%)	2018	2017 (%)	2017
Pre-tax profit		791		687
Tax per parent's applicable tax rate	22.0	174	22	151
Non-deductible costs	0.4	4	0.6	4
Non-taxable income	-22.5	-178	-22.4	-154
Tax attributable to previous years	0.0	0	0	0
Other	-0.1	-1	0	0
<b>Recognised effective tax</b>	<b>-0.2</b>	<b>-1</b>	<b>-0.2</b>	<b>2</b>

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Deferred tax asset		Deferred tax liability		Net	
	2018	2017	2018	2017	2018	2017
Non-current assets	2	2	-180	-113	-178	-111
Current receivables and liabilities	2	3	-79	-69	-77	-67
Provisions and non-current liabilities	31	36	-8	-7	23	28
Untaxed reserves	—	—	-7	-56	-7	-56
Loss carry-forward	22	39	—	—	22	39
<b>Tax assets/liabilities</b>	<b>58</b>	<b>79</b>	<b>-274</b>	<b>-245</b>	<b>-216</b>	<b>-166</b>
Set-off	-41	-65	41	65	0	0
<b>Net tax assets/liabilities</b>	<b>17</b>	<b>14</b>	<b>-233</b>	<b>-180</b>	<b>-216</b>	<b>-166</b>

### Unrecognised deferred tax assets

Deductible temporary differences and loss carry-forwards for tax purposes for which deferred tax assets have not been recognised in profit or loss and balance sheets:

Group	2018	2017
Tax deficit	37	42
	<b>37</b>	<b>42</b>

Deferred tax assets were not recognised for these tax deficits, since it has not yet been deemed likely that the Group will be able to utilise them against future taxable profits. The deficit is attributable to ÅF's subsidiaries in Germany, China and Brazil. The deficit is not due.

## Note 21, cont.

## Change in deferred tax in temporary differences and loss carry-forwards

Group	Balance at 1 January 2018	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	Acquisition/divestment of business	Reclassification, translation differences etc.	Balance at 31 December 2018
Non-current assets	-111	-14	—	—	-13	—	-138
Current receivables and liabilities	-67	—	0	—	-17	11	-73
Provisions and non-current liabilities	28	-3	6	-3	—	—	28
Untaxed reserves	-56	-17	—	—	—	—	-73
Loss carry-forward	39	—	—	—	—	—	39
	<b>-166</b>	<b>-34</b>	<b>6</b>	<b>-3</b>	<b>-30</b>	<b>11</b>	<b>-217</b>

Group	Balance at 1 January 2017	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	Acquisition/divestment of business	Reclassification, translation differences etc.	Balance at 31 December 2017
Non-current assets	-109	8	—	—	-10	—	-111
Current receivables and liabilities	-3	-8	-1	—	-39	-15	-67
Provisions and non-current liabilities	44	-8	-7	-3	0	2	28
Untaxed reserves	-55	1	—	—	-2	—	-56
Loss carry-forward	8	3	—	—	26	2	39
	<b>-115</b>	<b>-5</b>	<b>-8</b>	<b>-3</b>	<b>-25</b>	<b>-11</b>	<b>-166</b>

## Note 22

## Accrued expenses and prepaid income

	Group		Parent	
	2018	2017	2018	2017
Personnel-related liabilities	962	868	31	35
Accrued expenses, subcontractors	158	165	1	1
Other	111	107	40	32
	<b>1,231</b>	<b>1,141</b>	<b>72</b>	<b>69</b>

## Note 23

## Operating leases

## Leases for which the company is the lessee

Operating leases cover rental agreements for properties, leases for vehicles under which employees assume all the financial risks and benefits associated with the vehicles, and the lease of certain items of office equipment. The cars are leased primarily over three years.

## Non-terminable minimum lease payments

Group	Premises		Other	
	2018	2017	2018	2017
During the year	305	307	87	87
Within one year	310	310	81	83
Between one and five years	1014	963	215	215
Longer than five years	826	424	0	3
<b>Total</b>	<b>2,455</b>	<b>2,005</b>	<b>382</b>	<b>388</b>

Parent	Premises		Other	
	2018	2017	2018	2017
During the year	243	231	3	4
Within one year	245	238	3	5
Between one and five years	799	801	9	20
Longer than five years	587	259	—	—
<b>Total</b>	<b>1,874</b>	<b>1,530</b>	<b>14</b>	<b>29</b>

The group applies IFRS 16 Leases as of 1 January 2019. See Note 1, Accounting policies.

## Note 24

## Pledged assets, contingent liabilities and contingent assets

	Group		Parent	
	2018	2017	2018	2017
<b>Pledged assets</b>				
In the form of pledged assets for own liabilities and provisions				
Property mortgages	36	34	—	—
Floating charges	—	1	—	—
<b>Total pledged assets</b>	<b>36</b>	<b>35</b>	<b>0</b>	<b>0</b>

## Contingent liabilities

Guarantee commitments, FPG/PRI	1	1	0	0
Guarantee commitments in favour of subsidiaries	—	—	47	32
Guarantee commitments	272	269	129	98
<b>Total contingent liabilities</b>	<b>273</b>	<b>270</b>	<b>176</b>	<b>130</b>

Guarantee commitments refer primarily to performance guarantees for tenders and the completion of projects.

## Contingent assets

The Group has determined that no contingent assets exist.

## Note 25

### Related party transactions

The parent has a related party relationship with its subsidiaries (see Note 26).

#### Summary of transactions with related parties

This refers to the ÅForsk Foundation, which holds 37.2 percent of the votes in ÅF Pöyry AB, associates and joint ventures. Transactions with these parties took place on commercial terms.

Group	Year	Sale of services to related parties	Purchase of services from related parties	Receivables from related parties at 31 Dec	Liabilities to related parties at 31 Dec
Joint venture	2018	0	—	—	—
Joint venture	2017	20	—	6	—
Senior executives	2018	—	—	—	52
Senior executives	2017	—	—	—	59
The ÅForsk Foundation	2018	1	—	0	—
The ÅForsk Foundation	2017	1	—	0	0

In 2018, in addition to the above, the Group received appropriations from the ÅForsk Foundation amounting to SEK 1 million (2). These grants were for projects administered by the Group.

For details of other remuneration to senior executives, please see Note 6.

Parent	Year	Sale of services to related parties	Purchase of services from related parties	Receivables from related parties at 31 Dec	Liabilities to related parties at 31 Dec
Subsidiaries	2018	843	55	5,738	615
Subsidiaries	2017	766	43	5,502	365
Senior executives	2018	—	—	—	37
Senior executives	2017	—	—	—	33
The ÅForsk Foundation	2018	1	—	0	—
The ÅForsk Foundation	2017	0	—	0	—

## Note 26

### Group companies

#### Comprehensive list of all Group subsidiaries

	Corp. ID number	Registered office	2018	
			Participating interest, % <sup>1)</sup>	Carrying amount in parent
ÅF Holding AB	556158-1249	Sweden	100	0
ÅF Digital Solutions AB	556866-4444	Sweden	100	—
Konsultbolag1 AB	556670-4960	Sweden	100	—
Konsultbolag1 Stockholm AB	556891-7164	Sweden	100	—
Konsultbolag1 Syd AB	556849-6011	Sweden	100	—
Konsultbolag1 Qpartner AB	556965-3164	Sweden	100	—
Konsultbolag1 Utbildning AB	556891-3999	Sweden	100	—
Konsultbolag1 Dalarna AB	556936-3897	Sweden	100	—
Konsultbolag1 Väst AB	556849-6029	Sweden	100	—
Konsultbolag1 Infosec AB	556959-5134	Sweden	100	—
ÅF Digital Experience AB	556890-5375	Sweden	100	—
AF Engineering & Design Inc	20061100908	USA	100	—
Alteco AB	556550-2209	Sweden	100	—
Ingenjörprojekt i Sverige AB	556487-7164	Sweden	100	—
ÅF-Infrastructure AB	556185-2103	Sweden	100	—
AF-CityPlan spol. s.r.o.	473 07 218	Czech Republic	13	—
ÅF Sandellsandberg arkitekter AB	556464-9308	Sweden	100	—
Koncept Arkitektur och Design ÅF AB	556496-2941	Sweden	100	—
Effekt i Varberg AB	556294-4438	Sweden	100	—
Ljusarkitektur Sweden AB	556568-9485	Sweden	100	—

<sup>1)</sup> Participating interest refers to both voting share and proportion of total number of shares.

Note 26, cont.

	Corp. ID number	Registered office	2018	
			Participating interest, % <sup>3)</sup>	Carrying amount in parent
ÅF Reinertsen Sverige Deal AB	559034-2266	Sweden	100	—
Teamab VVS-Konsult AB	556302-1145	Sweden	100	—
Aktiebolaget Teknoplan	556517-8463	Sweden	100	—
Vatten och Miljöbyrå i Sverige AB	556735-9434	Sweden	100	—
Cecon AB	556741-5954	Sweden	100	—
ÅF-Industry AB	556224-8012	Sweden	100	—
Facilia AB	556766-3611	Sweden	100	—
Facilia International Ltd	39788169	Ukraine	100	—
AF Engineering & Design Pty Ltd	2018/414610/07	South Africa	100	—
KIAB Konsult och Installationstjänst AB	556670-7476	Sweden	100	—
Digifex AB	556402-3173	Sweden	100	—
Gottlieb Paludan Architects A/S	18 35 59 49	Denmark	100	132
ÅF Infrastructure Danmark Aps	20 24 66 93	Denmark	100	153
ÅF Buildings Denmark P/S	34 07 48 01	Denmark	100	—
Komplementaranpartsselskabet Midtconsult	33 58 46 36	Denmark	100	—
LK Consultants Ltd.	0191285	Gibraltar	100	—
Light Bureau Limited	05333484	UK	100	16
Light Bureau AS	914939771	Norway	100	—
ÅF-Consult AB	556101-7384	Sweden	100	3
AF-Consult GmbH	218 403 818	Germany	100	0
ÅF-Teknik & Miljö AB	556534-7423	Sweden	100	0
ÅF-Funktionspartner AB	556099-8071	Sweden	100	0
Epsilon Holding AB	556421-6884	Sweden	100	0
Epsilon Polen Sp.z o.o.	9521980649	Poland	100	—
LeanNova Engineering AB	556880-7233	Sweden	100	0
AF Engineering (Shanghai) Co. Ltd.	310 000 400 718 401	China	100	—
AF Engineering (Chengdu) Co. Ltd.	91510100MA6C7ARL8F	China	100	—
LeanNova Engineering UK Ltd	9039993	UK	100	0
ÅF Norge AS	911 567 989	Norway	100	668
ÅF Industry AS	997 671 651	Norway	100	—
ÅF Engineering AS	915 229 719	Norway	100	—
Tegn 3 AS	976 536 320	Norway	100	—
ÅF Advansia AS	883,889,762	Norway	100	—
Advansia AB	556742-2596	Sweden	100	—
ÅF Energy AS	984 615 051	Norway	88	—
ÅF Advansia Nordvest AS	986 580 719	Norway	100	—
ÅF Digital Solutions AS	974 415 852	Norway	100	—
ÅF A/S	21 007 994	Denmark	100	38
ÅF Infrastructure Planning A/S	13 59 08 85	Denmark	100	46
Traffic Team A/S	36 94 60 59	Denmark	51	13
P.A.P A/S	18064200	Denmark	100	90
ÅF-Consult Oy	1800189-6	Finland	100	291
ÅF-Consulting AS	10 449 422	Estonia	100	—
UAB AF-Consult	135 744 077	Lithuania	100	—
Enprima Engineering Oy	0477940-2	Finland	100	—
Profil-Bau Industrial Oy	2569789-5	Finland	100	63
ÅF-Automaatika OÜ	11 297 301	Estonia	100	8
AF Consult LLC	1 037 800 096 641	Russia	100	1
AF-Engineering s.r.o.	263 66 550	Czech Republic	100	11
AF-Consult Czech Republic s.r.o.	453 06 605	Czech Republic	100	75
AF Nuclear Projects CZ s.r.o.	016 06 239	Czech Republic	100	—
AF-CityPlan spol. s.r.o.	473 07 218	Czech Republic	87	19
AF Helvetia AG	CHE 340.373.992	Switzerland	100	420
ET Holding AG	CHE 112.276.851	Switzerland	100	—
AF Toscano AG	CHE 105.960.103	Switzerland	25	—
Galli Group Holding AG	CHE 114.656.176	Switzerland	100	—
AF Toscano AG	CHE 105.960.103	Switzerland	45.16	—

<sup>3)</sup> Participating interest refers to both voting share and proportion of total number of shares.

Note 26, cont.

	Corp. ID number	Registered office	2018	
			Participating interest, % <sup>1)</sup>	Carrying amount in parent
AF Toscano AG	CHE 105960103	Switzerland	29.84	—
Arcad Architectes AG	CHE 106098914	Switzerland	100	—
LBP AG El. tech. Beratung und Projektierung	CHE 106049703	Switzerland	100	—
AF-Consult Switzerland AG	CH-400.3924.101-4	Switzerland	100	—
International Power Design Ltd.	CH-400.3025.445-4	Switzerland	100	—
AF-Consult Italy S.r.l.	MI-1808529	Italy	100	—
AF-Consult (Thailand) Ltd	3011879733	Thailand	100	—
AF-Consult India Pvt Ltd	U74140DL2009FTC197507	India	100	—
AF Consult do Brazil Ltda	108.307.539/0001-08	Brazil	100	—
AF-Consult Ltd.	4080012527924	Macedonia	100	—
AF-Consult Energy doo Beograd	20 801 298	Serbia	100	—
AF-Itenco AG	CH-020.3914.049-4	Switzerland	100	—
ITECO Nepal (Pvt.) Ltd	2616/043-44	Nepal	66.6	—
Power Design International Ltd	224 309	Uganda	100	—
Tree Holding SA	CHE 165482900	Switzerland	100	—
IFEC Ingegneria SA	CHE 436940173	Switzerland	100	—
AF Mercados Energy Markets International S.A.	A-82316902	Spain	100	37
Mercados Energy Markets International Europe S.r.l.	6622220967	Italy	100	—
AF-MERCADOS EMI Enerji Mühendisligi, AR-GE, Kontrol ve Test Hizmetleri Ltd.Sti.	6 160 390 509	Turkey	100	—
AF-Aries Energia S.L.	A-78660032	Spain	95	15
ÅF Infrastructure Polska Sp. z o.o.	0000751808	Poland	100	0
				<b>2,099</b>

<sup>1)</sup> Participating interest refers to both voting share and proportion of total number of shares.

#### Specification of changes in carrying amounts for the year

Parent	2018	2017
Opening carrying amount	1,821	5,718
Acquisitions	287	168
Internal share transfer <sup>1)</sup>	—	-4,010
Impairment	-8	-61
Shareholders' contribution	—	6
<b>Closing carrying amount</b>	<b>2,099</b>	<b>1,821</b>

<sup>1)</sup> Sale to ÅF Holding AB.

