ANNUAL REPORT 2016

Connecting with diverse talent

INNOVATION
BY EXPERIENCE

CONTENTS

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

VISION

The best partner for the best clients.

MISSION

ÅF is an engineering and consulting company for the energy, industrial and infrastructure markets. Our pool of experience, with a unique range of technologies, creates solutions that are profitable, innovative and sustainable.

CORE VALUES

Great people with drive
Teamwork
Indisputable independence

ÅF – A BRAND BUILT BY PEOPLE

Many believe ÅF is all about technology. But we think our story is mainly about people – bold engineers, business experts, visionary leaders and other professionals working together so new insights and ideas can grow into smart solutions that move society forward.

Every day we strive to improve people's lives, by developing energy-efficient solutions, investments in infrastructure, assignments within various types of energy, projects for industry and much more. We connect cities, countries and cultures with bridges, competence networks and mobile solutions. We generate jobs through technology that makes companies grow and prosper.

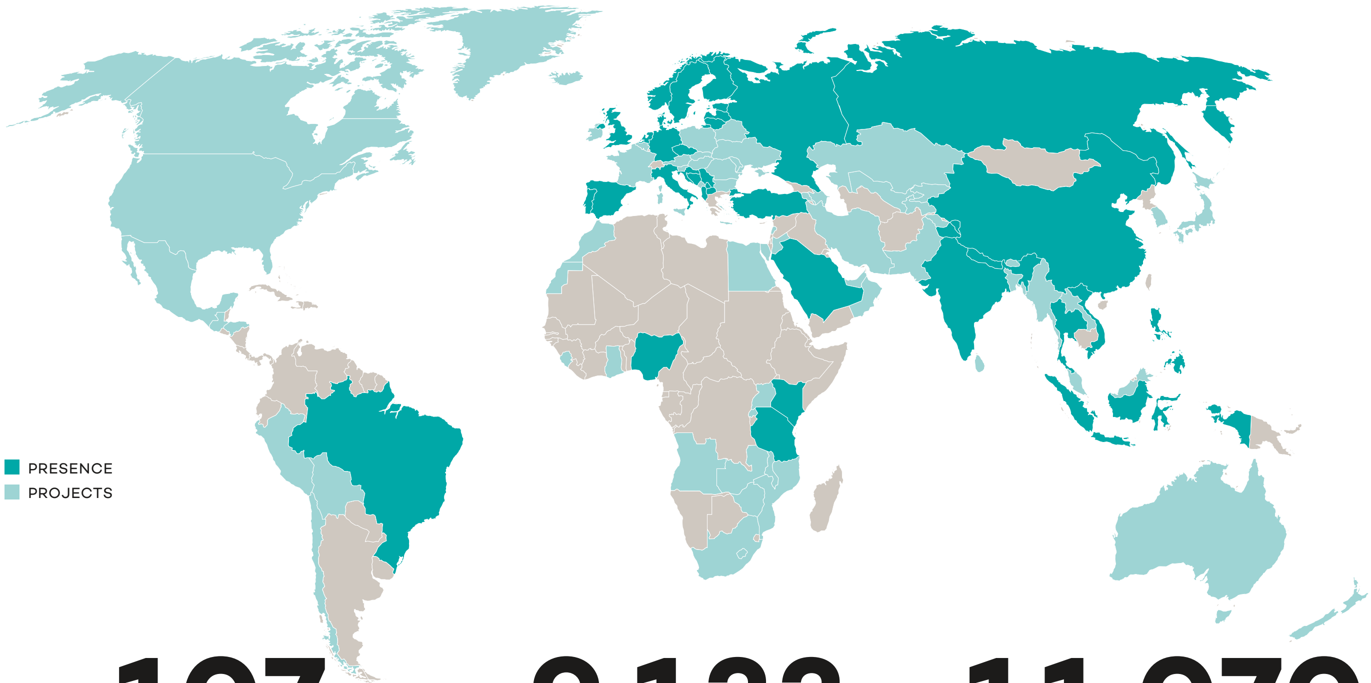
As an engineering and consulting company operating across the globe, we connect technologies to create progress for our clients. This is something we have done successfully for more than one hundred years. We started in 1895 as Ångpanneföreningen, an association focusing on steam power, from which we have derived our name and trademark, ÅF.

Our driving force is powered by the curiosity and knowledge of our forward-thinking employees. This places high demands on our ability to lead and empower people in exploring new opportunities beyond conventional solutions, and support them in continuing to build on established knowledge and experience in a creative way.

At the heart of our culture, we're a company where people are allowed to grow as individuals and as a team. A company that believes equality will make us stronger, more productive and successful. A company that works hard to make a difference – because tomorrow will always be a result of what we achieve today.

ÅF – Innovation by experience.

ÅF AT A GLANCE

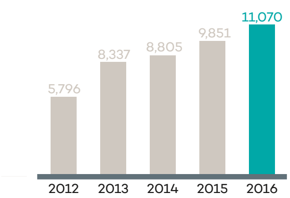


107
ÅF PURSUES OPERATIONS IN OVER 100 COUNTRIES

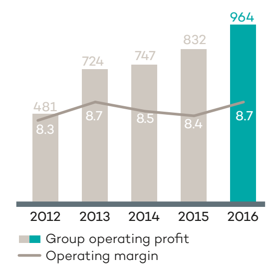
9,133
NUMBER OF EMPLOYEES 2016

11,070
SEK M NET SALES 2016

GROUP NET SALES SEK M

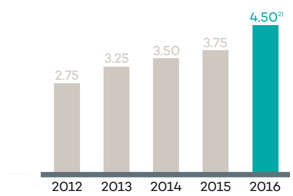


GROUP OPERATING PROFIT, SEK M AND OPERATING MARGIN, %[1]



1) Excl. items affecting comparability

DIVIDEND PER SHARE, SEK

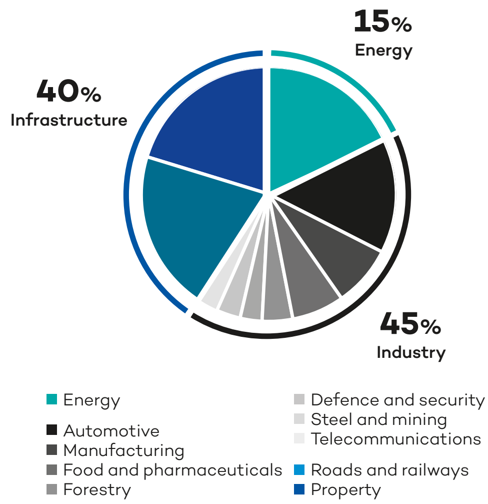


2) Proposed dividend

KEY RATIOS

	2016	2015
Net sales, SEK m	**11,070**	9,851
Operating profit excl. items affecting comparability, SEK m	**964**	832
Operating margin excl. items affecting comparability, %	**8.7**	8.4
Operating profit, SEK m	**965**	839
Operating margin, %	**8.7**	8.5
Profit after net financial items, SEK m	**923**	799
Basic earnings per share, SEK	**9.32**	7.81
Net debt, SEK m	**2,298**	1,486
Net debt/EBITDA, rolling 12 months, times	**2.1**	1.6
Net debt-equity ratio, %	**48.9**	35.1
Total number of employees	**9,133**	7,852
Capacity utilisation rate, %	**77.6**	76.9

SECTORS, CONTRIBUTION TO GROUP SALES



HIGHLIGHTS OF THE YEAR

ÅF grows both organically and via acquisitions. In 2016, ÅF acquired companies with combined annual sales of SEK 1.5 billion. The acquisitions strengthen ÅF's overall offering and form a solid platform for future growth.