Note 27

#### Untaxed reserves

Parent	2018	2017
<b>Accumulated additional depreciation</b>		
Opening balance 1 January	45	42
Depreciation for the year, equipment	9	2
<b>Closing balance 31 December</b>	<b>54</b>	<b>45</b>
<b>Transfers to tax allocation reserve</b>		
Opening balance 1 January	91	91
Reversal for the year	-91	—
Provisions for the year	3	—
<b>Closing balance 31 December</b>	<b>3</b>	<b>91</b>
<b>Total untaxed reserves</b>	<b>57</b>	<b>136</b>

Note 28

#### Statement of cash flows

##### Interest paid and dividends received

	Group		Parent	
	2018	2017	2018	2017
Dividends received	—	—	809	699
Group contribution received	—	—	28	90
Interest received	5	3	37	28
Interest paid	-57	-48	-54	-42
	<b>-53</b>	<b>-45</b>	<b>820</b>	<b>775</b>

##### Adjustment for items not included in cash flow

	Group		Parent	
	2018	2017	2018	2017
Depreciation/amortisation	138	128	34	35
Changed estimated contingent consideration	-2	-44	4	—
Restructuring reserve	-46	-4	—	—
Anticipated dividend from subsidiaries	—	—	-150	25
Impairment of shares in subsidiaries	—	—	8	12
Other	-43	34	100	70
	<b>47</b>	<b>114</b>	<b>-3</b>	<b>142</b>

## Note 28, cont.

## Reconciliation of liabilities arising from financing activities

Group	Opening balance	Cash flows		Changes that do not affect cash flow				Closing balance
		Cash receipts	Cash disbursements	Acquisition of subsidiaries	Conversion	Translation differences	Other	
Long-term bank loans	22	500	-22	—	—	0	—	500
Bond loan	1,200	500	—	—	—	—	—	1,700
Short-term bank loans	199	7	-85	6	—	3	—	130
Commercial paper	850	90	-300	—	—	—	—	640
Staff convertible	431	189	—	—	-103	—	-3	514
Lease liabilities	56	—	—	—	—	—	13	69
Other	15	—	-9	—	—	0	—	6
<b>Total liabilities arising from financing activities</b>	<b>2,773</b>	<b>1,285</b>	<b>-416</b>	<b>6</b>	<b>-103</b>	<b>3</b>	<b>11</b>	<b>3,559</b>

Parent	Opening balance	Cash flows		Changes that do not affect cash flow				Closing balance
		Cash receipts	Cash disbursements	Acquisition of subsidiaries	Conversion	Translation differences	Other	
Long-term bank loans	—	500	—	—	—	—	—	500
Bond loan	1,200	500	—	—	—	—	—	1,700
Short-term bank loans	153	—	-88	—	—	—	—	65
Commercial paper	850	90	-300	—	—	—	—	640
Staff convertible	431	189	—	—	-103	—	-3	514
<b>Total liabilities arising from financing activities</b>	<b>2,633</b>	<b>1,278</b>	<b>-388</b>	<b>—</b>	<b>-103</b>	<b>—</b>	<b>-3</b>	<b>3,418</b>

## Note 29

## Events after end of reporting period

## Acquisition of Pöyry PLC

On 10 December 2018 ÅF submitted a recommended cash public takeover bid to acquire all issued and outstanding shares in Pöyry PLC. ÅF completed the takeover bid after the end of the reporting period. The acquisition was consolidated from 28 February 2019. An extraordinary general meeting of ÅF AB (publ) was held on 16 January 2019. The meeting resolved to authorise the placement and to change the limits for share capital and the number of shares. Pöyry's Board chair, Henrik Ehrnrooth, was elected to be the new Board chair of ÅF, contingent on ÅF's public takeover bid for Pöyry PLC and the private placement being completed. The meeting also resolved to change the company name from ÅF AB to ÅF Pöyry AB, contingent on ÅF's public takeover bid for Pöyry PLC being completed.

A new Group structure has been established and a new Group management team has been appointed as a result of the acquisition.

The acquisition of Pöyry is fully financed through credit facilities from Skandinaviska Enskilda Banken AB (publ) and Svenska Handelsbanken AB (publ). The debt financing consists of the following facilities: (i) bank loan of EUR 96 million, (ii) bridge facility of EUR 193 million and (iii) bridge facility of 348 million. The facilities run with a maturity of 12-36 months. To finance part of the repayment of the debt financing for the acquisition, ÅF issued 6,576,866 new Class B private placement shares on 21 February 2019, which injected approximately SEK 1,210 million into the company. Furthermore, the Board of Directors received authorisation at the extraordinary general meeting on 16 January 2019 to issue new class A and B shares with preferential rights for the company's shareholders on one or more occasions during the period until the 2019 Annual General Meeting. The total number of shares that were authorised to be issued must remain within the limits of the share capital as per the Articles of Association and may not exceed the number of shares that correspond to issue proceeds of approximately SEK 2,777 million.

Shown below is the acquisition's effect on consolidated assets and liabilities. The acquisition analysis is preliminary since fair value has not been determined for all items.

SEK million

Acquired net assets	
Intangible non-current assets	57
Other non-current assets	93
Non-current receivables	29
Deferred tax asset	234
Current receivables	1,638
Cash and cash equivalents	1,064
Non-current liabilities	-163
Deferred tax liabilities	-4
Current liabilities	-2,354
<b>Net identifiable assets and liabilities</b>	<b>593</b>
Goodwill	4,789
Fair value adjustment, intangible assets	
Order backlog	85
Client relationships	1,238
	<b>1,322</b>
Deferred tax liabilities attributable to fair value adjustment	-297
<b>Consideration</b>	<b>6,406</b>

## Goodwill

Goodwill consists mainly of human capital in the form of employee skills and synergy effects. Goodwill is not expected to be tax deductible on acquisition of a company.

## Other non-current assets

Order backlogs and customer relationships were identified and measured in connection with the acquisition.

## Note 29, cont.

### Acquisition-related costs

Transaction costs are recognised as other external costs in the income statement. Transaction costs are expected to total approximately SEK 65 million, of which SEK 25 million were expensed in 2018.

### Income and profit from acquired company

If the acquisition had been completed at 1 January 2018, it would have contributed sales of approximately EUR 580 million and operating profit of approximately EUR 55 million.

### Investigation Brazil

Legal proceedings are currently ongoing in Brazil with corruption allegations relating to, among other things, the award of contracts in connection with the construction of the Brazilian

nuclear power plant Angra 3, including a contract with ÅF's Brazilian subsidiary AF Consult Brazil regarding no longer ongoing engineering services. The focus of the proceedings is Brazil's former president, but corruption allegations have also been directed against several persons, including three former employees of ÅF's foreign subsidiaries AF Consult Brazil, AF Consult Oy and AF Consult Switzerland, respectively. The Brazilian prosecutor claims, among other things, that ÅF was awarded the Angra 3 contract as a link to facilitate bribes to the former president from ÅF's client. In March 2019, the current CEO of AF Consult Brazil was incarcerated (and was released shortly after) in order to avoid any risk of him interfering with the pending investigation. As part of the investigation, the accounts of AF Consult Brazil have been frozen by court order. A trial is expected to take place late 2019, at earliest.

## Note 30

### Critical estimates and judgements

#### Noteworthy sources of uncertainty in estimates

The Group makes estimates and assumptions about the future. The resulting accounting estimates will rarely correspond to the actual outcome. Estimates and judgements are reviewed regularly and are based on historical experience and other factors, including the expected outcomes of future events that are considered reasonable under the circumstances.

The main features of the estimates and assumptions which represent a significant risk of material adjustments to the carrying amounts of assets and liabilities during the coming financial year are presented below.

#### Impairment test of goodwill

When calculating the recoverable amount of cash-generating units, several assumptions about future circumstances and estimates of parameters have been made. Changes to these assumptions and estimates could affect the carrying amount of goodwill (see Note 14).

A declining growth rate and reduced operating margin would result in a lower recoverable amount. The reverse applies if the calculation of the recoverable amount is based on a higher growth rate or margin. Were future cash flows to be discounted at a higher rate of interest, the recoverable amount would be lower. Conversely, the recoverable amount would be higher with a lower discount rate. The impairment test for the period did not give rise to any impairment in respect of goodwill.

#### Contingent considerations

A contingent consideration linked to an acquisition is frequently dependent on the future economic development of the business acquired. The actual outcome may deviate from these assumptions and the effect of this will be to change the size of the previously recognised contingent consideration.

## Note 31

### Information on parent

ÅF Pöyry AB is a Swedish public limited company domiciled in Stockholm. The parent's shares are listed on the Nasdaq OMX stock exchange in Stockholm. The postal address to the company's head office is ÅF Pöyry AB, SE-169 99 Stockholm, Sweden.

The consolidated financial statements for 2018 comprise the parent and its subsidiaries, which together form the Group. The Group also includes participations in associates.

#### Pension assumptions

The Group's net obligations under defined-benefit plans are calculated separately for each plan by estimating the future benefits earned by employees through their employment in prior periods. These benefits are discounted to present value. The calculation of the size of the Group's total retirement benefit obligations is based on several assumptions (see Note 19). Were a lower discount rate to be used, the obligations would increase and have a negative effect on consolidated equity. The reverse applies if a higher discount rate is used.

#### Judgement on forecast and stage of completion of contracts

The Group applies the percentage of completion method, which means that income is recognised based on the stage of completion. The stage of completion is determined by comparing the accrued expenditure at the end of the reporting period with total expenditure. This means that the Group must perform multiple estimates of the percentage of total expenditures represented by accrued expenditures at the end of the reporting period. The forecasts for each assignment also represent an estimate of final income and expenditure.

#### Disputes

There is a risk that disputes may arise while doing business, such as in customer assignments and in conjunction with acquisitions. At year-end, the Group recognised provisions based on a best judgement.

In 2015, Danir AB called for arbitration procedures regarding its claim for additional contingent consideration related to the acquisition of Epsilon Holding AB in 2012. We believe the claim is unfounded, so it has not led to any change in the judgement of the contingent consideration's size. The main negotiation in the arbitration was held during the period from 4 to 25 February 2019. The arbitration panel has indicated that it intends to issue its decision in the spring of 2019.

# Signatures

The undersigned declare that the consolidated accounts and annual report were prepared in accordance with IFRS, as approved by the EU, and with generally accepted accounting practices, and give a fair presentation of the position and performance of the Group and the company, and that the

Group administration report and the administration report give a fair review of the progress of the Group's and the company's operations, position and performance, as well as describing the material risks and uncertainty factors to which the companies that are members of the Group are exposed.

Stockholm, 27 March 2019

Anders Narvinger  
Chairman of the Board

Jonas Gustavsson  
President and CEO

Jonas Abrahamsson  
Director

Gunilla Berg  
Director

Henrik Ehrnrooth  
Director

Maud Olofsson  
Director

Joakim Rubin  
Director

Kristina Schauman  
Director

Anders Snell  
Director

Ulf Södergren  
Director

Tomas Ekvall  
Director,  
employee representative

Stefan Löfqvist  
Director,  
employee representative

Our Audit Report was presented on 27 March 2019

KPMG AB

Joakim Thilstedt  
Authorised Public Accountant

# Auditor's report

To the general meeting of the shareholders of ÅF Pöry AB, corp. id 556120-6474

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of ÅF Pöry AB for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 40–92 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the

additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key Audit Matters

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

## Accounting for revenue and cost within fixed price projects

See disclosure 2, 30 and accounting principles on page 63 in the annual account and consolidated accounts for detailed information and description of the matter.

### Description of key audit matter

Part of the Groups revenue are derived from projects where the Group has an obligation to perform the projects to a fixed price. Revenues and costs for fixed price contracts are recognized successively as the project progresses in accordance with the stage of completion, which is calculated on the basis of accumulated expenses in relation to estimated accumulated project expenses upon completion. Anticipated losses are immediately recognized as a cost.

The accounting for revenues and profit are based on an estimation of total costs and revenues within each project. Changes in estimations throughout the project can have a significant effect on the Groups result and financial position. During each project the Group performs a regular review of the project forecasts to ensure that necessary changes are made.

Change- and additional orders as well as claims are included in the forecast when the Group consider it probable that the amount will be received from the customer and when the amount can be reliably measured.

### Response in the audit

We have received information and assessed the Groups process for project review including the routines for identifying loss projects and/or projects with a higher risk as well as the process for assessing revenue and costs (including assessment of change- and additional orders).

We have for a random sample of projects assessed the most significant estimates. For these projects we have discussed and challenged managements estimations of total forecast, assessed if risks and possibilities in the projects has been reasonably reflected in the project valuations as well as assessed loss contracts and if provisions for losses reflects the risks in the projects.

We have also evaluated information from the Groups internal and external legal counsel regarding claims and assessed if and how these has been reflected in the forecasts.

## Valuation of goodwill and parent company shares in subsidiaries

See disclosure 14, 26, 30 and accounting principles on pages 64–65 in the annual account and consolidated accounts for detailed information and description of the matter.

### Description of key audit matter

The carrying value of intangible assets in the form of goodwill in the consolidated accounts at December 31, 2018 amounted to SEK 6,776 million, which is approximately 51% of total assets. Intangible assets with an indefinite useful life should annually, or when there are indication of impairment, be subject to impairment test. An impairment test comprise both complexity and are dependent on judgments.

The impairment test shall according to IFRS be performed in accordance with a certain method where management needs to make judgments of future, internal as well as external, conditions and plans. Examples of such judgments include forecasts of future cash flows and which discount rate to be used in order to reflect the risk in forecasted payments.

The carrying value of shares in subsidiaries in the parent company at December 31, 2018 amounted to SEK 2,099 million. In case of an impairment trigger, if for example the value of the shares is higher than group value, an impairment test, with the same technique and judgments, as above is performed.

### Response in the audit

We have reviewed and assessed whether the impairment tests have been prepared in accordance with the method prescribed by IFRS.

Moreover, we have considered the reasonableness of the forecasted future cash flows as well as the discount rates used through evaluation of management's written documentation and forecasts. We have also met with management and evaluated the accuracy of previous years' cash flow forecasts in relation to actual outcome. An important part of our work has also been to examine the group's own sensitivity analysis to evaluate how reasonable changes in the assumptions may impact the valuation.

Furthermore, we have considered the completeness of the disclosures made relating to the impairment tests in the annual accounts and assessed if they are in accordance with the assumptions used by management and that they, in all material aspects, are in accordance with the disclosures required by IFRS.

## Valuation of contingent considerations from business combinations

See disclosure 3, 13, 30 and accounting principles on page 64 in the annual account and consolidated accounts for detailed information and description of the matter.

### Description of key audit matter

In certain business combinations the Group can agree with the seller to include a contingent consideration which normally imply that parts of the purchase price is contingent on the future financial development of the acquired business. The value is based on the terms in the agreement and include judgments about the discounted value of future revenue growth and profit margin. The calculation of the value is dependent of significant judgments. If actual outcome deviates from these assessments or if the assessments about the future financial development for an acquired business is changed this could result in a change in the value of the contingent considerations which is accounted for in the income statement as they occur.

Liabilities for contingent considerations are valued at fair value in the balance sheet and amounted to SEK 731 million as of December 31, 2018. Total maximal liability at the same date amounted to SEK 785 million.

### Response in the audit

We have in our audit analyzed a sample of agreements from performed acquisitions and the terms that is the basis for the contingent considerations. We have also assessed management's estimations regarding future financial performance and, through this, the size of contingent considerations.

Furthermore, we have considered the completeness of the disclosures in the annual accounts and assessed if they are in accordance with the assumptions used by management and that they, in all material aspects, are in accordance with the disclosures required by IFRS.

## Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–39, 97–107, 109–114 and 116–123. The Board of Directors and the Managing Director are responsible for this other information.

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

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

the information otherwise appears to be materially misstated.

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

## Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated

accounts that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

#### **Auditor's responsibility**

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

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

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

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

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

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

#### **Report on other legal and regulatory requirements Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of ÅF Pöyry AB for the year 2018 and the proposed appropriations of the company's profit or loss.

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

#### **Basis for Opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### **Responsibilities of the Board of Directors and the Managing Director**

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

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

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

**Auditor's responsibility**

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

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

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

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

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

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of ÅF Pöyry AB by the general meeting of the shareholders on the 25 April 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2017.

Stockholm, 27 March 2019

KPMG AB

**Joakim Thilstedt**

Authorized Public Accountant

# Sustainability notes

## About the sustainability report

Sustainability is an integral part of ÅF's vision, mission and strategy. A crucial part of our sustainability efforts is to create sustainable solutions in customer assignments. ÅF's sustainability report for the 2018 calendar year is therefore an integral part of the annual report.

The following pages provide additional sustainability information, such as background information for the report, information about stakeholder dialogues, materiality assessment, sustainability data, and the GRI index. ÅF publishes a sustainability report annually, the latest being published in March 2018. ÅF's sustainability report for 2018 is prepared in accordance with the Global Reporting Initiative (GRI) Standards, Core Level. The sustainability report covers the companies in the ÅF Group, in accordance with the same principles applied to financial reporting. The reporting principles in the GRI Standards were used to define the contents of the report.

Statistics on employees were compiled by the HR function from the HR system and refer to figures at 31 December 2018 for all companies in the Group unless otherwise stated.

The Sustainability report, which also covers ÅF's statutory sustainability report as required by Chapter 6 of the Swedish Annual Accounts Act, is found on pages 6-9, 14-15, 24-27, 30-35, 46-47 (sustainability risks) and 97-107. Also see the table of contents. Our sustainability report according to GRI Standards has been reviewed by an external party. See the auditor's Limited Assurance Report on the sustainability report and statement on the Statutory Sustainability Report on page 108.

## Changes compared to the previous year

This year's sustainability report is the first to be done according to the GRI Standards. Last year's report was done according to GRI G4. In addition, the content of this year's report was verified using a new materiality analysis, which has led to new material sustainability issues for ÅF. Otherwise, no major changes have been made to the report's frameworks or recalculations.

## Contact point

Inquiries about the sustainability report should be directed to: Sara Lindstrand, Senior Manager Sustainability, tel: +46 10 505 00 00.