Clients choose ÅF as long-term partner for challenging assignments. During the year ÅF was entrusted by clients to contribute our engineering know-how. These include CEVT, SKF, the Swedish Transport Administration and Volvo Cars.

ÅF named most attractive employer by young professionals engineers in Universum's 2016 ranking.

More women recruited during Ladies' Month. Ladies' Month ran for the third consecutive year and 53 female employees were recruited. The number of applications from women rose by 230 percent during Ladies' Month in 2016 compared with the corresponding month in 2013 – the year before we initiated the campaign.

The new student programme ÅF Future Talent is launched. ÅF Future Talent is a training and networking programme that takes place in Stockholm, Gothenburg and Lund. In 2016, 18 participants from Sweden, Finland and Spain took part over three terms.

ÅF's New Immigrated Engineers project takes off. Our campaign to recruit more newly arrived engineers to boost the company's skills bank has proved successful. ÅF has a Diversity Coach, whose job is to increase diversity and encourage newly arrived engineers and engineers with a foreign background to join ÅF.

ÅF measures the unmeasurable. ÅF's specialists have developed an index that defines the company's sustainability. The tool can also be used by other companies and sectors to measure sustainability performance.

ÅF continues to grow with profitability

Year 2016 saw high growth, strategic acquisitions and a strengthened client offering. Our business is fuelled by global societal trends and we are seeing a market that is slightly more positive than in 2015. Growth was strong and operating profit for the year was the highest in ÅF's history, providing a solid platform for continued profitable growth in 2017.

Improved profit and somewhat more positive market

We experienced a positive trend in 2016, which meant that operating profit excluding items affecting comparability amounted to SEK 964 million, an increase of 16 percent on 2015. The pace of acquisitions has been high and in 2016 a total of 15 operations were acquired, with combined sales of SEK 1.5 billion. The acquisitions have positioned ÅF for further growth primarily in Norway, Denmark and Switzerland, and expanded our offering to cover new areas. The acquisition of Sandellsandberg, one of Sweden's most successful architectural and design companies, is one such example. It allows ÅF to come on board at an earlier stage in infrastructure planning projects and deliver end-to-end solutions, while reinforcing our offering within design aimed at industry. We are continually deepening our industry knowledge, with the automotive industry being a specific example, and establishing more global business areas.

In the 2015 annual report, I described the outlook as more difficult to predict than usual. We can now report that 2016 proved more positive than anticipated, and that we feel slightly more optimistic about 2017 than we did a year ago, although concerns have not disappeared entirely. Demand from the industrial sector varies considerably, with a high pace of investment in the automotive, pulp, food and pharmaceutical industries, while mining, steel and the nuclear power industries are showing weaker demand but also signs of stabilising. Demand in infrastructure planning is strong in both roads and railways, as well as the property sector. Investments in renewable energy, transmission and distribution are increasing, but the energy market, particularly in Europe, remains weak, and ÅF's exposure to the sector is persistently declining. Through its broad offering, ÅF has good opportunities to balance economic fluctuations in different industries.

Driving forces for our business

Engineers are and will continue to be increasingly important going forward in resolving future social challenges. We are now seeing several global societal trends that directly affect our clients, and where strengthened competitiveness and a sustainable society need to go hand in hand. Globalisation means tougher competition, which demands greater efficiency in production, logistics and product development among our clients, but at the same time opportunities are generated for more companies to reach a global market. Demands are increasing for products and solutions to be made more attractive from a sustainability perspective. Digitalisation affects all industries and intelligent solutions are becoming increasingly common, in everything from production and products, to buildings and energy systems. The urbanisation that is happening all around the world is also increasing requirements for communities to have well-functioning traffic systems and public transport, secure and clean energy, clean air and water and energy-efficient buildings. Our clients are moving up the value chain and adding value via new customer offerings, while prioritising what is developed internally and what is outsourced to partners such as ÅF. This applies to both industrial and energy companies, as well as infrastructure planning operators. It is a trend that benefits ÅF, because we can offer end-to-end solutions as part of long-term partnerships with our clients, enabling them to boost their competitiveness and profitability.

Positive development of operations

The Industry Division is continuing to exhibit profitable growth, and in the automotive, food and pharmaceutical industries, and generally within industrial automation and robotics, demand has been consistently strong throughout 2016. Industry 4.0 is now a reality that means production in high-cost countries can be extremely competitive. The automotive business in China is continuing to perform well and we have also won a three-year assignment for AB Volvo in Brazil. The Industry Division strengthened its offering through the acquisition of Reinertsen's Swedish chemicals and petrochemicals business.

ÅF is gaining market share on the robust infrastructure market and experiencing growth of almost 30 percent. Profitability remains stable, although investments mainly in Norway have had a negative impact on profitability in the short term. Demand for the division's services is high throughout Scandinavia. Growth in Norway is continuing and the business in Denmark has been strengthened through the acquisition of Midtconsult, a

> “As CEO, I have had the privilege of leading ÅF for a period of almost 15 years. During this period, ÅF has demonstrated its strength under both good and more challenging market conditions. Our wide-ranging capabilities, long-term view of client relationships and innovative approach based on experience has been and will remain a winning concept in our continual efforts to make our clients stronger.”

company that operates in the construction and property sector.

The International Division is one of ten leading energy consultants in the world and finished the year on a high, as is usual for this time of year. However, growth for the full year was negative. The main reasons for the decline, which has also affected profitability for the division, are the weak European energy market and the temporarily postponed nuclear power project Angra 3 in Brazil. However, demand in Africa and Southeast Asia remains healthy. Q4 saw the acquisition of Edy Toscano, a leading engineering and consultancy firm in Switzerland, operating primarily within infrastructure. The acquisition makes ÅF one of the largest engineering and consultancy companies in Switzerland. ÅF is also broadening its renewable energy offering via the acquisition of the international solar energy company Aries.

The Technology Division continues to grow, mainly organically, with healthy profitability. Demand for embedded systems and digital solutions was high, particularly in the automotive industry. Our wide-ranging industry expertise and the Technology Division's in-depth knowledge of application and systems development for the interconnected world combine to produce a solid offering within digital transformation. This digitalisation expertise will be an increasingly significant feature of our client offering in the fields of industry, infrastructure and energy.

Strong appeal as an employer

To be the best partner for our clients, we need to recruit and retain the right people and offer them opportunities for professional development. Being an attractive employer contributes directly towards achieving growth and profitability targets. We invest in long-term relationships with our employees by offering specialist and career paths, exciting assignments, leadership development and opportunities for stimulating teamwork, which is one of our core values. Being an attractive employer also means promoting diversity and gender equality in our recruitment process. I am therefore extremely proud that we have once again been named one of the most attractive employers by M. Sc. engineers in Sweden. It makes a significant contribution towards further boosting our brand.

Financial position and prospects

The acquisitions carried out in 2016, along with strong cash flows, provide good conditions for greater growth in 2017. The target for 2020 remains: to generate net sales of at least EUR 2 billion and achieve an operating margin of at least 10 percent.

As CEO, I have had the privilege of leading ÅF for a period of almost 15 years. During this period, ÅF has demonstrated its strength under both good and more challenging market conditions. Our wide-ranging capabilities, long-term view of sclient relationships and innovative approach based on experience has been, and will remain a winning concept in our continual efforts to make our clients stronger.

It is with great satisfaction that I also note that all of us at ÅF have contributed to more sustainable social development in general.

I would therefore like to take this opportunity to thank our clients, employees, shareholders and partners for a constructive partnership and a rewarding year together.

With great confidence, I am now passing the baton to ÅF's new President and CEO, Jonas Gustavsson. I wish him all the very best for his future with the company.

Stockholm, March

Jonas Wiström, President and CEO

Our business is fuelled by global societal trends

People are moving to cities at a rapid rate and this is putting pressure on communities to function effectively in terms of access to clean water, housing, transport and energy. Alongside this trend, globalisation is bringing about tougher competition for the industries of the world. Companies are refining their products and services. At the same time, digitalisation is fast fuelling the development towards the interconnected society, and this is creating entirely new opportunities. These trends present significant challenges – but also opportunities – in our society.

Growing cities affect climate
Over the next 30 years, almost one in three global citizens will move from the country to the city, according to SCB. This vast movement of people is most apparent in emerging economies. Growing cities are making the need to reduce our carbon footprint and improve resource management and quality of life even more urgent. The factors that affect people's everyday lives – better housing, effective public transport, cleaner air, less noise and improved lighting – are all key drivers towards a sustainable society.

Increased globalisation brings new requirements
Industrial companies the world over are feeling the increase in competition across borders. Operators from countries with emerging industries are changing conditions and putting pressure on prices in many industries, which generates a need to streamline and rationalise processes and production.

Companies repositioning themselves
The increased competition in turn motivates companies to advance up the value chain. They are refining their customer offering, which involves a shift from mainly producing products, to supplying services as well. Companies are focusing on their core skills and repositioning brings a greater need for outsourcing in specific areas.

Global focus on sustainability
The UN has adopted a 15-year agenda for long-term sustainable economic, social and environmental development, called Agenda 2030. It includes 17 goals and 169 subgoals. Sustainable development is to be achieved by balancing and reconciling economic, social and environmental development. We have limited resources and this imposes new requirements on both the private and public sectors. ÅF's ambition is to be at the forefront and help our clients achieve these goals.

The connected society has arrived
Digitalisation has taken off in the sectors in which ÅF mainly operates: energy, industry and infrastructure. Smart solutions are essential for intelligent vehicles and energy-efficient homes, for example, as well as for large energy and transport systems. Increased digitalisation paves the way for a more sustainable society through more efficient resource management.

PER MAGNUSSON, PRESIDENT, INDUSTRY DIVISION

"ÅF is a leading operator when it comes to streamlining product development and production processes in industry, largely owing to our focus on digitalisation and the opportunities it presents. We have built up this expertise over many years with our clients in the Nordic region and it has proved competitive now that we are working with clients in other countries, for example in the UK, China and Brazil. We're seeing strong demand there for our solid expertise and innovative strength in industrial streamlining."

Industry 4.0 and the Internet of Things

We now have access to a vast amount of data, which creates new opportunities for more accurate analyses and improved business intelligence. Man-machine interaction is continually being developed via touch screen technology, for example. And the transfer of digital instructions to robots and 3D printers is improving all the time. These trends are now coming together under the Industry 4.0 concept, and will have a major impact in industry in terms of optimising production.

Another driver for ÅF's business is the Internet of Things (IoT), which is a collective term for a development in which machines, vehicles, household appliances and clothing are equipped with built-in sensors and computers. It is estimated that some 50 billion units will be connected in the world by the year 2020. This can improve prosperity via efficiency improvements and innovations in various industries.

Challenges that create opportunities

All in all, these global trends involve constant challenges for society when it comes to achieving long-term sustainable solutions. The challenges are often complex and require a holistic approach to get different technologies to work together. This creates opportunities for ÅF.

We differ from our competitors through our engineering know-how, which combines technological skills with knowledge of industries in the industry, energy and infrastructure sector. This enables us to develop the innovative and interdisciplinary solutions required to create a more sustainable society. We create new interfaces between industries and sectors, with IT as an increasingly important element.

Our many years of solid industrial experience in both product development and production processes gives us an advantage. We reuse, refine and link up our unique capabilities in entirely new areas.

Towards a more sustainable energy supply

Investment levels in Europe are low, but the global energy market is growing. The increase is primarily due to a spiralling need for capacity in Asia – particularly in Southeast Asia and China. Energy consumption per person in these regions remains a fraction of what it is in the Western world. In these countries, an improved and reliable energy supply is a significant and strategic factor in raising standards of living.

Investments in energy supply

There is every indication that by the year 2025 there will be 36 megacities in the world, most of them in Asia[1]. This extensive urbanisation process, with growing populations combined with subsequent rapid industrialisation in the countries concerned, requires greater capacity in terms of energy, transportation and water supply. For the foreseeable future there will therefore be huge potential for new investments in traditional energy supply. Upgrades and efficiency enhancements will also need to be made to existing installations. Furthermore, there will be a global need for major investment in energy storage solutions and more efficient use of current electricity grids.

[1] Source: Strategic trends from a global perspective 2025: a completely different world? Swedish Ministry for Foreign Affairs

Multiple organisations working together

The energy market is largely dependent on national political decisions, which are implemented by local authorities. Dismal profitability for many energy firms, including the state-owned ones, means that new ownership models will be established. The private sector is expected to see a heightened interest in investments in the industry. These investments are affected by the level of political will to make the transition to more sustainable sources of energy. This requires new business models coupled with innovative and cost-effective solutions.

Focus on sustainable energy

More than a billion people are currently living without access to electricity. Meanwhile, according to the UN, the global population is expected to increase to 8.5 billion over the next 20 years. As a result, energy requirements during the same period are set to rise by 50 percent. This will put huge pressure on efforts to reduce climate impact.

In 2016, ÅF acquired the energy division of Spanish engineering company Aries, which focuses on the development of solar power technology for the global market.

Investment in renewable energy

The various stakeholders in the energy industry need to tackle climate change. Substantial effort is required in order to achieve both national and global climate goals. Renewable energy currently accounts for around 13 percent of total production. On the positive side, this figure is continuing to rise. Meanwhile, political commitment to phasing out fossil energy sources is curbed by economic and technical obstacles. Energy intensive industries and transportation will also require continual, reliable deliveries going forward. This means that oil, coal and gas, along with nuclear power, are still the primary sources of energy for production plants in emerging regions.

ÅF holds a robust position

ÅF's energy offering encompasses advanced services that extend throughout the entire project period – from pilot studies, engineering services, project management, implementation and commissioning, to ongoing operation and maintenance. We cover all energy types and have particular in-depth experience and expertise in renewable energy, which means we are equipped to cope with the anticipated trend towards more sustainable solutions. Overall, this makes ÅF one of the leading names in this area, with a top-ten position in the world.

ROBERTO GEROSA, PRESIDENT, INTERNATIONAL DIVISION

"The energy market is adapting to the environmental situation, and the transition to renewable energy solutions is already well under way. ÅF has the expertise to support all types of energy both now and in the future."

Industrial companies face global competition

Most industrial companies are increasingly under pressure from global competition. There is high demand for innovative, profitable solutions. Companies are streamlining their processes and production alongside the development of new products. This is an essential approach if they are to retain market share and profitability.

An increasingly complex reality
Clients' processes are growing in complexity and number of features as IT becomes a natural component of both processes and products. Digitalisation gives businesses the opportunity to resolve challenges and explore solutions more quickly. One example is the automotive industry, where there is a strong need for IT expertise within active safety and driverless vehicles. The focus on sustainable solutions is also an ongoing theme throughout the entire value chain – from choice of material and design, to suppliers, production and product performance and usage. We are now on the cusp of the next phase in the digitalisation of the manufacturing industry: Industry 4.0. New strategies need to be developed to extract the benefits that are being created by new opportunities.

Broader expertise
Industrial companies are often missing some of the necessary skills to cope with all the technical challenges and commitments required to be at the very forefront of developments. That's why they consider working with consultants who have specialist skills. The emphasis is on opting for a select number of suppliers that are large and have access to plenty of resources, as they can offer a combined range of skills and are therefore able to take on comprehensive, multidisciplinary projects. This repositioning helps companies move up the value chain, which is essential for continued success.