## Responsibility and governance

Within ÅF there is a clearly stated responsibility for sustainability and governance is rooted at the highest level. This gives us excellent opportunities to vigorously disseminate the business strategy's basic component – sustainability – in the entire organisation.

## Integrated sustainability efforts

As CEO, Jonas Gustavsson has ultimate responsibility for ÅF's sustainability efforts. Strategic responsibility rests with Nyamko Sabuni, EVP and Head of Sustainability, who is on the Group's management team. This ensures a firm foundation for the company's proactive and integrated sustainability initiatives. Sustainability issues are thereby prioritised early in the business process. The head of sustainability is supported by a team.

Sustainability is business critical for ÅF, which is reflected in the sustainability strategy being integrated into the Making Future business strategy that was launched in 2017. This makes it easy for the organisation to use sustainability-critical aspects such as value creation, ethical engagement and commitment, and being an attractive employer to create value for ÅF, its clients and society. The work may take on a new form with the acquisition of Pöry.

ÅF's Board of Directors includes sustainability topics in its overall decision-making process. Sustainability initiatives are integrated into existing staff functions, ensuring their execution. Each division head is responsible for pushing the sustainability perspective in their operations and in all their assignments through the consultants. Each division also has a sustainability co-ordinator, who develops and carries out the company's sustainability initiatives within the division in discussions with the head of sustainability. The sustainability co-ordinators met on six occasions during the year.

## Global Compact is the foundation

ÅF's sustainability approach is based on the 10 principles of the Global Compact – in human rights, labour, the environment and anti-corruption – which we follow, reporting our efforts and progress annually to the UN. We have also integrated the UN's 17 Sustainable Development Goals into our operations based on the company's business and offering. ÅF's offer impacts all 17 SDGs, but most clearly these: good health and well-being (SDG

3); affordable and clean energy (SDG 7); industry, innovation and infrastructure (SDG 9); sustainable cities and communities (SDG 11); and responsible consumption and production (SDG 12). Initiatives and guidelines that ÅF follows and is inspired by are:

- The UN Global Compact
- The UN's 17 Sustainable Development Goals
- OECD guidelines for multinational companies
- Transparency International's Corruption Perceptions Index
- Equator Principles (EP)
- International Finance Corporation (IFC) Performance Standards
- Principles for Responsible Investment (PRI)
- ILO's Human Rights Guidelines

## Code of Conduct

ÅF's Code of Conduct is a compilation of the rules and guidelines that form the basis of our business and defines how we conduct business relationships with customers, business partners, employees and other stakeholders. The Code of Conduct is based on the Global Compact's ten principles. The Code, which covers all employees in all countries and the Group's Board of Directors, guides us in how our values and standpoints should permeate daily work. Through our principles, we increase ÅF's standards and strengthen the brand.

ÅF expects all its business partners – including suppliers, sub-contractors, joint venture partners and representatives – to adhere to principles that are consistent with ÅF's Code of Conduct.

With the acquisition of Pöry, extensive work will be done in 2019 to create a new Code of Conduct for ÅF Pöry. The Code should clarify standpoints and how they are linked to our vision and core values.

## Risk assessment at the tender stage and in-depth analysis

To ensure compliance with the Global Compact's ten principles, there is a systematic process called the Sustainability Risk Assessment (SRA) process. In the sales and tendering process, a risk assessment, based on several criteria that reflect ÅF's Code of Conduct and thus the ten principles of the Global Compact, will always be done for potential assignments, new clients and new markets. The employee who is responsible for the transaction is also responsible for ensuring that the risk assessment is

carried out. The aim is to catch possible risks associated with the assignment at an early stage. This risk assessment can lead to an in-depth analysis being carried out, which results in an SRA report with identified risks and recommendations for how they should be eliminated or handled. If obvious risks are identified and ÅF cannot influence them, we do not take the assignment. During the year, in-depth analyses using the SRA process were conducted on four assignments. We did not take on one of these assignments and in another case discussions are ongoing. For other assignments, measures were taken as recommended by the SRA report.

In the context of risk assessment in the sales and tendering process, safety reports are prepared for international assignments, and these safety reports also form the basis for the recommendations in the SRA report. During the year, 15 safety reports were prepared.

ÅF's compliance with the SRA process is continuously evaluated through internal audits. Any deviations are reported to the person responsible for the transaction and the division's quality control function for follow-up. A summary of the discrepancies is reported to Group management and the Audit Committee.

According to internal audits in 2018, risk assessments that could lead to deeper analysis were conducted in 64 percent of the tenders. During the year, we developed the process to make it more user-friendly and to increase compliance with the process. In addition, functionality was introduced to record and collect completed risk assessments in ÅF's client management system, which is expected to improve monitoring.

## ASSIGNMENTS WITH RISK ASSESSMENT BASED ON THE GLOBAL COMPACT

Assignments compliant with SRA process in internal audit program [%]	2018
Energy Division	71
Infrastructure Division	45
Industry Division	69
Digital Solutions Division	80
<b>Total</b>	<b>64</b>

### Management system

Control and monitoring of ÅF's operations is through a general management system and its processes, which cover all operations. The management system has long been covering quality and environmental management in line with ISO 9001 and ISO 14001. Since 2016 this system has been complemented to include health and safety to also comply with the requirements of OHSAS 18001. The management system is certified and at the end of the year, the certificates covered 85 percent of all

employees. The 2018 internal audit programme contained 98 internal audits of the management system to monitor and ensure that routines and processes were followed and 95 of them were performed. The 2018 external audits identified two deviations. An action plan to correct the deviations was developed and submitted to Intertek, a certification company.

### Strengthened training

Our sustainability efforts require that all employees know about the sustainability topics, as well as the risks and opportunities in our operations. Therefore, ÅF has produced a range of training courses, including web-based sustainability training for all employees in which anti-corruption is an essential part. Sustainability topics are also included in the Welcome to ÅF induction training as well as in the Leadership in Our Time management programme. During the year, the induction training was expanded to include a sustainability workshop on impact and value creation to strengthen the sustainability skills of all new employees. All new employees are required to take the web-based sustainability training within three months of employment, which is ensured by our onboarding process. Induction training and the management programme are also compulsory courses.

At year-end, half of all new employees, excluding acquisitions, had completed the Welcome to ÅF induction training and 77 percent of all managers had completed the Leadership in Our Time management programme. By the end of the year, 37 percent of employees had taken the web-based sustainability training. Those that take the web-based sustainability training will be followed up later through the Group's Balanced Scorecard. In future, training specifically for senior executives and salespeople will be crucial to having a real impact on ÅF's new business strategy

## ANTI-CORRUPTION TRAINING

Employees <sup>1</sup> who received anti-corruption training <sup>2</sup> by largest markets	Managers		Consultants		Administrative staff	
	Number	Percent	Number	Percent	Number	Percent
Sweden	732	81.0	4,471	70.2	155	63.5
Norway	18	17.3	97	14.1	0	0.0
Denmark	13	20.3	52	10.7	4	16.7
Finland	21	75.0	88	55.3	12	100.0
Switzerland	26	28.6	103	25.0	15	25.0
Czech Republic	28	77.8	95	72.5	9	50.0
Other	27	73.0	116	37.5	17	33.3
<b>Total</b>	<b>865</b>	<b>68.4</b>	<b>5,022</b>	<b>58.7</b>	<b>212</b>	<b>50.6</b>

<sup>1</sup> Probationary and permanent employees.

<sup>2</sup> Any of the WTÅF, sustainability, or LIOT courses.

Stakeholders	How we engage in dialogue	Important topics
Clients	Client meetings, project meetings, follow-up interviews after the end of the project, website, participation in client event	Satisfaction, perceived quality, prices, contracts, procurement, deliveries, sustainability where environmental impact is of major importance
Employees	Performance reviews, intranet, workplace meetings, conferences, internal training, leadership programmes, newsletters	Well-being, salary, work environment and professional development, type of assignment
Partners	Planning meetings, project meetings, website	Prices, contracts, ethical issues
Owners	Investment events, such as in connection with quarterly reports, capital market days, annual general meeting, interviews, website, newsletters	Growth, profitability, business ethics
Suppliers	Supplier meetings, follow-up meetings, requests for quotes and procurement, interviews and surveys	Contract negotiations, compliance with our code of conduct
Media, students, authorities and organisations, universities and colleges	Website, mail, attendance at conferences, counselling on specific issues	Issues on how sustainability efforts are developing

### Follow-up

We follow up annually on how well ÅF performs in the sustainability area through the Sustainable Business Performance Indicators (SBPI), a tool developed by our specialists in collaboration with the Research Institutes of Sweden (RISE). Find out more about SBPI on pages 7 and 14–15.

The result for 2018 is 65 compared to 63 for 2017. The results are presented to Group management and a work group consisting of employees from the staff functions that have an impact on areas that contribute to ÅF's overall sustainability performance. It also forms the basis for the coming year's action plan.

### Dialogue with stakeholders

A close dialogue with our stakeholders is central to ÅF's sustainability work. The dialogue is ongoing in all projects, meetings and other contacts that we have with the most important stakeholders. Sustainability topics are often part of the discussion, not least in connection with customer assignments.

This integrated annual and sustainability report describes how ÅF meets the demands and expectations of stakeholders. The table on the previous page lists our most important stakeholders, how we conduct an ongoing dialogue and what topics the various stakeholders regard as most important. These stakeholders are significant to ÅF because they have a major impact on the company and/or are affected by the company's operations.

### Stakeholder dialogue sets the parameters

In the autumn of 2017, ÅF conducted a stakeholder dialogue as a part of the materiality assessment as a complement to the ongoing dialogue. It has since formed the basis for further development of our sustainability work. The stakeholder dialogue consisted of surveys and interviews to get a picture of ÅF's current sustainability work and the priorities that should be set going forward. The survey was answered by 5,819 people, of whom 4,899 were employees. In addition to our own employees, the survey was answered by clients, suppliers, students, shareholders, analysts and associations. In connection with the survey, supplementary interviews were also conducted with members of the Board of Directors, and Group management attended a workshop. The sustainability topics raised by the stakeholders as most important were:

- Sustainable solutions
- Good business ethics
- Partner responsibility
- Client and project selection
- Supplier responsibility
- Own climate impact
- Positive work environment
- Talent retention
- Diversity, equal opportunity and inclusion

### Focus on the essential

The outcome of the stakeholder dialogue – together with weighting by the management team – forms the basis for sustainability topics that ÅF defined as material in the coming years. The materiality principle was applied by analysing the result from the stakeholder dialogue and the Group management workshop based on the external influence that ÅF has on each sustainability topic. The result of the materiality assessment is presented in the illustration below. Delimitations for each sustainability topic are described in the report. The material sustainability topics covered by the sustainability report according to the GRI Standards are:

- Sustainable solutions
- Good business ethics
- Partner responsibility
- Client and project selection
- Own climate impact
- Positive work environment
- Diversity, equal opportunity and inclusion

The materiality analysis is validated annually based on changed requirements, expectations, technological advances and conditions for stakeholders and the outside world.

### Value creation

In ÅF's business strategy, value creation is a designated strategic area. Our value creation and its contribution to society respond to global trends, utilise the opportunities presented by digitalisation and meet climate challenges. This is done through our deliveries of projects, services and cross-functional package solutions, concepts and selected products. Read more about this in the Value creation section on pages 22–29.

Our clients, and the rest of the world, are making greater demands on us to act ethically and responsibly. This is evidenced, for example, by the increased demands that clients place on us when procuring various services. ÅF can go much further than pure responsibility issues by maximising sustainable values in client assignments to create, develop and implement solutions that build a more sustainable society. This touches on the material sustainability topic of sustainable solutions. The sustainability performance of our assignments is strongly linked to what the client defines and orders, and opportunities to influence decisions earlier in the development process, already in the design phase, are crucial if ÅF is to maximise good values and minimise negative impact. Read more about management approach of sustainable solutions on page 23.

One of ÅF's non-financial targets is to develop engineering and design solutions that contribute to Agenda 2030 and the SDGs. ÅF's assignments create values such as energy efficiency, renew-

## ÅF's main sustainability topics according to materiality assessment 2018



able energy, resource efficiency, safe workplaces, improved health and safety, streamlined production processes, circular resource flows, increased accessibility and improved air and water quality. The 17 SDGs and the 169 targets were analysed based on ÅF's offer and business. The analysis shows that we contribute to all 17 SDGs. However, based on our business and our offering, we see the clearest link with and opportunity to contribute to goals 3, 7, 9, 11 and 12. Of the 169 targets, we have identified 52 as relevant based on ÅF's ability to have a positive impact. Read more about how we contribute on pages 14-15.

Within SBPI, we evaluate 43 of the 169 targets for which all employees who led assignments during the previous year are asked to evaluate their biggest assignment in terms of annual sales. The result is then used to measure ÅF's sustainability performance and further develop ÅF's offer and management of sustainable solutions.

## PROFITABILITY

Direct economic value generated (SEK million)	2018	2017	2016
Net sales	13,975	12,658	11,070
Operating costs, incl. depreciation/amortisation	-4,875	-4,432	-4,008
Employee wages and benefits	-6,593	-5,992	-4,995
Income tax and employer's contributions	-1,656	-1,491	-1,356
Dividend	-387	-350	-292
Interest on loans	-56	-47	-33
Interest on pensions	-1.4	-1.7	-1.8
Value of societal investment <sup>1</sup>	-9.9	-10.3	-7.3
Economic value retained	397	334	377

<sup>1</sup> Only central sponsorship and contributions due to limitations in data collection.

## Operational Excellence

ÅF's strategy identifies the strategic area Operational Excellence as vital to development of the business. During the year, data security and cybersecurity were also more in focus, which is part of ÅF's sustainability performance. Read more about management approach on pages 30-31.

## Business ethics

A strategic focus within Operational Excellence is to create ethical engagement and commitment, which reflects the material sustainability topic good business ethics. Read more about the management approach for good business ethics on page 31.

## Anti-corruption

ÅF operates in more than 30 countries and participates in projects in more than 100 countries. To address the issue of corruption, we use Transparency International's Corruption Perceptions Index in our risk assessment process. At ÅF there is zero tolerance for corruption and other forms of anti-competitive activities such as fraud. ÅF has a whistleblower function that reports to the Audit Committee. No corruption incidents were reported during the year via this channel. The SRA process identifies assignments for which corruption risks exist. See pages 97-98. If there is a risk of corruption, all consultants who are expected to participate in the project are trained in current legislation and ÅF's anti-corruption framework. During the year no project participants underwent this training since no projects were initiated where the need existed. All new employees are trained in anti-corruption through compulsory courses and all members of Group management have been trained in anti-corruption (see page 98). See the risk section on page 46 on managing corruption risks. Information about sustainability and whistleblowing policies is available at [www.afconsult.com](http://www.afconsult.com).

In 2018 ÅF was involved in a corruption investigation in Brazil regarding a project that was contracted in 2010-2012. In March 2019, a new investigation of the same project was initiated.

## ANTI-CORRUPTION

	2018	2017
Reported incidents related to corruption	0	0
Reported incidents related to legal proceedings on corruption brought against the organisation or its employees	1	0
Reported incidents leading to termination or warning	0	3
Reported incidents related to terminated contracts with business partners	0	0

## Human rights

ÅF will uphold human rights as governed by our sustainability policy and code of conduct. However, we estimate that the risk of human rights violations in the context of our activities is relatively small. The issue is more relevant for certain types of projects, and especially for hydropower projects, which often cause the displacement of people. For ÅF it is important in such cases that international guidelines for displacement are followed. To the extent that we can influence, we propose the Equator Principles and the IFC Performance Standards. In 2018, ÅF did not participate in any projects that entailed displacement of people. ÅF also declined participating in a procurement process for hydroelectric projects in Tanzania, where 200,000 people would be adversely affected. Human rights training is ongoing, and all new employees attend compulsory courses (see page 98). The SRA process ensures that ÅF identifies assignments with the risk of violating human rights (see pages 97-98). The risk section on page 46 describes how risks related to human rights are managed. No reports of violations of human rights were made directly to HR or via the whistleblower function.

## Client and project selection

By declining projects and assignments that contribute undue impact on the environment or society, and to minimise negative impact and maximise positive impact in the assignments that are carried out, ÅF can have a great influence both internally at ÅF and externally in society. Managing the material sustainability topic regarding the selection of clients and projects occurs within the framework of the SRA process (see pages 97-98).