To date, product development has often been defined as part of industrial companies' core business, which they would prefer to manage themselves. However, there are indications that demand for these services is such that external suppliers are being increasingly called upon.

A more sustainable industrial sector
Nowadays, sound resource management and the use of renewable materials are often a requirement in product development. Companies with sustainability expertise also create a competitive advantage.

ÅF's consultants are involved in the development of a vast number of products used daily – washing machines, mobile phones and safe vehicles to name just a few examples. The automotive industry is one area where ÅF has built up in-depth client and industry knowledge. We also help optimise process and logistics flows to avoid energy losses and reduce water consumption.

The world is moving ever closer towards a circular economy based on a recycling society. ÅF's ambition is to contribute towards this approach to product development by adapting designs and using recycled materials as far as possible. ÅF's environmental specialists have extensive capabilities within waste management and recycling, and can carry out environmental and health risk assessments. Our sanitation assignments help reduce emissions to air and water, ensuring safe working environments.

ÅF's end-to-end projects on the rise
The focus of industrial companies is on cost-effective, sustainable production of the highest possible quality. They are often looking for an end-to-end solution when working with consultants. The projects are usually of a multidisciplinary nature, such as combining automation and industrial IT to link up the company's business systems with production resources.

This gives ÅF a competitive advantage through our ability to put together specialist project teams, completely customised to meet client needs. This is combined with our vast breadth of knowledge in relation to various industries. All in all, this has made ÅF the leading consultant in Scandinavia within product, process and production development.

Growing need for infrastructure

Although infrastructure projects are largely national, they are affected by global trends. The main drivers are rapid urbanisation, the move towards sustainable communities, greater demand for a healthy living environment and increasing life expectancy. This adds up to a rapidly growing need for effective transport solutions and intelligent homes.

Continued investments

ÅF's infrastructure projects are mainly located in the Scandinavian countries, with the largest operations in Sweden, expanding primarily into Norway. Clients include both the public and private sector in the fields of infrastructure planning and property. The focus is on creating sustainable social environments where people can breathe fresh air, use cars only when necessary, feel safe, and enjoy low noise levels. A healthy environment, accessible to all, with energy efficient housing and green spaces right in the heart of the city. The projects range from small-scale, one-off initiatives, to major, long-term and innovative end-to-end solutions. In recent years, the market has been characterised by relatively high levels of public investment.

Investment in more effective transport

As cities and suburbs grow denser, there is increasing need for effective transport solutions. Currently, significant investment is being made in road and rail traffic, mainly in Sweden and Norway, including the high-speed East Link railway between Stockholm and Linköping, and the West Link in the Gothenburg region. These projects extend over several years and several other major investments are in the planning stage.

Huge technological shifts are also underway. For railways, developments will be driven by the new cross-border traffic management systems agreed upon throughout Europe. For road traffic, the rapid increase in IT and automation features in vehicles generates opportunities for effective interaction with infrastructure systems.

Greater demand for intelligent buildings

In the property field, demographic trends, including an ageing population, have led to the current structural changes in healthcare systems. By the year 2060, one in four inhabitants in Sweden will be over the age of 65, according to Swedish statistical agency SCB. Healthcare is being transformed accordingly. There is a move towards less personal contact with doctors and shorter stays in hospital. Instead, hospitals are redesigned to deliver highly specialised care, and meet greater demands for energy efficiency and safety, with the patient in focus.

Towards a more sustainable society

The UN forecasts that the number of people living in cities will be twice the number of those living in rural areas by the year 2040. This strong urbanization trend brings high demands for climate adapted, safe environments, coupled with smart communications solutions. With its expertise and innovative solutions, ÅF is playing an active part in many urban development projects in Sweden and abroad. The projects range from architecture to project planning of roads, hospitals, green spaces and housing, as well as detailed issues relating to lighting and acoustics. ÅF is also a leading operator in digital infrastructure expansion. As a greater number of social functions are rapidly being digitalized, it is important that everyone, wherever they live, should be able to access them. ÅF is a key player in Sweden's efforts to achieve its broadband target: for 90 percent of the population to have high-speed broadband of 100 Mbit/s by the year 2020.

ÅF leading the way

ÅF holds a leading position in the infrastructure and property sectors. We have a major competitive advantage in our ability to manage today's large-scale technological shifts. The increased use of IT and automation creates substantial opportunities to improve efficiency both in buildings and in transportation systems for roads and railways. ÅF is at the forefront of this development in the Swedish market, through its wide-ranging technical skills and expertise that covers all bases.

MATS PÅHLSSON, PRESIDENT, INFRASTRUCTURE DIVISION

"Our industrial roots are a great asset in contemporary infrastructure planning. Our expertise and ability to customize the best possible team for each individual assignment enables us to accept challenging projects that make a difference. We strive for diversity and gender equality, not only to continue being an attractive employer, but because we know that job satisfaction and innovative solutions are born out of a mix of personalities and backgrounds. This strengthens our clients' business and contributes to our growth. It's all connected."

Mission, objectives and strategies

Vision

The best partner for the best clients.

Mission

ÅF is an engineering and consulting company for the energy, industrial and infrastructure markets. Our pool of experience, with a unique range of technologies, creates solutions that are profitable, innovative and sustainable.

Strategy

ÅF's four divisions work together to create the best solutions and strongest teams for every client.

ONE ÅF

The key elements of the ONE ÅF strategy mean that ÅF's business activities are conducted as a decentralised operation under one and the same brand and with common processes and systems. A strong corporate culture with shared values ensures that we work together and exploit all the experience that is represented within ÅF.

ÅF has access to more than 100 million hours of engineering experience – know-how and solutions that are documented in ONE, our unique knowledge database that is available to every ÅF employee. This means that each ÅF employee can draw on ÅF's combined strength and ÅF is ready to tackle every technical challenge – now and in the future.

Number one or two

ÅF aims to be the number one or two as measured by sales in the segments in which we operate.

Both organic and acquisitive growth

Our rate of growth will remain high. ÅF will grow both organically over time and through acquisitions. Half of this growth is to come from acquisitions, which must strengthen the company in our main sectors – energy, industry and infrastructure – and fit well with ÅF in terms of corporate culture. Above all, ÅF's continued growth is to come in its domestic markets and the global energy market.

Core values

Great people with drive

ÅF's employees are competent and forward-thinking team players who take the initiative and are open to learning from others. They exceed client expectations with solutions that combine technical expertise and business acumen. They are good communicators who listen, have a positive attitude and always keep promises.

Teamwork

ÅF's employees create good results through teamwork with clients and colleagues. For us, teamwork is about collaboration and partnerships – between people and businesses, across all boundaries. We make use of each other's experience and we share our own. This makes each individual consultant as strong as ÅF in its entirety and makes the company an indispensable strategic partner.

Indisputable independence

It goes without saying that we will be impartial when choosing suppliers and solutions. Client needs will always be our guide. We welcome strategic partnerships, but will always choose what is best for the client.

Focus areas for sustainability

Long-term profitability is guaranteed by working proactively to push developments towards a more sustainable society. ÅF works systematically with its prioritised sustainability aspects in three focus areas:

Sustainable Solutions
ÅF contributes towards sustainable development by offering the most sustainable solutions. Every project creates value for ÅF, the client and society.

Responsible Business
All projects and assignments fulfil the principles stated in ÅF's Code of Conduct, which includes the UN Global Compact principles. ÅF ensures that operations are conducted responsibly through its risk assessment process (SRA).

Attractive Employer
Our employees are a key factor for ÅF's success. ÅF attracts outstanding, highly motivated employees. Effective cooperation is important in enabling the development of innovative, multi-sectoral solutions.

How we measure sustainability
Sustainable Business Performance Indicators (SBPI) define ÅF's sustainability by analysing measuring points from the three focus areas. Measuring a company's actual sustainability is complex, because it comprises a combination of quantitative values such as carbon dioxide emissions and gender distribution, and qualitative values such as perceived working environment and client satisfaction. Financial, environmental and social aspects have been factored in. Sixty measuring points with both hard and soft values that are key to ÅF's business have been analysed and compiled into a value that indicates ÅF's overall sustainability performance on a scale of 0 to 100. The measurement values are comparable from year to year and the start year is 2016.

The SBPI tool has been developed by ÅF's sustainability, compliance and digitalisation specialists in close cooperation with RISE[1)], and is based on measurement methods from international research into human perception, as well as from traditional metrology.

The tool can also be used by other companies and sectors to measure sustainability performance.

1) Formerly SP Technical Research Institute of Sweden

Financial objectives

GROWTH TARGET 2020

EUR 2 bn

ÅF will achieve sales of EUR 2 billion by 2020.

OPERATING MARGIN

10%

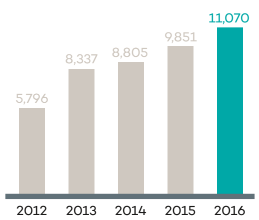
ÅF shall be the most profitable company among its closest comparable competitors in the industry and achieve an operating margin of at least 10 percent over a business cycle.

NET DEBT

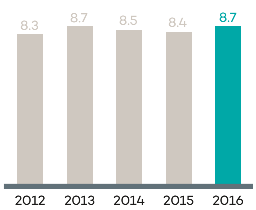
1.5–2.0

Net debt shall be between 1.5 and 2.0 times EBITDA over a business cycle.

OUTCOME SEK M

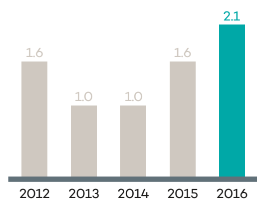


OUTCOME %1)



1) Excl. items affecting comparability.

OUTCOME TIMES



How ÅF creates value for its stakeholders

INPUT

STRUCTURAL CAPITAL
- Engineering knowledge with unique breadth of technical areas
- Combined experience from various sectors and clients
- Knowledge database that is available to every employee
- ÅF's brand, which stands for engineering knowledge, quality, experience and innovation
- Strong employer brand that attracts new employees

HUMAN CAPITAL
- Over 9,000 employees with a unique combined set of skills and experience
- 28,000 engineers and specialists in ÅF's network
- Sustainability in focus – compulsory training for all employees
- Focus on skills development via assignments and ÅF Academy
- Leadership development

SOCIAL AND RELATIONSHIP CAPITAL
- Long-term, active owners
- Strong, lasting client relationships
- Good relationships with the research, society, universities and institutes of technology
- Active sustainability and gender equality work

FINANCIAL CAPITAL
- Loans and shareholders' equity
- Strong cash flow and balance sheet

PRODUCED CAPITAL
- More than 150 offices around the world
- System support for all processes

ENERGY CONSUMPTION
- Heating of offices and travel to clients

HOW ÅF CREATES VALUE

Mission

ÅF is an engineering and consulting company for the energy, industrial and infrastructure markets. Our pool of experience, with a unique range of technologies, creates solutions that are profitable, innovative and sustainable..

PROJECT BUSINESS
- Major projects and end-to-end solutions
- ÅF delivers solution or result
- Thorough knowledge of clients and industry

PROFESSIONAL SERVICES
- Skills and resource reinforcement
- ÅF chooses the right consultant to match clients' needs
- The right skills at the right time

TEAMWORK GREAT PEOPLE WITH DRIVE

OUTPUT

What ÅF creates

With over 40,000 ongoing projects and assignments we help our clients with smart solutions to boost their competitiveness and profitability.

40,000

PROJECTS AND ASSIGNMENTS

ÅF's model for value creation describes the company's processes and spheres of influence. The value in assignments is developed by our employees and determined by their combined expertise and range of technical skills. Sustainability is a constant theme throughout the entire process. The earlier ÅF comes on board in client projects, the greater the potential for influencing the design, implementation, choice of materials and choice of suppliers to create sustainable solutions.

INDISPUTABLE INDEPENDENCE

VALUE BY STAKEHOLDER GROUP

CLIENTS
- Profitable, effective and sustainable solutions to boost competitiveness and cut costs
- Over 40,000 ongoing assignments
- Proportion of major projects and end-to-end solutions represent more than half of total net sales

EMPLOYEES
- Personal development and career opportunities
- In-house projects allow opportunities to work with ÅF colleagues
- Proportion of women has risen to 25%
- Hours of training: 31 hours per employee
- Salaries remunerations and other personnel costs (excluding employer's contribution): SEK 4,995 million

SHAREHOLDERS
- Proposed dividend: SEK 4.50/share
- Total shareholder return on ÅF B shares: 19%
- Positive operating profit: SEK 964 million

SOCIETY
- Strengthened competitiveness for industry
- Well-functioning infrastructure
- More sustainable energy recovery and consumption
- Direct and indirect jobs around the world
- Income tax and employer's contributions: SEK 1,356 million

CLIMATE
- Climate emissions: 1,347 kg CO_2 eqv. per employee

REINVESTMENT THROUGH INCREASED EXPERIENCE, REFERENCES, DEVELOPMENT AND GROWTH

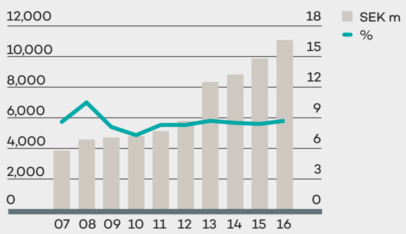
Five reasons to invest in ÅF

Global trends – globalisation, urbanisation, digitalisation and repositioning – are underlying factors that fuel demand for our services. At ÅF we continually develop our offerings and channel our resources to adapt operations to our changing world.

1 Long-term strategy for growth and profitability

ÅF aims to generate sales of EUR 2 billion by the year 2020. We will grow both organically and through acquisitions. Growth strengthens and broadens our client offering, while acquisitions have helped us identify and realise cost synergies. We have a clear strategy and have demonstrated our ability to grow profitably. The target is to achieve an operating margin of at least 10 percent over a business cycle.

NET SALES AND OPERATING MARGIN[1)]

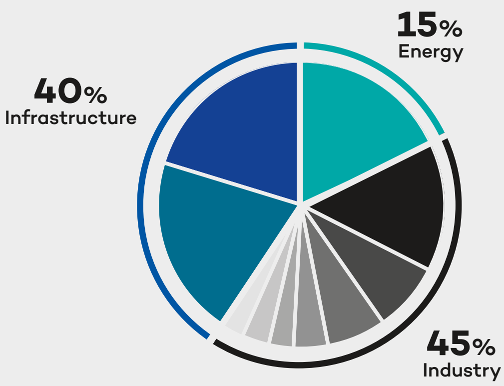


1) Excl. items affecting comparability.

Unique breadth in client offering 2

Through organic growth and via acquisitions, ÅF has established an offering that spans a broad range of skills and client segments. In combining these, ÅF has a unique set of skills and experience that can be matched by few other consulting firms. This aids the image of ÅF as an attractive partner as industry makes the transition to the digital age, or as we build long-term sustainable communities.

SECTORS, CONTRIBUTION TO GROUP SALES



Strong brand and market position

3

ÅF stands for long-term client relationships and quality, and is a well-known brand particularly in Sweden. The brand, which has been built up over a century, represents experience and a long-term perspective, and is at the forefront when it comes to innovative, sustainable solutions. ÅF endeavours to achieve a leading market position in industry, infrastructure and energy on the domestic markets Sweden, Norway, Denmark, Finland, Switzerland and the Czech Republic. We are establishing ourselves on other markets, where we can achieve a leading position in the segments in which we operate by setting up projects and sales offices, or by exporting resources from our domestic markets.