## Partner responsibility

That ÅF works actively with partner responsibility issues has a positive effect on the industries and contexts in which we operate, and has also been identified as a material sustainability topic. Partner responsibility is controlled through ÅF's Business Partner Criteria and through the continuous training of managers to ensure that processes are followed on how partners are to be managed. It helps us ensure that partners respect and live up to our criteria, which are based on the Global Compact's ten principles. ÅF will not hesitate to terminate a partnership if a breach of the criteria is detected.

ÅF's partnerships can be divided into consortiums, agents and sub-consultants. Before joining partnerships in consortiums and collaborations with agents, a screening is carried out according to the requirements of ÅF's Business Partner Criteria. There is also a policy that controls compensation levels for agents. Sub-consultants from partner networks are hired through partner contracts in which ÅF's Business Partner Criteria are an integral part, and which sub-consultants agree to comply with by signing. Today there are 25,319 subcontractors in ÅF's partner network, and about 1,600 are working in assignments. In 2018, the network accounted for 14 percent of ÅF's sales. All hired sub-consultants in the partner network signed the partnership contract in 2018.

## Supplier responsibility

ÅF's Business Partner Criteria are also applied to procurements and purchases. Evaluation and selection of suppliers is based on a weighted assessment of environmental and climate impact, quality and costs. As a service provider of engineering and

## GREENHOUSE GAS EMISSIONS

Scope (tonne CO <sub>2</sub> e)	2018	2017	2016
Scope 1 (business trips, own car travel)	5,503	5,407	4,732
Scope 2 (energy consumption, office)	1,987	2,151	2,472
Scope 3 (business trips, other)	6,065	4,320	3,864
<b>Total</b>	<b>13,556</b>	<b>11,878</b>	<b>11,069</b>

## GREENHOUSE GAS EMISSIONS PER EMPLOYEE

Greenhouse gas emissions (Scope 1–Scope 3) per employee in ÅF's core markets (kg CO<sub>2</sub>e/person)<sup>1,2</sup>

	2018	2017	2016
Sweden	990	1,002	1,103
Norway	1,465	1,220	557
Denmark	1,309	667	1,007
Finland	3,145	3,322	4,845
Switzerland	3,387	3,872	3,333
Czech Republic	2,321	2,278	3,132
<b>ÅF total</b>	<b>1,324</b>	<b>1,285</b>	<b>1,347</b>

<sup>1</sup> Based on number of probationary and permanent employees.

<sup>2</sup> Figures for countries other than Sweden should be read with caution due to uncertain data quality.

design solutions, most of our purchases are for office equipment, facility management services, IT equipment, licences and travel. We receive deliveries from some 30 preferred framework contract suppliers for things such as energy, travel, hotels, occupational health care and workwear. In 2018, purchases amounted to around SEK 1,800 million. ÅF's largest suppliers are in Sweden and include Microsoft, Tieto, Telia and Dell. ÅF has framework agreements with the largest suppliers and these account for more than 70 percent of the total purchase sum.

In some projects, ÅF undertakes to also deliver products, so-called EPC projects. To support these project purchases, ÅF procured a new purchasing system during the year, which will be introduced in 2019 in the Industry Division. The purchasing system will improve monitoring, coordination and management of project purchases.

### Climate and environment

ÅF has a certified environmental management system certified to ISO 14001 that assures systematic environmental efforts. Management of environmental work is covered by our sustainability policy. Our own climate impact has been identified as a material sustainability topic and concerns reducing our climate impact, which is mainly from business travel and energy use in offices. Emissions are measured and reported annually in the ÅF Climate Report. In 2018, ÅF's total emissions amounted to 13,556 tonnes of CO<sub>2</sub>e compared with 11,878 tonnes last year. Recalculated per employee, emissions amounted to 1,324 kg CO<sub>2</sub>e, which is 3.1 percent higher than last year and 1.7 percent lower than the 2016 base year. The increase in emissions during the year is attributable to continued international expansion and thus increased air travel. Read more about our own climate impact on page 31.

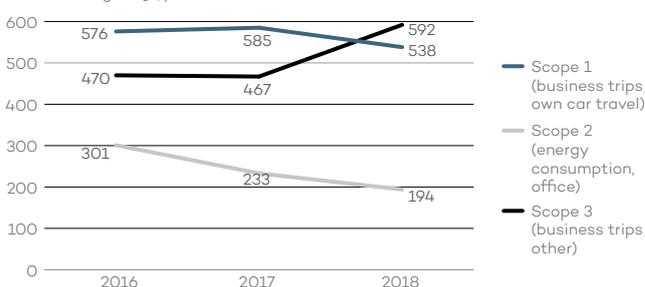
#### Emission of carbon dioxide from business travel

Emissions of carbon dioxide from business travel account for much of ÅF's emissions as ÅF is a large organisation with employees who have assignments all over the world. To reduce emissions from business trips, there is a travel policy and vehicle policy. The vehicle policy was updated in 2018 with the aim of transitioning to a fossil-free, safe, clean and quiet vehicle fleet by 2027. This means that we will reduce emissions by 13 grams of CO<sub>2</sub>e on average per year, starting with 120 grams of CO<sub>2</sub>e in 2019.

We also use the planning tool CERO, which was developed by KTH Royal Institute of Technology researchers, to map travel patterns, calculate emissions from commuting, plan activities and suggest behavioural changes. One challenge for ÅF is that the more the business expands, the more travel increases. We are working to expand the use of technical communication solutions

## GREENHOUSE GAS EMISSIONS PER EMPLOYEE

Emissions (kg CO<sub>2</sub>e/person)<sup>1</sup>



instead of physically traveling to meetings wherever possible. ÅF is also part of the Nollzon initiative, which means that electric cars take priority when traveling by taxi.

In 2018, emissions from business travel per employee increased by 4.6 percent for the Swedish part of the business. For the international part of the business, emissions from business travel per employee increased by 8.5 percent. For the entire Group, emissions per employee increased by 7.4 percent. Emissions from business travel by car decreased by 8 percent per employee, while emissions from business travel by air went up by 26.8 percent. The increase in emissions from air travel is explained by new operations in South Africa and China as a result of the continued internationalisation of ÅF's operations.

#### Energy use in offices

Energy use in ÅF's offices also accounts for a significant amount of our emissions. Where ÅF controls the choice of electricity supplier, centrally procured electricity contracts with entirely renewable energy sources have been in use for the last four years, as defined in EU Directive 2009/28/EC. The agreements now cover 49 percent of ÅF's office space in Sweden. We monitor and measure energy use in six additional countries, that is, the data covers the seven countries where the majority of ÅF's employees are stationed. Actual energy use for office space in other countries is not measured at this time. These are assumed to account for a marginal part of ÅF's total energy use in office space, as approximately 3.3 percent of employees are located outside the seven largest countries. Energy use for that part of the business is instead accounted for as a standard amount based on data for other countries outside Sweden. For the Swedish part of the business, emissions from energy use per employee decreased by 42.3 percent and in the international part of the business, emissions from energy use per employee decreased by 5.3 percent. For the entire Group, emissions from energy use per employee decreased by 16.7 percent. The emissions decreased because the production of the electricity and heat we buy has become cleaner and the emissions per kWh purchased have decreased.

#### Calculation methods for climate emissions

ÅF's climate emissions are calculated according to the Greenhouse Gas Protocol's guidelines. ÅF's emissions under Scope 1 refer to direct emissions of greenhouse gases generated from our business travel with cars operated by employees, namely privately-owned cars, personnel cars, on-demand cars, service vehicles, rental cars and pool cars. Emissions from the company's personnel, on-demand and service vehicles are based on calculated, detailed emission data per vehicle from ÅF's supplier

of vehicle administrative services. For rental and pool cars, emissions data is supplied from travel providers, supplemented with data from ÅF's accounting system for rental and pool car outlays. For privately-owned cars, we use emission factors from the Swedish Environmental Protection Agency (g CO<sub>2</sub>/km). Data is collected from the seven countries with the most employees: Sweden, Norway, Denmark, Switzerland, Finland, Czech Republic and Brazil. Data from the foreign offices are obtained as driven kilometres through questionnaires from each country, where Swedish standard values for calculating greenhouse gas emissions are used. The aggregated data is used as a basis for estimating ÅF's total emissions, including those offices and countries from which data have not been collected.

ÅF's emissions under Scope 2 refer to indirect emissions of greenhouse gases generated from our energy consumption, including electricity purchased for our businesses and properties as well as heating and cooling. Energy data is collected from the seven largest countries, based on the number of employees. The aggregated data is used as a basis for estimating the total emissions from ÅF, including those offices and countries from which data have not been collected. The market-based method was used to calculate energy-related emissions, which means that the calculations consider whether the purchased electricity was origin-labelled. For electricity use in Sweden, the emission factor for origin guarantees is used where such is purchased (0 g CO<sub>2</sub>e/kWh), otherwise residual mix is used (329 g CO<sub>2</sub>e/kWh). For other Nordic countries, Nordic electricity mix is used (50 g CO<sub>2</sub>e/kWh). For countries outside the Nordic region, European electricity mix is assumed (432 g CO<sub>2</sub>e/kWh). In cases where district heating is used in Sweden, emissions are calculated from the local production mix. Offices outside Sweden are assumed to be heated with electricity. For offices in Norway and Denmark using district heating, the same emission is assumed as from average Swedish district heating production.

ÅF's emissions according to Scope 3 relate to other indirect greenhouse gas emissions. These are mainly generated from business travel by air and rail. There is also some impact from consumables, but because they account for a marginal part of our overall impact and data collection requires considerable resources, we prioritise the most significant source of Scope 3 emissions: business travel by air. Emissions data relating to air transportation are obtained from the travel agency, supplemented with data from ÅF's accounting system for airline ticket outlays. For foreign offices, emissions for air travel are calculated based on kilometres travelled where data for this exists, otherwise the same emission per SEK spent is assumed as the average for travel booked through travel agencies. Air travel data is collected from the seven largest countries, based on the number of employees. The aggregated data is used as a basis for estimating the total emissions from ÅF, including those offices and countries from which data have not been collected. The structure of existing systems makes the quality of information from international operations unreliable. The results are therefore divided into the Swedish and the international parts of the business, as the figures for Sweden are far more reliable than those we can obtain from other countries. Air travel emission factors used are based on standard values from the Network for Transport and Environment (NTM). Air travel emissions are not adjusted for the RFI factor.

#### Tax policy

ÅF's tax policy ensures that we comply with the OECD guidelines for multinational companies and applicable laws and regulations for the countries in which we operate. ÅF pays all taxes that the Group is legally obliged to pay and in the correct jurisdiction, and make every effort to comply with the socio-economic intent of tax laws and regulations where that intent is clearly understood. Errors and discrepancies should be immediately communicated to the relevant authorities.

#### Attractive employer

Being an attractive employer is a priority area of ÅF's strategy and is clearly linked to its sustainability performance. Important aspects that are associated with our efforts to be an attractive employer are leadership, clarity in breakdowns of goals, and career and skills development. Read more about how ÅF works with this strategic area on pages 32-35.

#### Working environment, health and safety

To be an attractive employer, ÅF strives to provide a good, healthy and safe working environment for all employees, which includes the material sustainability topic of a positive working environment. This is also important for management, employees, clients and other stakeholders, as a good working environment for ÅF's employees ensures sustainable results and long-term relationships.

Assurance of a good working environment is managed on several levels within ÅF. The Group has a common working environment policy. Responsibility for the working environment is delegated according to clear procedures and there are clear guidelines in various areas of the working environment, such as guidelines for rehabilitation, proactive health initiatives and an anti-harassment policy. ÅF is certified according to OHSAS 18001:2007 and we are now working on transitioning to the ISO 45001 standard. Annual internal audits are carried out according to the Group's procedures and processes in the area of occupational health and safety to prevent working environment risks in the best possible manner. External audits are also carried out to ensure compliance and highlight any deficiencies and uncertainties so we can continuously improve our efforts in this area.

ÅF works with clients to ensure a pleasant and safe working environment for consultants working on site. ÅF requires clients to comply with applicable health and safety regulations to protect the consultants working with them. There are also employees who work in risky workplaces within the context of client assignments. Therefore, all of them are trained in safety and occupational health requirements based on the requirements of the various workplaces where ÅF consultants work.

Every year, an employee survey is conducted to get an idea of how employees experience their physical and psychosocial work environment. The response rate was very good in 2018 at 83 percent. The results show a high level of motivation among employees, pride in the company and willingness to recommend ÅF as an employer.

Employees in Sweden are covered by our general agreement with Previa, which provides occupational health services including regular physicals, vocational rehabilitation and support. Trade union representatives are also involved in discussions about occupational health care and information is sent regularly to employees about what is available to them. In other countries, ÅF has local procedures for occupational health services. Voluntary medical insurance cover is available to promote good health off the job. The Swedish part of ÅF's business also offers each employee a wellness allowance and health promotion activities.

The Swedish part of ÅF has procedures for reporting risks, accidents and work-related illnesses to the manager and support function for HR issues. These are followed up by the manager and reported when required to the Swedish Social Insurance Agency and the Work Environment Authority. In Sweden, ÅF has safety committees in offices with more than 50 employees that meet four times a year to discuss issues relating to premises and the physical and mental working environment. Safety inspections are also carried out regularly. ÅF provides general training for managers about their health and safety responsibilities and there is a health and safety handbook available to all employees. In other countries, ÅF has local procedures for monitoring the work environment, complying with the respective country's legislation and local adaptations regarding health and safety responsibilities. See page 35 for more about how ÅF works with employee travel safety.

Statistics on sickness absence are analysed monthly at management level, and if necessary, action plans are developed that are carefully followed up. Total sickness absences in Sweden increased slightly in 2018 to 2.66 percent compared to 2.64 percent in 2017, and in 2018, 60 accidents and incidents were reported from operations in Sweden, of which 25 involved women. In 2018, ÅF worked to improve reporting procedures for incidents throughout the Group. In 2019, system support will be introduced in the Group to reinforce prevention of working environment risks.

## HEALTH AND SAFETY

Sickness absence, total, Sweden <sup>1</sup>	2018		2017	
	2.66%		2.64%	
	Women	Men	Women	Men
Reported occupational accidents, Sweden <sup>2</sup>	8	13	5	15
Reported occupational accidents with serious consequences, Sweden <sup>3</sup>	1	0	1	1
Reported occupational illnesses, Sweden	0	0	1	0
Reported travel accidents, Sweden	10	10	8	14
Reported incidents, Sweden	6	12	1	13
Number of fatal accidents	0	0	0	0

<sup>1</sup> Statistics on sickness absence are analysed monthly at management level, and if necessary, action plans are developed that are carefully monitored.

<sup>2</sup> ÅF employees who work in risky workplaces within the context of client assignments in Sweden. No reports were submitted on sub-consultants. Also includes minor accidents.

<sup>3</sup> Accident reported to Swedish Work Environment Authority

<sup>4</sup> We do not currently have information on which accidents led to sickness absence.

### Diversity, equal opportunity and inclusion

ÅF strives to increase diversity and gender balance to get the best people, secure long-term growth and profitability, and to create a good working environment and high-performance teams. Read more about the material sustainability topic diversity, equality and inclusion on page 35.

Harassment is totally unacceptable at ÅF and there is zero tolerance for discrimination as there is for other human rights violations. All employees should know this and if anyone is affected, they should know where they can turn for help and to initiate an investigation. ÅF's equal treatment policy, code of conduct, procedures and guidelines address harassment and bullying. In 2018, five cases were reported relating to inappropriate behaviour via the whistle blower function, which were submitted to HR for further investigation and possible action. None of them led to any further investigation or action after discussions with the notifiers and any other concerned parties. In 2018, three incidents of inappropriate behaviour were reported directly to HR. All of them were discrimination cases based on discrimination policies. The measures taken were those possible under labour laws, such as warning, relocation, termination or dismissal.

Discrimination issues are monitored through ÅF's employee survey and measures are taken where necessary. In the context of the employee survey, 207 employees stated that they had been subjected to bullying, discrimination or sexual harassment over the last 12-month period. Of the 7,834 respondents,

94 employees, or 1.2 percent, stated that they felt discriminated against. That is a striking decrease compared to the 2017 employee survey, when the figure was 2.8 percent of 7,023 respondents. To better address the issue, this year's employee survey was improved to include a supplementary question on whether the employee experienced discrimination on site with the client or in ÅF's own operations.

During the year, we improved the process of monitoring the results of the employee survey that applied to discrimination. Responsibility for monitoring the results of the employee survey lies with each division's HR manager, who is provided with the results from its division and addresses those parts of the business where special focus needs to be directed. However, the possibility of dealing with the issue of discrimination is limited to the information provided by employees in the survey.