GEOGRAPHIC EXPANSION

Domestic market

Expand the complete range of services

Other markets

Establish projects and sales offices

Exports from domestic markets

Attractive employer

4

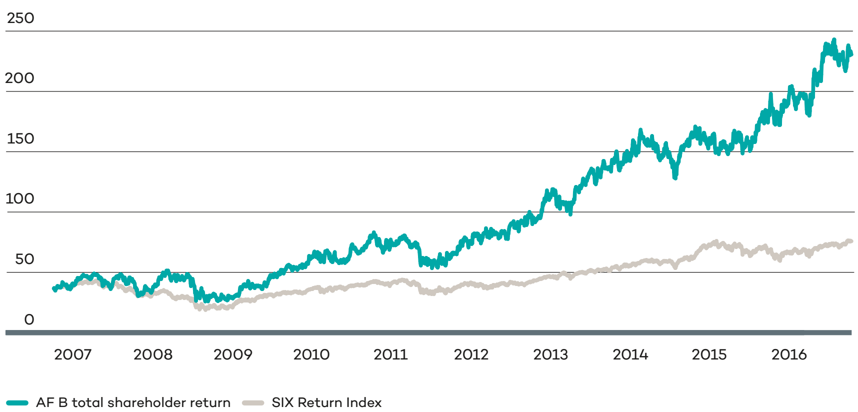
In the long term, our ability to attract the best employees is essential and ÅF has succeeded in recruiting skilled employees by offering good opportunities for advancement and interesting projects. Maintaining our profile as an attractive employer enables us to recruit the best employees, which in turn strengthens our client offering and competitive edge.

Long-term value creation

5

Over the past ten years, ÅF has generated a total shareholder return of 531 percent compared with 107 percent for the SIX Return Index. ÅF stands for long-term sustainable development that adds value for shareholders, clients, employees and society.

TOTAL SHAREHOLDER RETURN 2007–2016, SEK



ARCHITECTURE
COHOUSING 2.0

ÅF's design proposal for an apartment block with 100 flats in Stockholm breathes new life into the concept of cohousing. The planned cohousing complex is mainly made up of small flats for a younger target group.

A progressive environmental approach runs through the entire project. The ambitious energy requirements generate innovative solutions – everything from minimised electricity consumption in each flat, to heat recycling from waste water. Parts of the roof are made up of a shared green roof terrace with solar panels.

Did you know...

The UN forcasts that the number of people living in cities is expected to be twice the number of those living in rural areas by 2040.

RECOGNITION

ÅF wins first prize in 2016 City. People. Light Award. The city of Aalborg and ÅF Lighting were awarded first prize in the 14th annual City.People. Light Award for their innovative urban renewal project 'House of Music Area' in Aalborg, Denmark.

DIGITALISATION
HALLAND FIRST DIGITALISED COUNTY

The inhabitants of Halland are on the crest of a digital wave. As a pioneer in Sweden, the region is investing in the expansion of high-speed broadband. ÅF is making a strong contribution in the form of our knowledge and experience in both telecoms and environmental and sustainability analyses for complex projects. Via this unique arrangement, we are helping to make Halland the first digitalised county in Sweden.

The project is being managed by ÅF in cooperation with IP-Only, and we are continually analysing the benefit to society and developments following digitalisation. The analyses reveal how new technology is generating practical benefit for people.

TRANSMISSION

TOWARDS AN INTERCONNECTED EAST AFRICA

Economically and environmentally sustainable electricity supply is essential for continued development in eastern Africa. The difficulty is in creating transmission solutions that function in areas with extremely challenging geographical conditions. The East African Power Pool therefore decided as an initial step to carry out a feasibility study with the help of ÅF.

ÅF has many years of experience working in Africa. Working with local companies, we could demonstrate how 1,000 km of transmission cables, combined with 13 substations, can effectively connect Kenya, Uganda and Rwanda. This will help ensure that more people gain access to a reliable electricity supply.

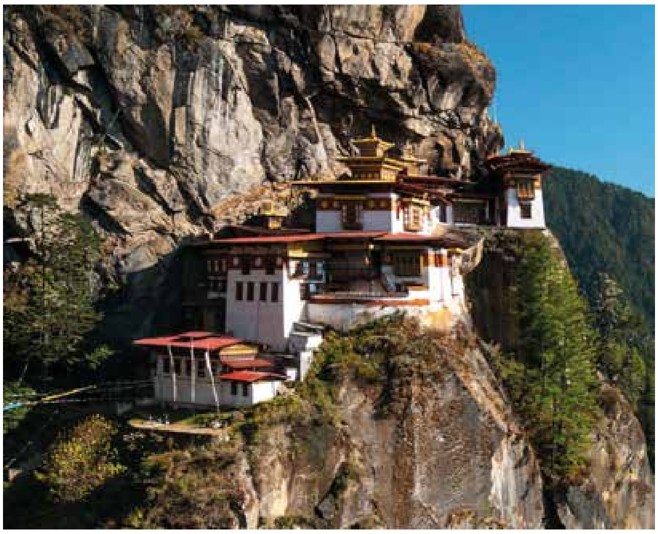
ENERGY EFFICIENCY

A WINNING CONCEPT IN ASIA

The Thai energy group Glow Group wanted to increase production capacity and efficiency in one of its plants, so it needed a modern control system. ÅF was able to streamline energy recovery in Glow Group's plant by using its proprietary Balance + Control Concept.

RECOGNITION

The 2016 Sweden Building Project of the Year is awarded to Malmö Live, for which ÅF is the subcontractor. The concert hall and conference centre Malmö Live was named the best building project in Sweden in 2016. ÅF consultants have been involved in the project from the outset three years ago.



POWER GENERATION

CONSTRUCTION OF NEW HYDROPOWER PLANT IN BHUTAN

The rapidly increasing population in Asia is bringing a growing need for energy. In connection with a new hydropower plant in Bhutan, ÅF has been tasked by Nikachhu Hydro Power with supplying the construction design. The plant will supply 118 MW.

ÅF's involvement also extends to hydraulic design, including physical model studies, geotechnical design of all subterranean works, the structure of the dam itself and design drawings for all components.

Our offering

ÅF's business model aims to boost clients' competitive edge and enable them to be at the forefront of their field. We make this happen through the effective combined use of all ÅF's skills and experience. This also fosters an environment for achieving our growth, profitability and sustainability targets, which are there to generate long-term value for our stakeholders.

Two client pathways

In the most complex projects, clients demand highly qualified expertise to create advanced solutions within particularly challenging areas of engineering. This means they need to work with a supplier that can come on board in an end-to-end solution and lead projects. Or clients might need to bolster their internal resources in projects they are running themselves. In such cases, clients are looking for consultants with specialist skills, who can quickly understand their needs and help create a solution in a short space of time. ÅF's business model considers these varying needs by offering two approaches when working with clients.

End-to-end solutions via Project Business

Project Business is ÅF's offering for major projects and end-to-end solutions. In such projects, ÅF acts as a partner for the client, leading and running the entire project and being paid to deliver a solution or outcome within a set timeframe. The projects are often related to cutting costs or boosting productivity.

Many years of experience, an understanding of the client and their industry, coupled with well-developed systems for sharing knowledge are key success factors in this part of our business. It is also important to have a detailed knowledge of various markets and the conditions in different industries, along with sound risk management. We hold a leading position in end-to-end solutions. There are only a few competitors that are capable and experienced enough to work with major, interdisciplinary projects.

Our ability to meet client demand for end-to-end management is strengthened via the fact that ÅF is continually building up internal skills centres and clusters around sectors and clients. Some examples of this include the automotive, defence and telecom industries, in property, power generation, roads and railways, along with the field of life science.

Skills and resource reinforcement via Professional Services

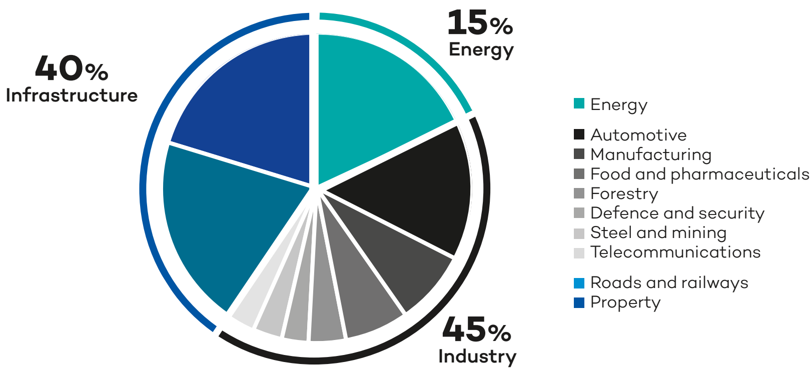
Typically, many clients often find themselves in need of temporary reinforcements or additional skills in their organisation. ÅF can provide this support via its *Professional Services* offering. In this type of assignment, it is the client who leads and runs the project. Our contribution is to bring the necessary skills to enable the client's project to run smoothly. The client pays for the time spent by the consultant. The key success factors for ÅF are being able to respond quickly and provide consultants with the right expertise in the relevant sector or field. The start-up phase should be as brief as possible.

The competition situation is extremely fragmented. Our advantage is our strong brand and our excellent reputation, which means clients are confident about engaging the services of our employees.

Sustainable solutions in energy, industry and infrastructure

ÅF's offering includes engineering and consulting services primarily within three sectors: energy, industry and infrastructure, with a focus on sustainable solutions. ÅF's operations are continually improved to keep pace with the global trends that are fuelling developments in these sectors. The focus is on creating efficient, renewable energy, resource management, safe and green workplaces and circular processes.

SECTORS, CONTRIBUTION TO GROUP SALES



Global opportunities within energy
Around one sixth of ÅF's sales are related to energy. Operations have a strong global focus and the company is currently involved in projects in over 80 countries. ÅF's capabilities span all energy types; hydro power, coal, gas, biofuel and various types of waste, nuclear power and renewable sources, along with transmission and distribution. The company's driving force is to ensure access to affordable, reliable, sustainable and modern energy for all. We can offer our clients broad expertise covering the entire spectrum of power generation, as well as the entire life cycle of an investment.

Rapid population growth, increased urbanisation and resettlement of refugees are bringing increasingly high demands for sustainable urban planning, a reduction in CO_2 emissions and access to jobs for more people. Guaranteeing energy supply and the transition to renewables present major challenges. At the same time, digitalisation is encouraging hopes for positive change in our society.

Combining digitalisation with smart technology allows us to contribute towards linking up systems, societies and people. This leads to lower energy consumption, efficient use of resources and reduced climate emissions.

Profound sector knowledge
ÅF is the Nordic region's leading engineering consultant in product, process and production development. Our goal is to promote sustainable industrialisation and innovation. Our industry assignments account for almost half of the company's sales. The market segments that currently account for the strongest development are the automotive, pharmaceutical and paper and pulp industries.

Industrial companies are looking to streamline and rationalise production alongside continual product development. This has led to a greater need to engage consultants that can take overall responsibility on various types of projects. ÅF benefits from this. Clients' demand for end-to-end solutions means the projects are often of a multidisciplinary nature – for example assignments where automation and industrial IT are combined to link up clients' business systems with production. Contributions such as these include a broad commitment from ÅF's various skills clusters.

Sustainable environments for living and travel
ÅF helps build infrastructure that makes cities and estates safer and more inclusive and sustainable. Construction projects at ÅF encompass roads and railways – an area in which major technological shifts are under way – along with major property projects, primarily the modern hospital. In the space of a short period we have established ourselves as a market leader in Scandinavia in these areas, and infrastructure assignments now account for over a third of ÅF's sales.

Levels of public sector investment remain high, particularly in Sweden and Norway. ÅF participates in most of the large projects and has a major competitive advantage in its ability to handle the comprehensive and complex technological shifts that are occurring.

ÅF has acquired architectural firm Sandellsandberg, with Thomas Sandell as Chief Architect for ÅF. The acquisition complements existing operations within industrial design, lighting design and landscape architecture, and extends our infrastructure planning offering.

Greater use of IT and automation is a prerequisite for increased efficiency, both in road systems and buildings.

Digital solutions that connect
Digitalisation offers new opportunities for ÅF's clients to improve efficiency and boost profitability. ÅF has a clear focus on advanced systems development, digital solutions, product development and IT to interconnect systems and products in our rapidly evolving digitised society. Our total breadth of expertise combined with our in-depth knowledge of application and systems development for the connected world constitutes a strong market offering covering all sectors.

Working towards sustainable solutions
ÅF has an important role to play in all parts of its operations in the transition to a sustainable energy and technical trend. In both business and society, our technical solutions contribute to efficient use of resources and reduced environmental impact, or environmental improvements. By combining wide-ranging skills from several different disciplines, ÅF is able to offer sustainable end-to-end solutions.

Exceptional range of specialists

The vast range of skills and specialist knowledge found among ÅF's employees and networks means that clients can be offered cutting-edge solutions that boost their competitive edge, whatever the industry or type of technical challenge. Sound business acumen combined with complete independence mean that ÅF's consultants are able to choose the best solution for each individual assignment.

Customised solutions

ÅF possesses a vast bank of engineering knowledge. This means we can offer end-to-end management or take on responsibility for specialised subprojects on site with our clients in the industrial, infrastructure and energy sectors. Our work is based on the comprehensive services we combine when we customise solutions for our clients.

Expertise in all areas

ÅF's industrial expertise covers fields such as product development and IT within the automotive sector, telecoms, defence and life science. Furthermore, the company has specialist know-how within process development for industrial and energy plants, automation of production and production facilities. ÅF also contributes to the development of customised business systems, communications systems management, as well as IT and civilian security.

In the field of energy, ÅF's expertise extends to transfer and distribution of energy and all types of power plants for all kinds of energy sources – various types of waste, gas, coal, nuclear power, as well as biofuel, hydro power, wind and other renewable energy sources.

When it comes to infrastructure, ÅF offers management and project management skills for major projects within most sectors of society, primarily roads, railways and buildings. The company has specialist skills in several different fields, including architecture, noise, vibration, acoustics, lighting and the environment in general.

ÅF's strengths include its ability to link and combine skills and experience from different sectors and market segments to create interdisciplinary and innovative solutions that benefit clients in all industries.

FOCUS AREA SUSTAINABILITY
SUSTAINABLE SOLUTIONS

ÅF contributes towards sustainable development by offering the most sustainable solutions. Every project creates value for ÅF, the client and society.

A unique network of skills

ÅF employs just over 9,000 highly qualified individuals. In addition, the company has access to a network of 28,000 engineers and specialists who function as an exceptional resource centre. These include entrepreneurs, academics, alumni networks and independent engineers and researchers. Together with ÅF's own employees, this network provides unique opportunities to offer clients the most suitable consultant for every job. All consultants hired by ÅF for assignments are quality-assured in three stages, which gives the client peace of mind. The network is constantly growing. ÅF's combined network covers almost every conceivable field of engineering. This means we can offer a solution in all areas.

Operations in four divisions

ÅF takes on assignments all over the world and currently operates in over 100 countries. The projects vary in their focus and size and require customised solutions for each individual client. For maximum efficiency, ÅF's operations are conducted via four specialised divisions: Industry, Infrastructure, International and Technology.