### Working conditions and professional development

The Equal Treatment Policy states that ÅF will promote equal treatment at work by applying the terms of employment equally to all employees. ÅF strives to be and be perceived as a good employer with attractive employment conditions to attract the best talent and retain committed employees. In the Swedish part of the business, 7,880 employees are covered by collective bargaining agreements, representing 72 percent of all employees. In the entire business, employment conditions are competitive in the local market and comply with local regulations. Performance reviews with individual development plans were held with 80 percent of employees in 2018 according to the employee survey.

## REGULAR PERFORMANCE REVIEWS

Percentage of employees who receive regular evaluation and follow-up of their performance and career development (%)	2018	
	Women	Men
Managers	43	37
Consultants	56	55
Administrative staff	42	26
<b>Total</b>	<b>53</b>	<b>52</b>

Permanent employees, longer than 12 months

## EMPLOYEES BY CAPACITY UTILISATION RATE AND GENDER

	Women	Men	Total
Part-time employees	214	166	380
Full-time employees	1,669	5,099	6,768
<b>Total</b>	<b>1,883</b>	<b>5,265</b>	<b>7,148</b>

Permanent employees in Sweden.

## PROFESSIONAL DEVELOPMENT

Hours of training/employee	2018	2017	2016
Hours of training	302,921	291,638	253,744
Average full-time equivalents (FTEs)	10,037	9,292	8,115
<b>Total hours of training/employee</b>	<b>30.2</b>	<b>31.4</b>	<b>31.3</b>

Probationary and permanent employees excluding acquired employees.

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Languages spoken at ÅF  
(fluent or as a native language)

## EQUALITY AND DIVERSITY

Distribution in %	2018					2017				
	Women	Men	Age<30	30-50	>50	Women	Men	Age<30	30-50	>50
Board of Directors	30.0	70.0	0.0	100	90.0	30.0	70.0	0.0	0.0	100.0
Group management	22.2	77.8	0.0	44.4	55.6	20.0	80.0	0.0	56.0	44.0
Managers	21.0	79.0	1.5	65.7	32.8	18.6	81.4	1.2	66.4	32.4
Consultants	24.7	75.3	20.7	56.8	22.5	23.4	76.3	21.6	53.9	24.6
Administrative staff	73.7	26.3	16.0	50.8	33.2	76.7	23.3	19.7	47.2	33.2
<b>Total</b>	<b>26.2</b>	<b>73.8</b>	<b>18.1</b>	<b>57.6</b>	<b>24.2</b>	<b>25.1</b>	<b>74.9</b>	<b>19.2</b>	<b>55.0</b>	<b>25.8</b>

Probationary and permanent employees.

The goal is to have 30 percent women at all levels by 2020.

## NUMBER OF EMPLOYEES BY TYPE OF EMPLOYMENT, GENDER AND OUR LARGEST MARKET SHARE

ÅF's largest markets	Permanent employment			Probationary employment			Other temporary			All forms of employment
	Women	Men	Total	Women	Men	Total	Women	Men	Total	Total
Sweden	1,883	5,265	7,148	112	258	370	115	372	487	8,005
Norway	244	558	802	1	0	1	12	32	44	847
Denmark	130	441	571	1	0	1	21	25	46	618
Finland	35	164	199	0	0	0	0	6	6	205
Switzerland	134	425	559	1	3	4	16	49	65	628
Czech Republic	42	129	171	7	7	14	2	3	5	190
Other	95	298	393	2	2	4	3	35	38	435
<b>Total</b>	<b>2,563</b>	<b>7,280</b>	<b>9843</b>	<b>124</b>	<b>270</b>	<b>394</b>	<b>169</b>	<b>522</b>	<b>691</b>	<b>10,928</b>

## AGE DISTRIBUTION

Age distribution in %	2018		2017		2016	
	Men	Women	Men	Women	Men	Women
-29	13.0	6.6	12.2	5.6	13.0	5.9
30-39	22.6	9.0	23.7	9.2	22.4	8.8
40-49	17.1	6.3	18.6	6.1	18.3	5.8
50-59	13.7	3.4	14.7	3.3	13.6	3.2
60+	7.4	0.9	5.5	0.9	8.0	0.9
<b>Total</b>	<b>73.9</b>	<b>26.1</b>	<b>74.9</b>	<b>25.1</b>	<b>75.3</b>	<b>24.7</b>

All forms of employment.

## PERCENTAGE OF WOMEN PER DIVISION

Distribution in %	Consultants	Managers
Industry Division	19.3	16.0
Infrastructure Division	30.0	20.2
Energy Division	19.2	19.5
Digital Solutions Division	21.0	27.0
ÅF AB	47.6	49.0
<b>Total</b>	<b>24.5</b>	<b>20.9</b>

All forms of employment.

## EMPLOYEE TURNOVER AND NEW HIRES

	Employee turnover 2018				New hires 2018			
	Women		Men		Women		Men	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Sweden	354	18.6	941	17.5	470	30.2	1,086	69.8
Czech Republic	3	6.1	12	8.8	3	16.7	15	83.3
Denmark	12	9.3	37	9.3	19	17.8	88	82.2
Finland	4	12.3	7	5.8	1	8.3	11	91.7
Norway	31	13.3	58	11.3	38	30.4	87	69.6
Switzerland	8	6.6	28	7.4	27	37.5	45	62.5
Other	12	13.2	30	10.3	24	25.5	70	74.5
<b>Total</b>	<b>424</b>	<b>16.6</b>	<b>1,113</b>	<b>15.4</b>	<b>582</b>	<b>29.3</b>	<b>1,402</b>	<b>70.7</b>

Probationary and permanent employees.

### Strategic partnerships

ÅF is active in and is a member of several initiatives and strategic partnerships to empower, influence and drive sustainable development. ÅF's most important commitments in 2018 were as follows:

- Four Olympic Committees. Sponsored Olympic Committees in Sweden, Norway, Finland and Switzerland. Sponsorship means that ÅF acts as Green Advisor to the committees, sponsors development of new athletes and educates athletes in sustainability to turn them into sustainability ambassadors.
- Göteborgsvarvet. Traditional sponsor of half-marathon race Göteborgsvarvet. It is important for ÅF to encourage its own employees to exercise.
- Childhood Cancer Fund. Traditional sponsor of Childhood Cancer Fund combined with sustainability activities like cycling for health.
- Royal Swedish Academy of Engineering Sciences (IVA). Collaborated with IVA on future energy solutions, Teknicsprånget, which involves preparing internships for young secondary school students, and Jobbsprånget, which involves mediating internships for newcomers to Sweden who have engineering degrees.
- Vinnova. Collaborated with Vinnova to develop key ratios with the aim of increasing efficiency, measurability and management of production, and using the correct key ratios to properly integrate sustainability work "on the floor".
- International Business Council (NIR). Worked with NIR to strengthen Swedish companies' long-term interests in complex environments.
- Green Cities. Member of business network Green Cities, which operates in three areas: interest and impact, meeting place for new opportunities, and advice and support.
- Nollzon. Connected to the Nollzon initiative, which helps increase demand for electric taxis.

### COUNTRIES WHERE ÅF HAS PROJECTS AND OFFICES, 2018

1	Afghanistan	●	
2	Albania	●	●
3	Argentina	●	
4	Australia	●	
5	Austria	●	
6	Bahrain	●	
7	Bangladesh	●	
8	Belgium	●	
9	Benin	●	
10	Bolivia	●	
11	Bosnia Herzegovina	●	●
12	Brazil	●	●
13	Bulgaria	●	
14	Burkina Faso	●	
15	Cape Verde	●	
16	Cayman Islands	●	
17	Chile	●	
18	China	●	●
19	Colombia	●	
20	Croatia	●	●
21	Czech Republic	●	●
22	Denmark	●	●
23	Dominican Republic	●	
24	Dubai	●	
25	Egypt	●	
26	Estonia	●	●
27	Ethiopia	●	
28	Faroe Islands	●	
29	Finland	●	●
30	France	●	
31	Gambia	●	
32	Georgia	●	
33	Germany	●	●
34	Ghana	●	
35	Guatemala	●	
36	Guinea	●	
37	Honduras	●	
38	Hong Kong	●	
39	Hungary	●	
40	Iceland	●	
41	India	●	●
42	Indonesia	●	●
43	Israel	●	
44	Italy	●	●
45	Ivory Coast	●	
46	Jordan	●	
47	Kazakhstan	●	●
48	Kenya	●	●
49	Kosovo	●	●
50	Laos	●	
51	Latvia	●	●
52	Lebanon	●	
53	Lithuania	●	●
54	Luxembourg	●	
55	Malawi	●	
56	Mauritius	●	
57	Mexico	●	
58	Monaco	●	
59	Mongolia	●	
60	Montenegro	●	
61	Morocco	●	
62	Mozambique	●	
63	Myanmar	●	
64	Nepal	●	●
65	Netherlands	●	
66	Nigeria	●	
67	North Macedonia	●	●
68	Norway	●	●
69	Oman	●	
70	Pakistan	●	
71	Palau	●	
72	Philippines	●	●
73	Poland	●	
74	Portugal	●	
75	Qatar	●	
76	Russia	●	
77	Rwanda	●	
78	Samoa	●	
79	Saudi Arabia	●	●
80	Senegal	●	
81	Serbia	●	●
82	Sierra Leone	●	
83	Singapore	●	
84	Slovakia	●	
84	Slovenia	●	
86	South Africa	●	●
87	South Korea	●	
88	Spain	●	●
89	Sri Lanka	●	
90	Sweden	●	●
91	Switzerland	●	●
92	Taiwan	●	
93	Tajikistan	●	
94	Tanzania	●	
95	Thailand	●	●
96	Togo	●	
97	Turkey	●	●
98	Uganda	●	●
99	UK	●	●
100	Ukraine	●	●
101	United Arab Emirates	●	
102	Uruguay	●	
103	USA	●	●
104	Uzbekistan	●	
105	Vietnam	●	●

● Project  
● Office

# GRI Index

This report is prepared in accordance with the Global Reporting Initiative (GRI) Standards, Core Level. The GRI index below lists the GRI Standards used, all with publication year and latest update 2016, and reported general and specific disclosures.

## GENERAL DISCLOSURES

GRI STANDARD	DISCLOSURE	DESCRIPTION	PAGE REFERENCE	COMMENTS
	<b>ORGANISATIONAL PROFILE</b>			
	102-1	Name of the organisation	111	
	102-2	Important brands, products and services	Cover page and 8-9	
	102-3	Location of headquarters	111	
	102-4	Location of operations	105	
	102-5	Ownership and legal form	111	
	102-6	Markets served	3, 31, 105	
	102-7	Scale of the organisation	2-3, 52-53	
	102-8	Information on employees and other workers	103-104	
	102-9	Supply chain	8-9, 100	
	102-10	Significant changes to the organisation and its supply chain	2-3	
	102-11	Precautionary principle or approach	46	
	102-12	External initiatives	97	
	102-13	Membership in associations	105	
	<b>STRATEGY</b>			
	102-14	Statement from senior decision-maker	4-5	
	<b>ETHICS AND INTEGRITY</b>			
	102-16	Values, principles, standards and norms of behaviour	10, 97	
	<b>GOVERNANCE</b>			
	102-18	Governance structure	97-98, 111	
	<b>STAKEHOLDER ENGAGEMENT</b>			
	102-40	List of stakeholder groups	98-99	
	102-41	Collective bargaining agreements	103	
	102-42	Identifying and selecting stakeholders	98-99	
	102-43	Approach to stakeholder engagement	98-99	
	102-44	Key topics and concerns raised	98-99	
	<b>REPORTING PRACTICE</b>			
	102-45	Entities included in the consolidated financial statements	88-89, 97	
	102-46	Defining report content and topic boundaries	99	
	102-47	List of material topics	99	
	102-48	Restatements of information	97	
	102-49	Changes in reporting	97	
	102-50	Reporting period	97	
	102-51	Date of most recent report	97	
	102-52	Reporting cycle	97	
	102-53	Contact point for questions regarding the report	97	
	102-54	Claims of reporting in accordance with the GRI Standards	97	
	102-55	GRI content index	106-107	
	102-56	External assurance	108	

GRI 102:  
General  
Disclosures  
2016

**MATERIAL SUSTAINABILITY TOPICS**

GRI STANDARD	DISCLOSURE	DESCRIPTION	PAGE REFERENCE	COMMENTS AND OMISSIONS
<b>SUSTAINABLE SOLUTIONS</b>				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Boundary, management and evaluation	14-15, 23, 97-99	
	Company-specific disclosure	Positive contribution to the UN's global goals through our assignments	14-15, 99-100	
	Company-specific disclosure	Proportion of employees who have undergone compulsory sustainability training	98	
<b>GOOD BUSINESS ETHICS, PARTNER RESPONSIBILITY AND CLIENT AND PROJECT SELECTION</b>				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Boundary, management and evaluation	31, 97-99, 100	
	205-1	Operations assessed for risks related to corruption	97-98, 100	Not reported by region. The internal audit programme is based on organisation.
GRI 205: Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	98, 100	
	205-3	Confirmed incidents of corruption and actions taken	100	
GRI 412: Human rights assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	97-98	Not reported by region. The internal audit programme is based on organisation.
<b>OWN CLIMATE IMPACT</b>				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Boundary, management and evaluation	97-99, 101-102	
	305-1	Direct (Scope 1) GHG emissions	101-102	
GRI 305: Emissions	305-2	Energy indirect (Scope 2) GHG emissions	101-102	
	305-3	Other indirect (Scope 3) GHG emissions	101-102	
	305-4	GHG emissions intensity	101	
<b>POSITIVE WORK ENVIRONMENT</b>				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Boundary, management and evaluation	35, 97-99, 102-103	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	104	Not reported by age due to limitations in data collection.
GRI 403: Occupational Health and Safety 2016	403-2	Hazard identification, risk assessment and incident investigation	102-103	Not reported by region due to limitations in data collection.
	404-1	Average hours of training per year per employee	103	Not reported by gender and employee category due to limitations in data collection.
GRI 404: Training and Education 2016	404-3	Percentage of employees receiving regular performance and career development reviews	103	
<b>DIVERSITY, EQUAL OPPORTUNITY AND INCLUSION</b>				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Boundary, management and evaluation	35, 97-99, 102-103	
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	103-104	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	103	
<b>OTHER DISCLOSURES</b>				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Boundary, management and evaluation	111-115	
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	100	

# Auditor's Limited Assurance Report

## Auditor's Limited Assurance Report on ÅF Pöyry AB's Sustainability Report and statement regarding the Statutory Sustainability Report

To ÅF Pöyry AB, Corp. Id. 556120-6474

### Introduction

We have been engaged by the Board of Directors and the Managing Director of ÅF Pöyry AB to undertake a limited assurance engagement of ÅF Pöyry AB's Sustainability Report for the year 2018. ÅF has defined the scope of the Sustainability Report that also is the Statutory Sustainability Report on page 97.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 97 in the Sustainability Report, and are part of the Sustainability Reporting Standards published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR12. The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of ÅF Pöyry AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Managing Director as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

### Conclusions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 27 March 2019

**KPMG AB**

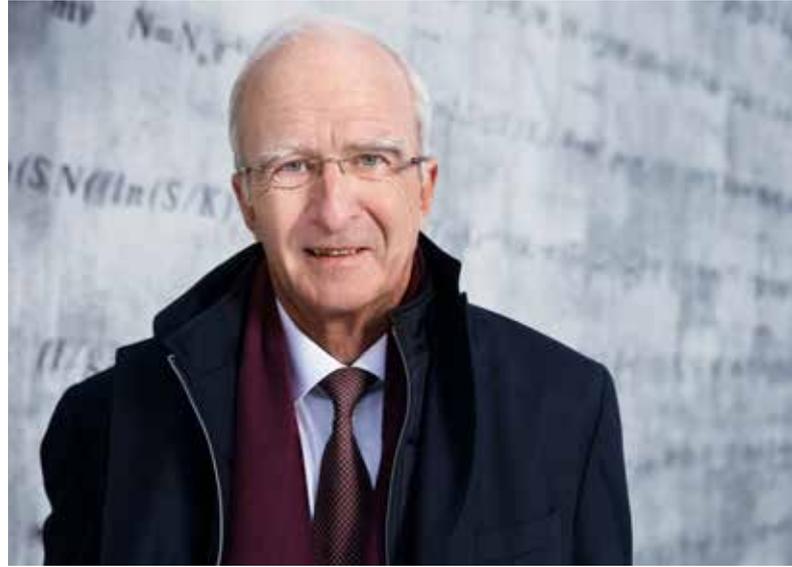
Joakim Thilstedt  
Authorized Public Accountant

Karin Sivertsson  
Expert Member of FAR



Azadeh Rezvani, Geotechnical Engineer

**In 2018** a stable platform was established for ÅF's future profitability and growth aimed at ensuring greater value for the company's stakeholders. The rapid pace of societal development is driving growing demand from ÅF's clients while the industry is consolidating. Taken together, these factors have led to the acquisition of the engineering, design and consulting company Pöyry, which will help strengthen our competitiveness and ensure continued value creation.



## Strategic platform acquisitions strengthens ÅF's development

The Board of Directors is responsible, through sound corporate governance, for creating conditions for growth, and thus also value for shareholders, for whom we ultimately work.

The work of the Board of Directors should therefore be to maintain continuity, while focusing on long-term strategic objectives, namely, growth and profitability.

In 2018 ÅF implemented a strategy with a clarified international focus and a more comprehensive package of solutions and concepts for ÅF's clients. The organisation has been adapted to deliver in line with the strategic focus.

Through the strategy ÅF has strengthened its position as an engineering and design company. In 2018, 11 businesses were acquired that will contribute to the company's value generation through strengthened client offerings and continued establishments both in Sweden and abroad. In addition, the platform acquisition of Pöyry was started in late 2018 and completed early in the new year. The completed acquisition enables ÅF to now take the next step in developing operations in line with the established strategy.

ÅF's ability to attract the best employees is a key factor for the business, which makes it particularly important to nurture and develop the brand and the values it represents. Promoting ÅF's brand is therefore linked to the Board of Directors' goals and com-

mitment. Through sound corporate governance and control, the Board of Directors will ensure that ÅF remains a credible and respected business partner and employer.

Sustainable solutions are an integral part of the client offering in ÅF's operations. The Board of Directors is deeply committed to and follows developments in the sustainability field. We devote particular attention to the business ethics aspects of sustainability. As part of our corporate governance we follow and monitor regulatory compliance, primarily the UN Global Compact, as regards ethics, anti-corruption and human rights, as well as our decision-making processes and risk management in these areas.

All in all, we have created conditions for developing ÅF's business and value generation. We are now leaving a successful year behind us and look forward to an eventful 2019.

Stockholm, March 2019

**Anders Narvinger**  
Chairman of the Board

# Corporate governance report

This corporate governance report, prepared by the company's Board of Directors, covers corporate governance during the 2018 financial year. The corporate governance report is submitted in accordance with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code. The corporate governance report has been reviewed by KPMG, whose opinion follows immediately after the report.

## Corporate governance within ÅF

ÅF Pöyry AB ("ÅF") is a Swedish public limited company domiciled in Stockholm. The company's Class B shares are listed on Nasdaq Stockholm. Governance, management and control are divided between the shareholders, the Board of Directors, the CEO and senior management in accordance with applicable laws, rules and recommendations and with ÅF's Articles of Association and internal regulations. The General Meeting of Shareholders is the company's highest decision-making body, where the shareholders exercise their voting rights. The Board of Directors and Chairman of the Board are elected by the General Meeting after proposals by the Nomination Committee. The Board of Directors appoints the President and CEO. The administration by the Board of Directors and President and CEO, as well as the financial statements are examined by the external auditor elected by the Annual General Meeting. To streamline and intensify the work on some matters the Board of Directors has set up an Audit Committee and a Remuneration Committee. ÅF's internal audit is an important support function for the Audit Committee. ÅF applies the Swedish Corporate Governance Code (available at [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)) and did not deviate from it in 2018. ÅF complies with Nasdaq

Stockholm's Rules for Issuers (available at [business.nasdaq.com/list/Rules-and-Regulations](http://business.nasdaq.com/list/Rules-and-Regulations)) and generally accepted stock exchange practice. The highest internal instrument of governance is the Articles of Association adopted by the shareholders' meeting. In addition, there are the rules of procedure for the Board of Directors and its committees and the Board of Directors' instruction to the President and CEO. Internal policies and instructions that clarify responsibilities and powers in special areas, such as information security, regulatory compliance and risk management, constitute essential governing documents for the entire company.

## Ownership structure

ÅF has issued two classes of shares: Class A shares and Class B shares. Each Class A share is entitled to 10 votes, and each Class B share to 1 vote.

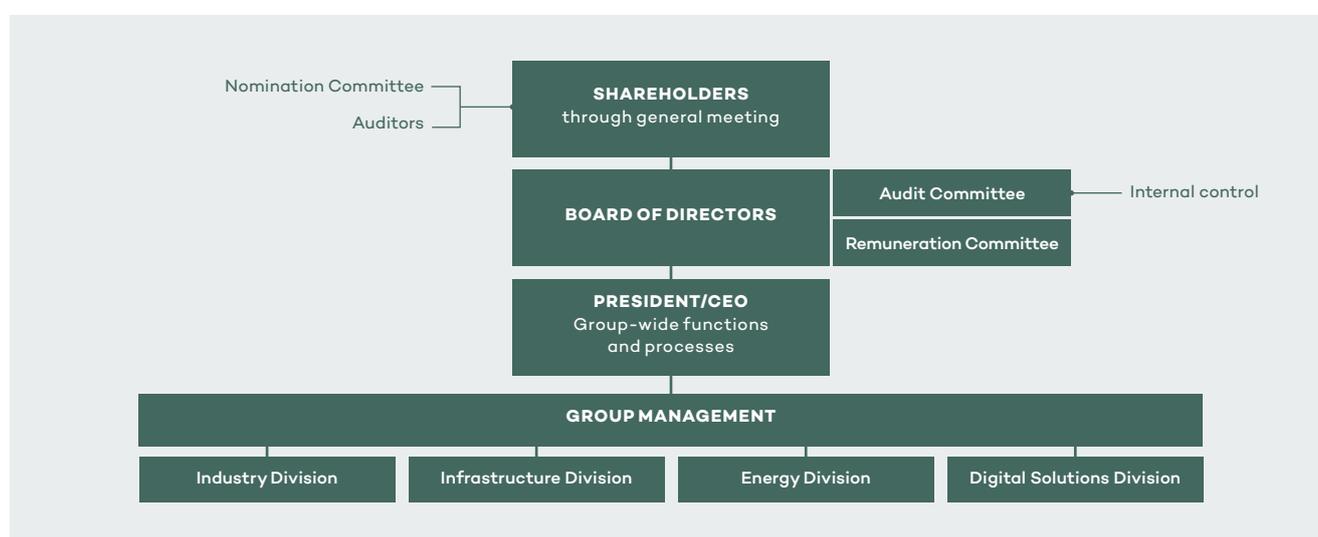
### SHARE DISTRIBUTION AT 31 DECEMBER 2018

Number of shareholders	11,528
Class A shares	3,217,752
Class B shares	74,158,951
Total number of shares	77,376,703
of which own Class B shares	–
Votes	106,336,471

The largest shareholder at the end of 2018 was the ÅForsk Foundation, with 37.5 percent of the votes. SEB Investment Management had 7 percent and Handelsbanken Fonder had 6.4 percent of the votes.

## ÅF's Annual General Meeting

The General Meeting of Shareholders that is held within six months of the close of the financial year and



that adopts the income statement and balance sheet is called the Annual General Meeting. Shareholders registered in the share register on the record date and who have provided advance notice of their participation have the right to participate in the Meeting. Notice to attend is published on the company's website and advertised in the Swedish Official Gazette (Post- och Inrikes Tidningar). The fact that notice to attend has been given is published in Dagens Industri. The 2018 AGM was held at ÅF's head office in Solna, Sweden, on 25 April 2018. In total, 181 shareholders participated, representing 62 percent of the share capital and 72 percent of the votes. In addition to the election of the Board of Directors, the AGM resolved to introduce the 2018 Staff Convertible Programme and authorised the Board of Directors to acquire and transfer own shares and to issue new Class B shares. The minutes of the AGM and all documentation can be found on ÅF's website under the corporate governance section.

### Nomination Committee

In accordance with a resolution passed at the 2018 AGM, the members of the Nomination Committee are appointed by at least three and at most five of the shareholders with the most votes. In addition, the Nomination Committee must include the Chairman of the Board of Directors. The names of the members were published six months before the AGM. The Nomination Committee for the 2018 AGM comprises: Magnus Olofsson (Chair), appointed by the ÅForsk Foundation; Anders Narvinger, ÅF's Chairman of the Board, Johan Strandberg, appointed by SEB Investment Management, Monica Åsmyr, appointed by Swedbank Robur Funds; Lilian Fossum Biner, appointed by Handelsbanken Asset Management and Niclas Ringby, appointed by EQT Public Value Investments.

### Duties of the Nomination Committee

The duties of the Nomination Committee are to present proposals ahead of the AGM on the number of directors, the composition and remuneration of the Board of Directors, as well as any separate remuneration for Committee work. Moreover, the Nomination Committee is to present proposals for the chairs of the Board of Directors and AGM, as well as for auditors and their remuneration. As part of its duties, the Nomination Committee is to fulfil in other respects the tasks incumbent on the Nomination Committee under the Swedish Corporate Governance Code.

### Work of the Nomination Committee

In the period up to and including 27 March 2019, the Nomination Committee held five minuted meetings and maintained contact between meetings. To assess the extent to which the current Board of Directors fulfils the requirements to be made of the Board based on the company's situation and future focus, the Nomination Committee has discussed the size of the Board and its composition as regards experience of the industry, skills and diversity, for example. Rule 4.1 of the Swedish Corporate Governance Code is applied as a diversity policy for the Board of Directors. The aim is that the

Board of Directors will possess appropriate combined expertise and experience as well as a balanced gender distribution. The Nomination Committee's proposal means that the number of women on the Board of Directors is somewhat below the level that the Swedish Corporate Governance Board set as its target until the 2020 general meeting season. As a basis for the Nomination Committee's work for the 2019 AGM, the Chairman of the Board has informed the committee about the work of the Board of Directors during the year and of the work undertaken by the Audit Committee and the Remuneration Committee. The Nomination Committee has evaluated the Board of Directors and its work in 2018 by interviewing individual directors. The Nomination Committee has also evaluated the levels of fees for the Board of Directors. No remuneration has been paid for the work of the Nomination Committee. All shareholders are entitled to contact the Nomination Committee and propose board members. The committee's proposals, the report on the committee's work prior to the 2019 AGM, and supplementary information on proposed members of the Board of Directors will be published in connection with the meeting notice and will be presented at the 2019 AGM.

### Board of Directors

The Board of Directors of ÅF is to consist of a minimum of six and a maximum of ten members with a maximum of five deputies to be appointed by the General Meeting. Eight board members were elected at the 2018 AGM. At an extraordinary general meeting held on 16 January it was resolved to increase the number of members elected by the General Meeting to nine, through the election of Henrik Ehrnrooth contingent on the completion of ÅF's bid for Pöyry PLC. Apart from this the employees have two ordinary representatives on the Board of Directors, with two deputies. The President and CEO does not sit on the Board of Directors. The following members were re-elected to the Board of Directors for 2018 as proposed by the Nomination Committee: Gunilla Berg, Anders Narvinger, Maud Olofsson, Joakim Rubin, Kristina Schauman and Anders Snell. The following new members were elected: Jonas Abrahamsson and Ulf Södergren. Anders Narvinger was elected by the AGM to serve as Chairman of the Board up until the close of the next AGM. The CEO, Jonas Gustavsson, participates in meetings of the Board of Directors to present reports. The Group's CFO, Stefan Johansson, also participates to present reports, and Jacob Landén, ÅF's senior legal adviser, acts as Secretary to the Board of Directors. For more information on the Board of Directors, please refer to pages 116-117 of the annual report. The Nomination Committee's proposed fees to be paid to the Board of Directors were approved by the AGM.

### Diversity policy for the Board of Directors

Rule 4.1 of the Swedish Corporate Governance Code is applied as a diversity policy for the Board of Directors. The aim is for the Board of Directors to have an appropriate and versatile composition regarding experience and background, and that there should be even gender distribution on the Board.

The Nomination Committee's proposal means that the Board of Directors consists of three women and six men, which does not fully live up to the equal gender distribution goal.

### Independence of the Board of Directors

The composition of the Board of Directors of ÅF meets the requirements of the Swedish Corporate Governance Code concerning independent members. Member of the Board of Directors Anders Snell is dependent in relation to ÅF's shareholders with the most voting rights but is independent of the company and Group management. None of the other Board members are dependent in relation to the company's largest shareholders, the company or Group management.

### Work of the Board of Directors

The Board of Directors annually adopts written rules of procedure that clarify the responsibility of the Board and regulate the directors' internal rules of procedure, resolutions procedure within the Board, the Board's schedule of meetings, notice to attend, agenda and minutes of Board meetings and the work of the Board on accounting and audit matters. ÅF's Board of Directors holds an inaugural meeting in connection with the AGM. In addition, the Board of Directors is required to meet at least four times per calendar year. Each ordinary meeting of the Board of Directors follows an agenda as established in the rules of procedure for the Board of Directors, which includes a report by the President and CEO, financial reports and strategic matters. The Board of Directors has decided to appoint a Remuneration Committee and an Audit Committee. During the year the Board of Directors held 20 meetings including one inaugural meeting. Four of the meetings were held in connection with the publication of the company's interim reports. The relatively large number of Board meetings were due to the acquisition of Pöyry. The work of the Board of Directors revolves mostly around strategic direction, business plans, budgeting, annual accounts and acquisitions, and other decisions which must be dealt with by the Board of Directors under the resolutions procedures. On one occasion per year, the Board of Directors meets with the company's auditors without the presence of management. On one occasion each year, the Board of Directors discusses issues related to succession planning for senior executives in the company.

### Remuneration Committee

The task of the Remuneration Committee is to prepare the guidelines for the remuneration of senior executives which is then decided by the AGM, and to submit proposals to the Board of Directors for the salary and terms and conditions for the CEO. On behalf of the Board, the committee is also to deal with matters regarding salary and terms of employment for senior executives who report directly to the President and CEO, and deal with general terms of employment and remuneration matters affecting all employees of the company. The Remuneration Committee reports to the Board of Directors. Since the inaugural meeting of 2018, the Remuneration Committee has

consisted of Anders Narvinger (Chair), Joakim Rubin and Maud Olofsson. The CEO and the HR Manager participate as co-opted members. The committee held three minuted meetings during the year.

### Audit Committee

The Audit Committee is a vital communication link between the Board of Directors and the company's auditors. The Board's Audit Committee is responsible for the auditor selection procedure, which is detailed in the Auditors Ordinance, and for submitting its auditor recommendation to the Nomination Committee at the general meeting of shareholders. The Audit Committee supports the Board of Directors in its work of quality assurance of financial reporting and following up the audit findings of the external auditors. The company's internal audit staff support the committee in its work. Since the inaugural meeting of the Board of Directors in 2018, the Remuneration Committee has consisted of Kristina Schauman (Chair), Gunilla Berg and Anders Snell. KPMG, the company's audit firm, has been represented by chief accountant Joakim Thilstedt. The CFO and the manager of the Group Accounting and Reporting Department have attended to present reports. The company's internal auditor has also attended to present reports as required. The committee held six minuted meetings during the year.

### Attendance at Board and Committee meetings, 2018

	Attendance at Board meetings <sup>1</sup>	Attendance at Audit Committee meetings <sup>2</sup>	Attendance at Remuneration Committee meetings <sup>3</sup>
Total number of meetings	20	6	
Anders Narvinger	20		3
Jonas Abrahamsson	10		
Gunilla Berg	19	6	
Staffan Jufors	5		
Björn O. Nilsson	7	1	
Maud Olofsson	18		2
Joakim Rubin	20		3
Kristina Schauman	20	6	
Anders Snell	19	4	1
Ulf Södergren	13		
<b>Employee representatives</b>			
Gunnar Parkefelt	18		
Tomas Ekvall (chair from 25 April)	13		
Stefan Löfqvist (deputy)	1		
Anders Toll (deputy) (chair until 25 April)	7		

<sup>1</sup> Jonas Abrahamsson and Ulf Södergren were elected as new members of the Board of Directors at the AGM in 2018 and replaced Staffan Jufors and Björn O Nilsson, who declined re-election.

<sup>2</sup> Anders Snell was elected as a new member of the Audit Committee to replace Björn O. Nilsson.

<sup>3</sup> Maud Olofsson was elected as a new member of the Remuneration Committee to replace Anders Snell.

### Evaluation of the Board of Directors and the CEO

The Nomination Committee conducted an evaluation of the Board of Directors and its work in 2018 by interviewing individual members of the Board. The evaluation includes climate of cooperation, breadth of

knowledge and board work performance. The intention of the evaluation is to gain an understanding of the effectiveness of the board work and the opinions of the Board members on this matter. The Board of Directors regularly evaluates the work of the President and CEO by following business performance against targets set. Once a year a formal evaluation is made that is discussed with the President and CEO.

### Auditors

The task of the auditors is to examine on behalf of the shareholders the company's bookkeeping and annual accounts and the administration by the Board of Directors and President and CEO. The annual accounts and consolidated accounts are audited. The auditors also review the nine-month interim report for the period up to September each year and attend the meetings of the Audit Committee. A review is also carried out of the Group's corporate governance report and of compliance with the guidelines approved by the AGM relating to remuneration of senior executives. The 2018 AGM elected the auditing firm KPMG, represented by Joakim Thilstedt as the auditor in charge, to serve until the end of the 2019 AGM. The Audit Committee concluded that it will recommend that the Nomination Committee propose the appointment of KPMG as auditor to the 2019 AGM for the period extending up until the 2020 AGM.

### CEO and Group management

The Board of Directors has delegated operational responsibility for the company's and the Group's administration to the company's President and CEO. The President and CEO leads the business within the framework established by the Board of Directors. The Board of Directors has adopted instructions for the division of duties between the Board of Directors and the President and CEO, which are updated every year. The CEO has appointed a Group management team with day-to-day responsibility for various operational aspects of the business. Group management normally meets once a month to discuss matters such as the Group's financial performance, acquisitions, Group-wide development projects, succession planning and professional development, together with other strategic issues. In 2018, Group management held 12 full-day meetings, as well as a two-day meeting with additional Group managers.

Once a month the CEO and the CFO discuss each of the divisions' income statements, balance sheets, key ratios and major projects with the relevant president and controller. Three times a year a whole-day review is held with each division to examine more long-term issues, including HR, strategy and budget. At the end of 2018, ÅF's management team consisted of: Jonas Gustavsson, President and CEO; Jonas Larsson, M&A and business development; Mats Pahlsson, EVP and Head of Infrastructure Division; Peter Plug, EVP and Head of Energy Division; Robert Larsson, EVP and Head of Industry Division; Lennart Waldenström, EVP and Head of Digital Solutions Division; Stefan Johansson, CFO; Emma Claesson, EVP and Head of Communications and Brand; and Nyamko Sabuni, EVP

and Head of Sustainability. For further information about the members of Group management, please see pages 118–119 of the annual report.

### Board of Directors' description of internal control

The Board of Directors' responsibility for internal control is governed by the Swedish Companies Act and the Swedish Corporate Governance Code that contain requirements for annual external provision of information on how internal control is organised as regards financial reporting. Board members must keep themselves informed and evaluate the internal control system regularly. Internal control in ÅF has been designed with the aim of efficient and appropriate business operations, reliable financial reporting and compliance with applicable laws and ordinances. ÅF divides its internal controls over financial reporting into the following components: control environment, risk assessment, control activities, information and communication, and follow-up.

### Control environment

The control environment forms the basis of internal control as regards financial reporting. An important part of the control environment is that decision lines, powers and responsibility are clearly defined and communicated between different levels of the organisation and that governing documents in the form of policies, guidelines and manuals are available. A description of internal control in ÅF can be found in the process-oriented management system used for business control and support. A description is given here of the organisational structure and the powers and responsibility that are associated with the various business roles. The process-orientation of the management system provides control procedures and tools for the operation in question, thus creating a sound basis for meeting set requirements and expectations of a good control environment. The management system is available for all employees via ÅF's intranet.

### Risk assessment

ÅF's risk assessment regarding financial reporting aims to identify and evaluate the most significant risks in the Group's companies, business areas, divisions, processes and operations, which in turn may impact financial reporting. The risk assessment results in a reference as to how the risks should be managed and controlled, and in control activities that support the basic requirements of the external financial reporting. Risks are assessed, reported and dealt with by ÅF centrally, together with the divisions. Further, risks are assessed and dealt with in other contexts, such as risks linked to fixed price projects and acquisitions.

### Control activities

To ensure that the business is run efficiently and that the scheduled financial reports consistently provide a fair presentation of the situation, each process has several built-in control activities. These control activities involve all levels of the organisation. Responsibility

for implementing control activities in ÅF is distributed in the organisation, where clear roles ensure efficiency and reliability. Specific control activities are in place, aimed at discovering or preventing risks of misstatements in the financial reporting in a timely manner. Performance analysis is carried out on a continuous basis for all ÅF's entities, including the foreign entities. Other control activities are carried out in the divisions' central accounting functions and through ÅF Pöyry AB's Group Accounting and Reporting Department. All accounting and reporting activities for ÅF's Swedish operations are centralised under ÅF Business Services (ÅBS) based at the Group's head office, using standardised control processes. Control activities at ÅBS include profit analyses and other controls in respect of revenue and receivables, payments, non-current assets, work in progress, wages and salaries, VAT/tax, book-keeping, consolidation and reporting as well as the maintenance of databases.

### Information and communication

Information and communication of policies, process descriptions, procedures and tools applicable to financial reporting can be found in the management system that is available to all those concerned via ÅF's intranet. Updates are carried out in the event of any changes in internal or external requirements or expectations regarding financial reports. For communication with internal and external parties there is a communication and IR policy that sets out guidelines for how this communication should take place. The purpose of the policy is to ensure correct and complete compliance with all information obligations. The purpose of internal communication is that all employees understand ÅF's values and business. To achieve the objective of informed employees, there is active internal work, in which information is regularly communicated via the Group's intranet and in other ways.

### Follow-up

Compliance and efficiency of internal controls are followed up on a continuous basis both by the Board of Directors and management to ensure the quality

of the processes. The company's financial situation and strategy in respect of its financial position are considered at every Board meeting. In addition, the Board of Directors receives monthly reports on the financial position and development of the business. The Audit Committee fulfils an important function by ensuring control activities for material risk areas in the processes for the financial reporting. The Audit Committee, management and the internal audit function regularly follow up reported deficiencies. ÅF's system for financial management and control paves the way for effective financial follow-ups throughout ÅF. Reports are generated monthly for each profit centre and reports on project finances are typically reliable and detailed. Identified errors and measures taken are reported in the line organisation to the immediate superior. ÅF's internal audit conducts independent audits in the operations to monitor application of internal control and the management system to live up to ÅF's internal ambitions, external requirements and expectations. Priority areas for ÅF's internal audit are ÅF's brands, core values and ethics, processes and systems as well as the projects that ÅF has undertaken to carry out. Reporting is to the President and CEO and the Board of Directors' Audit Committee.

### Sustainability

ÅF focuses on long-term strategic work aimed at ensuring the company becomes a more sustainable business. The ten principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the Global Objectives for Sustainable Development form a foundation for the work. The company's non-financial goals govern the priorities that are set up for the area. This sustainability work is intended to contribute to the company's growth and is, therefore, followed up by both the Board of Directors and by Group management. The statutory sustainability report, whose content is stated on page 97 in ÅF Pöyry AB's annual report, has been approved for issue by the Board of Directors.

Stockholm, 6 February 2019

The Board of Directors of ÅF Pöyry AB

## Auditor's report on the corporate governance statement

To the general meeting of the shareholders in ÅF Pöyry AB, corporate identity number 556120-6474

### Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2018 on pages 111–115 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in

Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 27 March 2019

KPMG AB

### Joakim Thilstedt

Authorized Public Accountant

# Board of Directors

## ① Anders Narvinger

Chairman of the Board and Chairman of the Remuneration Committee

**Elected:** 2011

Chairman of the Board 2014

**Born:** 1948

**Education:** M.Sc. Engineering, Faculty of Engineering, Lund University, and graduate in economics, Uppsala University

**Current position and other significant duties outside ÅF:** Chairman of the Board of Alfa Laval AB.

**Professional experience:** CEO of the Association of Swedish Engineering Industries (Teknikföretagen), former President and CEO of ABB Sverige.

**Shareholding:** 20,000 Class B shares

## ② Jonas Abrahamsson

Director

**Elected:** 2018

**Born:** 1967

**Education:** MBA, Lund University  
**Current position and other significant duties outside ÅF:** President and CEO of Swedavia. Member of the Royal Swedish Academy of Engineering Sciences, director of Almega Service Associations.

**Professional experience:** Works at E.ON, most recently as CEO of E.ON Sverige 2010-2016.

**Shareholding:** –

## ③ Gunilla Berg

Director and member of the Audit Committee

**Elected:** 2017

**Born:** 1960

**Education:** MBA School of Economics, Stockholm

**Current position and other significant duties outside ÅF:** CFO, PostNord. Director of Atlas Copco AB.

**Professional experience:** Vice President and CFO of the SAS Group, Vice President and CFO of the KF Group.

**Shareholding:** –

## ④ Henrik Ehrnrooth

Director

**Elected:** 2019

**Born:** 1954

**Education:** M.Sc. in Forest Economics, University of Helsinki and B.B.A., Hanken School of Economics in Helsinki

**Current position and other significant duties outside ÅF:** Chairman of the Board of Pöyry, Otava Group and Climate Leadership Coalition, director of the Marcus Wallenberg Foundation

**Professional experience:** CEO of Pöyry, Chairman of the Board of YIT Corporation and Caverion Corporation.

**Shareholding:** 4,926,020 Class B shares

## ⑤ Maud Olofsson

Director and member of the Remuneration Committee

**Elected:** 2013

**Born:** 1955

**Education:** Secondary education  
**Current position and other significant duties outside ÅF:** Chairman of the Board of Visita.

Director of Arise AB, Diös Fastigheter AB, Envac AB, Confederation of Swedish Enterprise. Member of Macquarie Advisory Board.

**Professional experience:** Party Chair of the Centre Party, Sweden's Minister of Enterprise, Energy and Communications 2006-2011, Sweden's Deputy Prime Minister 2006-2010.

**Shareholding:** 4,000 Class B shares

## ⑥ Joakim Rubin

Director and member of the Remuneration Committee

**Elected:** 2012

**Born:** 1960

**Education:** Master of Engineering, Institute of Technology, Linköping University

**Current position and other significant duties outside ÅF:** Funding Partner at Zeres Capital Partners. Director of Cramo plc, Hoist Finance AB and Capio AB.

**Professional experience:** Senior Partner at Finnish venture capital company CapMan. Head of Corporate Finance and Debt, Handelsbanken Capital Markets.

**Shareholding:** –





7

**7 Kristina Schauman**  
Director and Chair of the Audit Committee

**Elected:** 2012

**Born:** 1965

**Education:** MBA, Stockholm School of Economics

**Current position and other significant duties outside ÅF:** Director and Chairman of the Audit Committee of BillerudKorsnäs AB, Orexo AB, Coor Service Management Holding AB and Ellos Group Holding AB. Director of BEWiSynbra Group AB and Nordic Entertainment Group AB.

**Professional experience:** CFO of OMX, Carnegie and Apoteket AB, CEO of Apoteket AB and CFO of Investor AB.

**Shareholding:** 2,500 Class B shares



10

**10 Tomas Ekvall**

Director, employee representative

**Elected:** 2017

**Born:** 1981

**Education:** Engineer, IT & Automation

**Current position:** Employed in ÅF's Industry Division.

**Shareholding:** 258 Class B shares



8

**8 Anders Snell**

Director and member of the Audit Committee

**Elected:** 2009

**Born:** 1950

**Education:** M.Sc. Engineering, Royal Institute of Technology (KTH), Stockholm

**Current position and other significant duties outside ÅF:** Chairman of the Board of Wibax AB and executive member of the ÅForsk Foundation.

**Professional experience:** Senior Vice President BillerudKorsnäs, Senior Vice President AssiDomän, CEO Grycksbo, CEO Norrsundet Bruks AB, Chairman of the Board of the ÅForsk Foundation.

**Shareholding:** 3,000 Class B shares



11

**9 Ulf Södergren**

Director

**Elected:** 2018

**Born:** 1953

**Education:** M.Sc. Engineering, Royal Institute of Technology and MBA, Stockholm University

**Current position and other significant duties outside ÅF:** Director of Mantex AB and HMS Networks AB.

**Professional experience:** Various positions in the ASSA ABLOY Group, 2000-2018, including Executive Vice President and Chief Technology Officer (CTO), Regional Manager Scandinavia and COO and Senior Vice President of ASSA ABLOY. Various senior management positions at Electrolux, 1984-2000.

**Shareholding:** 15,000 Class B shares



9

**11 Stefan Löfqvist**

Director, employee representative

**Elected:** 2018

**Born:** 1980

**Education:** Graduate engineer, mechanical engineering

**Current position:** Employed in ÅF's Industry Division.

**Shareholding:** –

**DEPUTIES**

**Anders Toll**

Deputy employee representative

**Elected:** 2009

**Born:** 1955

**Education:** Engineer

**Current position:** Employed in ÅF's Industry Division.

**Shareholding:** 254 Class B shares

**Auditors**

KPMG AB

Auditor in charge

Joakim Thilstedt

Shareholding on 31 December 2018, including related party holdings

# Group management

## ① Jonas Gustavsson

President and CEO

**Employed:** 2017

**Born:** 1967

**Education:** M.Sc. Engineering, Luleå University of Technology

**Professional experience:** Business Area Manager Sandvik Machining Solutions 2013-2017 and Sandvik Materials Technology 2011-2013. Prior to that, several leading positions at Sandvik and Vice President of Operations at BRP-Rotax (Austria). Leading positions at Bombardier and ABB.

**Shareholding:** 7,500 Class B shares  
2017 Staff Convertible Programme: nominal amount SEK 6,000,000  
2018 Staff Convertible Programme: nominal amount SEK 3,000,000

## ② Emma Claesson

EVP and Head of Human Resources and Communications

**Employed:** 2014

**Born:** 1974

**Education:** MBA, Uppsala University

**Professional experience:** VP HR SSAB EMEA, Director Leadership & Competence Development SSAB, Management Consultant Accenture

**Shareholding:** 1,862 Class B shares  
2015 Staff Convertible Programme: nominal amount SEK 3,000,000  
2016 Staff Convertible Programme: nominal amount SEK 3,000,000  
2017 Staff Convertible Programme: nominal amount SEK 3,000,000  
2018 Staff Convertible Programme: nominal amount SEK 3,000,000

## ③ Malin Frenning

EVP and Head of Infrastructure Division

**Employed:** 2019

**Born:** 1967

**Education:** Mechanical engineering programme at Luleå University of Technology

**Professional experience:** County council director at Stockholm County Council. Executive positions at Telia, including CEO of Telia Sverige and President Business Area Broadband for Nordics and Baltics

**Shareholding:** –

## ④ Stefan Johansson

CFO

**Employed:** 2011

**Born:** 1958

**Education:** MBA, Linköping University

**Professional experience:** CFO Haldex och Duni, various positions in the ABB Group

**Shareholding:** 22,199 Class B shares  
2016 Staff Convertible Programme: nominal amount SEK 3,000,000  
2017 Staff Convertible Programme: nominal amount SEK 3,000,000  
2018 Staff Convertible Programme: nominal amount SEK 3,000,000

## ⑤ Robert Larsson

EVP and Head of Industrial & Digital Solutions Division

**Employed:** 2018

**Born:** 1967

**Education:** M.Sc. Engineering

**Professional experience:** Several leading executive positions at ABB, most recently Lead Division Manager, Robotics & Motion Scandinavia

**Shareholding:** 3,000 Class B shares





⑥ **Nicholas Oksanen**  
EVP and Head of Process Industries Division

**Employed:** 1993 (Pöyry)  
**Born:** 1967  
**Education:** M.Sc. Paper Technology and Economics, Helsinki University of Technology  
**Professional experience:** President, Business Unit Pulp and Paper, Pöyry and other leading positions within the business unit, process engineer at Jaakko Pöyry Deutschland GmbH and Paper Technology Division, Pöyry.  
**Shareholding:** –

⑨ **Nyamko Sabuni**  
EVP and Head of Sustainability

**Employed:** 2013  
**Born:** 1969  
**Education:** Law, Uppsala University; Information and Communication, Berghs School of Communication; Migration Policy, Mälardalens University  
**Professional experience:** Minister in Swedish government, Member of Swedish Parliament and its Committee on Industry and Trade, Communications Advisor Geelmyuden Kiese, Project Manager Folksam Social Council  
**Shareholding:** 1,240 Class B shares  
2016 Staff Convertible Programme: nominal amount SEK 3,000,000  
2018 Staff Convertible Programme: nominal amount SEK 3,000,000



⑦ **Martin à Porta**  
EVP and Head of Management Consulting Division

**Employed:** 2015 (Pöyry)  
**Born:** 1970  
**Education:** M.Sc. Engineering, Swiss Federal Institute of Technology, Switzerland  
**Professional experience:** President and CEO of Pöyry, leading executive positions in Siemens, including CEO Siemens Building Technologies Europe and CEO Siemens WLL Qatar, leading positions in WetelYou.com AG and Electrowatt Engineering Ltd.  
**Innehav:** –

⑩ **Cathrine Sandegren**  
EVP and Head of Communications and Brand

**Employed:** 2016  
**Born:** 1977  
**Education:** Graduate Diploma in Business Administration, Copenhagen Business School  
**Professional experience:** Head of Corporate IR and Internal Communication ÅF, Corporate Communication Manager, SAS  
**Shareholding:** 50 Class B shares  
2018 Staff Convertible Programme: nominal amount SEK 300,000



⑧ **Richard Pinnock**  
EVP and Head of Energy Division

**Employed:** 1997 (Pöyry)  
**Born:** 1962  
**Education:** B.Comm. (Hons), University of South Africa, B.Sc. Mechanical Engineering, University of Witwatersrand, South Africa, LPSF Executive Programme, Harvard Business School, USA.  
**Professional experience:** Leading executive positions in Pöyry, including EVP Group Strategic Growth, President, Energy Business Group, COO Electrowatt-Ekono Ltd (part of the Pöyry Group) and director of Electrowatt-Ekono (Thailand). Various leading executive positions in Eskom, South Africa.  
**Shareholding:** –

**The following people were included in Group management in 2018:**

- Lars-Eric Aaro, EVP and Head of Corporate Sales
- Roberto Gerosa, EVP and Head of Energy Division
- Rune Hardersen, Country Manager, Norway
- Jonas Larsson, M&A and business development
- Peter Plug, EVP and Head of Energy Division
- Mats Pahlsson, EVP and Head of Infrastructure Division
- Lennart Waldenström, EVP and Head of Digital Solutions Division

Shareholding on 31 December 2018, including related party holdings

# Five-year financial summary, SEK

SEK million, unless otherwise stated	2018	2017	2016	2015	2014
<b>Net sales and profit</b>					
Net sales	13,975	12,658	11,070	9,851	8,805
EBITA excluding items affecting comparability	1,268	1,117	996	861	770
EBITA	1,243	1,027	992	817	756
Operating profit (EBIT)	1,203	1,033	965	839	756
Profit after financial items	1,103	957	923	799	720
Profit for the period	850	742	711	609	553
<b>Capital structure</b>					
Non-current assets	8,432	7,070	6,462	5,224	4,638
Current assets	4,776	4,308	3,945	3,093	2,666
Equity including non-controlling interest	5,465	4,989	4,697	4,230	3,955
Non-current liabilities	3,718	2,323	2,880	1,527	1,021
Current liabilities	4,026	4,067	2,830	2,559	2,328
Balance sheet total	13,208	11,378	10,407	8,316	7,304
Equity (average)	5,279	4,813	4,473	4,115	3,805
Total capital (average)	12,063	10,835	9,166	8,016	7,317
Capital employed (average)	8,388	7,642	6,581	5,694	5,005
Net debt	3,455	2,631	2,298	1,486	870
<b>Key ratios</b>					
EBITA margin excluding items affecting comparability	9.1	8.8	9.0	8.7	8.7
EBITA margin, %	8.9	8.1	9.0	8.3	8.6
Operating margin, %	8.6	8.2	8.7	8.5	8.6
Profit margin, %	7.9	7.6	8.3	8.1	8.2
Equity ratio, %	41.4	43.8	45.1	50.9	54.1
Net debt/EBITDA, times	2.5	2.3	2.1	1.6	1.0
Net debt/equity ratio, %	63.2	52.7	48.9	35.1	22.0
Current ratio, times	1.2	1.1	1.4	1.2	1.1
Return on equity, %	16.1	15.4	15.9	14.8	14.5
Return on total capital, %	9.9	9.4	10.5	10.5	10.4
Return on capital employed, %	14.4	13.6	14.7	14.8	15.2
Interest cover, times	19.8	20.0	22.6	20.0	19.3
<b>The ÅF share</b>					
Basic earnings per share, SEK	10.98	9.58	9.32	7.81	7.16
Diluted earnings per share, SEK	10.76	9.39	9.14	7.63	7.03
Dividend yield, %	3.1	2.8	2.7	2.6	2.8
Equity per share, SEK	70.42	64.30	60.19	54.46	51.17
Diluted equity per share, SEK	68.06	62.01	58.50	52.85	49.74
Cash flow from operating activities per basic share, SEK	11.30	8.03	7.98	6.75	7.78
Cash flow from operating activities per diluted share, SEK	10.92	7.78	7.75	6.54	7.55
Market price on 31 December, SEK	160.40	180.90	167.00	143.75	126.00
Market capitalisation	12,411	13,988	12,978	11,153	9,734
Ordinary dividend per share, SEK	5,001	5.00	4.50	3.75	3.50
<b>Other</b>					
Cash flow from operating activities	874	624	622	523	601
Cash flow from investing activities	-1,153	-525	-963	-807	-238
Cash flow from financing activities	306	-209	411	370	-367
Capacity utilisation, %	77.2	77.6	77.6	76.9	76.1
Average number of FTEs excluding associates	10,037	9,292	8,115	7,453	6,887

<sup>1)</sup> Proposed dividend

A 2:1 share split was carried out in 2014. The comparative figures have been adjusted.

# Five-year financial summary, EUR

EUR million, unless otherwise stated	2018	2017	2016	2015	2014
Closing day exchange rate	10.28	9.85	9.57	9.14	9.52
Average exchange rate	10.26	9.63	9.47	9.36	9.10
<b>Net sales and profit</b>					
Net sales	1,363	1,314	1,169	1,053	968
EBITA excluding items affecting comparability	124	116	105	92	85
EBITA	121	107	105	87	83
Operating profit (EBIT)	117	107	102	90	83
Profit after financial items	108	99	97	85	79
Profit for the period	83	77	75	65	61
<b>Capital structure</b>					
Non-current assets	821	718	675	572	487
Current assets	465	437	412	339	280
Equity including non-controlling interest	532	507	491	463	416
Non-current liabilities	362	236	301	167	107
Current liabilities	392	413	296	280	245
Balance sheet total	1,285	1,155	1,088	910	768
Equity (average)	515	500	472	440	418
Total capital (average)	1,176	1,125	968	857	804
Capital employed (average)	818	793	695	609	550
Net debt	336	267	240	163	91
<b>Key ratios</b>					
EBITA margin excluding items affecting comparability	8.8	8.8	9.0	8.7	8.7
EBITA margin	8.9	8.1	9.0	8.3	8.6
Operating margin, %	8.6	8.2	8.7	8.5	8.6
Profit margin, %	7.9	7.6	8.3	8.1	8.2
Equity ratio, %	41.4	43.8	45.1	50.9	54.1
Net debt/EBITDA, times	2.5	2.3	2.1	1.6	1.0
Net debt/equity ratio, %	63.2	52.7	48.9	35.1	22.0
Current ratio, times	1.2	1.1	1.4	1.2	1.1
Return on equity, %	16.1	15.4	15.9	14.8	14.5
Return on total capital, %	9.9	9.4	10.5	10.5	10.4
Return on capital employed, %	14.4	13.6	14.7	14.8	15.2
Interest cover, times	19.8	20	22.6	20.0	19.3
<b>The ÅF share</b>					
Basic earnings per share, EUR	1.07	0.99	0.98	0.83	0.79
Diluted earnings per share	1.05	0.97	0.97	0.82	0.77
Dividend yield, %	3.1	2.8	2.7	2.6	2.8
Equity per share, EUR	6.85	6.53	6.29	5.96	5.38
Diluted equity per share, EUR	6.62	6.31	6.11	5.79	5.23
Cash flow from operating activities per basic share, EUR	1.10	0.83	0.84	0.72	0.85
Cash flow from operating activities per diluted share, EUR	1.06	0.81	0.82	0.70	0.83
Market price on 31 December, EUR	15.61	18.37	17.46	15.74	13.24
Market capitalisation	1,208	1,420	1,357	1,221	1,023
Ordinary dividend per share, EUR	0.511	0.51	0.47	0.41	0.37
<b>Other</b>					
Cash flow from operating activities	85	65	66	56	66
Cash flow from investing activities	-112	-55	-102	-86	-26
Cash flow from financing activities	30	-22	43	40	-40
Capacity utilisation, %	77.2	77.6	77.6	76.9	76.1
Average number of FTEs excluding associates	10,037	9,292	8,115	7,453	6,887

<sup>1)</sup> Proposed dividend

A 2:1 share split was carried out in 2014. The comparative figures have been adjusted.

# Alternative performance measures

## Organic growth

%	Infrastructure		Industry		Energy		Digital Solutions		Group-wide and eliminations		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Growth	16.1	—	3.0	—	5.8	—	15.3	—	—	—	10.4	14.3
Acquired	4.3	—	1.6	—	2.5	—	9.4	—	—	—	4.1	11.0
<b>Organic growth</b>	<b>11.8</b>	<b>—</b>	<b>1.4</b>	<b>—</b>	<b>3.3</b>	<b>—</b>	<b>5.9</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6.3</b>	<b>3.3</b>
of which currency	1.5	—	-0.4	—	2.5	—	0.1	—	—	—	1.1	0.3
of which calendar, difference in number of working days	-0.4	—	0.4	—	-0.2	—	-0.4	—	—	—	-0.4	-0.4
Adjusted/underlying organic growth	10.6	—	1.4	—	1.0	—	6.2	—	—	—	5.6	3.5

Comparative growth figures for 2017 are not available because 2016 has not been adjusted for the reorganisation that took place on 1 January 2018.

## EBITA/Adjusted EBITA

SEK million	Infrastructure		Industry		Energy		Digital Solutions		Group-wide and eliminations		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Operating profit (EBIT)	638	515	383	387	69	87	236	199	-123	-155	1,203	1,033
<b>Acquisition-related items</b>												
Amortisation and impairment of intangible assets	—	—	—	—	—	1	—	—	41	38	41	38
Revaluation of contingent considerations/option	—	—	—	—	—	—	—	—	-2	-44	-2	-44
Divestment of operations	—	—	—	—	—	—	—	—	1	—	1	—
<b>Profit/loss (EBITA)</b>	<b>638</b>	<b>515</b>	<b>383</b>	<b>387</b>	<b>69</b>	<b>88</b>	<b>236</b>	<b>199</b>	<b>-82</b>	<b>-162</b>	<b>1,243</b>	<b>1,027</b>
<b>Items affecting comparability</b>												
Transaction and restructuring costs	—	—	—	—	—	—	—	—	25	90	25	90
<b>Adjusted EBITA</b>	<b>638</b>	<b>515</b>	<b>383</b>	<b>387</b>	<b>69</b>	<b>88</b>	<b>236</b>	<b>199</b>	<b>-57</b>	<b>-72</b>	<b>1,268</b>	<b>1,117</b>

## EBITA margin/Adjusted EBITA margin

%	Infrastructure		Industry		Energy		Digital Solutions		Group-wide and eliminations		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Operating profit (EBIT)	10.8	10.1	8.5	8.9	4.4	5.9	10.0	9.7	-11.4	-19.1	8.6	8.2
<b>Acquisition-related items</b>												
Amortisation and impairment of intangible assets	—	—	—	—	—	0.0	—	—	0.3	0.3	0.3	0.3
Revaluation of contingent considerations/option	—	—	—	—	—	—	—	—	0.0	-0.4	0.0	-0.4
Divestment of operations	—	—	—	—	—	—	—	—	0.0	—	0.0	—
<b>EBITA margin</b>	<b>10.8</b>	<b>10.1</b>	<b>8.5</b>	<b>8.9</b>	<b>4.4</b>	<b>6.0</b>	<b>10.0</b>	<b>9.7</b>	<b>-11.1</b>	<b>-19.2</b>	<b>8.9</b>	<b>8.1</b>
<b>Items affecting comparability</b>												
Transaction and restructuring costs	—	—	—	—	—	—	—	—	0.2	0.7	0.2	0.7
<b>Adjusted EBITA margin</b>	<b>10.8</b>	<b>10.1</b>	<b>8.5</b>	<b>8.9</b>	<b>4.4</b>	<b>6.0</b>	<b>10.0</b>	<b>9.7</b>	<b>-10.9</b>	<b>-18.4</b>	<b>9.1</b>	<b>8.8</b>

Organic growth, EBITA, Adjusted EBITA, EBITA margin and Adjusted EBITA margin are alternative performance measures for which detailed calculations are set out below. The alternative performance measures are used by management to monitor the business. These performance measures are important for understanding the underlying business.

# Definitions

**Acquired growth** – Growth in net sales from an acquired operation, counted as an acquired turnover 12 months from the takeover date.

**Acquisition-related items** – Depreciation/amortisation and impairment of goodwill and acquisition-related intangible assets, revaluation of contingent considerations and gains/losses on disposal of companies and operations.

**Average number of FTEs** – Average number of FTEs during the year converted to the equivalent number of year-long, full-time positions. The actual number of employees is higher, owing to part-time employment and the fact that some employees work for only part of the year.

**Capacity utilisation** – Time invoiced to clients in relation to total time all employees are present at work.

**Cash flow per share** – Cash flow from operating activities in relation to average number of outstanding shares.

**Current ratio** – Current assets in relation to current liabilities.

**Dividend yield** – Dividend per share in relation to share price at end of reporting period.

**Earnings per share** – Earnings attributable to the parent's shareholders in relation to average number of outstanding shares. ÅF own shares are not regarded as outstanding shares.

**EBITA** – Earnings before interest, taxes and amortisation. Operating profit/loss with restoration of acquisition-related items.

**EBITA margin** – EBITA in relation to net sales.

**EBITDA** – Earnings before interest, taxes, depreciation and amortisation. Operating profit/loss before interest, taxes, impairment and depreciation/amortisation.

**Equity per share** – Equity attributable to the parent's shareholders relative to total number of outstanding shares.

**Equity ratio** – Equity including non-controlling interests in relation to balance sheet total.

**Interest cover** – Profit/loss after financial items with restoration of financial expenses in relation to financial expenses.

**Items affecting comparability** – Refers mainly to costs of restructuring and costs for major acquisitions. Other one-off items may also be reported as items affecting comparability in the cases where this gives a fairer picture of the underlying operating profit.

**Net debt** – Interest-bearing liabilities (excluding contingent considerations) and pension provisions less cash, cash equivalents and interest-bearing receivables.

**Net debt-equity ratio** – Net debt divided by equity including non-controlling interests.

**Number of employees** – Total number of employees at end of reporting period.

**Operating margin** – Operating profit in relation to net sales.

**Operating margin excl. items affecting comparability** – Operating margin adjusted for items affecting comparability.

**Operating profit (EBIT)** – Profit/loss before net financial items and tax (earnings before interest and tax).

**Operating profit excl. items affecting comparability** – Operating profit/loss adjusted for items affecting comparability.

**Organic growth** – Total growth in relation to net sales less acquired growth.

**Profit margin** – Profit/loss after financial items, in relation to net sales.

**Return on capital employed** – Profit/loss after financial items and restoration of financial expenses in relation to average balance sheet total, less non-interest-bearing liabilities and net deferred tax.

**Return on equity** – Profit/loss after tax in relation to average shareholders' equity including non-controlling interests.

**Return on total capital** – Profit/loss after financial items and restoration of financial expenses, in relation to average balance sheet total.

**Rolling twelve-month sales and operating profit** – Net sales and operating profit for the most recent twelve-month period.

**Total shareholder return** – Share price development including re-invested dividend.

# Calendar 2019

## 15 May

Annual General Meeting

## 15 May

Interim report January–March 2019

## 12 July

Interim report January–June 2019

## 30 October

Interim report January - September 2019

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From left:  
Azadeh Rezvani, Geotechnical Engineer  
Peter Degerström, Process Engineer  
Amir Nazari, Diversity Coach



ÅF is an engineering and design company within the fields of energy, industry and infrastructure. We create sustainable solutions for the next generation through talented people and technology. We are based in Europe and our business and clients are found all over the world.

ÅF – Making Future.