Effective cooperation
The divisions work closely together to enable the company to always offer the strongest teams, producing the very best solution for every client. The primary focus of each project determines which division will take overall responsibility. Read more about the divisions in the administration report on page 30.

9,133
HIGHLY QUALIFIED INDIVIDUALS

28,000
ENGINEERS IN THE NETWORK

Divisions	Industry	Infrastructure	International	Technology
Share of net sales	39%	36%	10%	15%
Growth	+7%	+30%	-7%	+8%

Broad and stable client base
In 2016, ÅF had more than 42,000 assignments for 11,000 clients in over 100 different countries. This spreads the risk and our broad client base generates opportunities for add-on business. The huge variation in assignments and types of challenges draws a continual flow of new skills to ÅF. Around two thirds of our projects are for private companies. Of our ten largest clients, seven are linked to private business and three are in the public sector. The ten largest customers together represent 33 percent of Group sales.

Responsible Business
ÅF works purposefully to make business travel more efficient and reduce greenhouse gas emissions from commuting. We want to be a sustainable partner for our clients. That's why ÅF has established a CO_2 emissions target. Using 2016 as a baseline, the goal is to cut them by half per employee by 2030. We intend to achieve this target by adopting a low-carbon approach to travel.

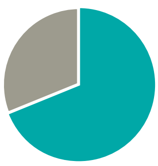
VIKTOR SVENSSON, PRESIDENT, TECHNOLOGY DIVISION

"We work across sectors and are able to identify common denominators in an innovative way with regard to how our clients can utilise digitalisation for product, process and production renewal. Being at the very forefront of the shift to digital is essential as our clients reinforce their competitiveness."

ÅF'S TEN LARGEST CLIENTS

- AB Volvo
- Astra Zeneca
- Avinor
- Ericsson
- Swedish Defence Materiel Administration (FMV)
- GE
- Scania
- Swedish Transport Administration
- Vattenfall
- Volvo Cars

PRIVATE SECTOR – PUBLIC SECTOR



Private sector, 69%
Public sector, 31%

FOCUS AREA SUSTAINABILITY
RESPONSIBLE BUSINESS

All projects and assignments fulfil the principles stated in ÅF's Code of Conduct, which includes the UN Global Compact principles. ÅF ensures that operations are conducted responsibly through its risk assessment process (SRA).

Our employees are a key success factor

ÅF's competitive edge is directly linked to our appeal as an employer. It's something we continually work on, and it begins internally resulting in our being able to attract the most talented individuals. This guarantees our ability to offer our clients the most innovative and sustainable solutions. The overriding goal is to be an attractive employer where employees contribute to sustainable social development.

ONE ÅF – essential for growth
ÅF's growth strategy demands a high pace of acquisition and recruitment, which in turn puts pressure on our organisation to identify and develop the best people. We therefore work systematically with competence supply and leadership development. We have acquired 30 businesses over the past three years, which means just over 2,300 new employees have joined ÅF via acquisitions.

One of the most important aims of our HR work is therefore to create a cohesive organisation under a single brand. Our corporate culture has a shared view of leadership and career development that spans country and division borders. This is a continual process, strongly driven by our rapid growth.

Focus on diversity and inclusion
As a fast-growing company, ÅF is constantly on the lookout for a range of talents that can contribute to innovative strength both for our clients and for society as a whole. In order to increase diversity in the company, we have established the EVEN ODDS framework, under which a number of activities are pursued. One overall goal for ÅF is to establish an improved gender balance among both consultants and managers. An intermediate goal is for women to make up 30 percent of ÅF's workforce at all levels by 2020. Women represented 25 percent of all employees in 2016 and 29 percent of new appointments.

Ladies' Month produces results
Ladies' Month is an annual recruitment drive, which means that during a specific month, employment contracts are only signed with women. As part of this initiative, 53 women were recruited in 2016. It is also worth noting that applications from women rose by 230 percent during Ladies' Month in 2016 compared with the corresponding month in 2013 – the year before the campaign started.

On the initiative of Jonas Wiström, the network ÅF's HeForShe was launched, which is part of our gender equality efforts and focuses on a single issue: to ensure that there are more women in all positions at ÅF.

ÅF's New Immigrated Engineers project takes off
Our campaign to recruit more newly arrived engineers to boost ÅF's skills bank has proved successful. In addition to diversity and inclusion being an important part of all our recruitment processes, we now also have a Diversity Coach, specifically tasked with increasing diversity at ÅF. Several engineers who were born outside Sweden started internships at ÅF in 2016.

Inquiring minds and knowledge make a difference
ÅF creates opportunities for employees to grow as individuals and as part of a team. This is an essential ingredient in making the business even stronger, more productive and successful. At ÅF we endeavour to make a difference – tomorrow is a result of what we achieve today. The drive to achieve this comes from the thirst for knowledge that is an attribute of all our employees.

Attracting and retaining the very best talent requires a strong brand that reflects the modern and innovative company that is ÅF today. ÅF has this strong brand, which has become apparent time and again in various surveys.

Favourite among young engineers – again!
For the fourth year in a row, ÅF was ranked top of Universum's list by young, professional engineers in Sweden. We achieved first place with postgraduate engineers and second with undergraduate engineers. The survey revealed that 96 percent are aware of ÅF and the following aspects were highlighted as being the most important when choosing an employer: a leader that supports development, challenging work and a company offering interesting jobs.

ZAIN NADRA

"My husband and I came to Sweden from Syria two years ago. I'm a qualified mechanical engineer. I gained an internship via ÅF's Diversity Coach, along with the opportunity to take my first steps into the future. I get to work with projects that match my skills, and the chance to show people what I'm capable of professionally. My colleagues help me and are very friendly. We speak Swedish to help me learn the language quicker. This is an important opportunity for me to get back on the labour market, and I'm now an ÅF employee."

Mechanical engineer, ÅF's New Immigrated Engineers project

PÄR LUNDBERG

"Corporate culture isn't about the place, it's about the people. Here at ÅF we're a great people who are keen to achieve success as a team. For me as a manager, specifically, this means that right from the start we recruit people who share our vision and our values. It's also about giving feedback and encouraging the right motivation, while daring to take risks and maybe getting things wrong but taking responsibility."

Business Area Manager, Systems Management

ÅF attracts applicants via Tekniksprånget
Tekniksprånget is a national initiative which the government commissioned the Royal Swedish Academy of Engineering Sciences (IVA) to lead, with the aim of encouraging interest in studying engineering, particularly among women. The young people who are accepted onto the programme are offered a four-month placement with the participating companies. ÅF has been taking part in Tekniksprånget for three years. Experience shows that we are a popular employer that attracts plenty of applications. It is also worth noting that we have a higher than average proportion of women applying. Some 250 employers participated in Tekniksprånget in 2016, and 3,000 applications were made. Of these, 442 people were interested in an internship at ÅF and the proportion of women who chose ÅF was high at 44 percent. We had six interns working at ÅF in 2016.

University Tour with Kalla and Kallur
2016 saw the second university tour with the athletes Charlotte Kalla and Susanna Kallur. The idea behind this initiative is to offer students a glimpse into what drives ÅF and some of Sweden's top athletes. Employees from ÅF's various areas of engineering give presentations, and Kalla and Kallur talk about the kind of motivation required for sport at the very highest level.

ÅF Future Talent
A new student programme, ÅF Future Talent, was launched at the beginning of the year. There are 18 participants from three countries: Sweden, Finland and Spain. The programme continues for three terms, starting during the participants' fourth year at university. Participants get to learn about ÅF's business through lectures, workshops and study visits. They are also assigned an ÅF mentor and the chance to build their own networks. They function as ambassadors for ÅF at their educational institution and the programme ends with them carrying out their degree projects with ÅF.

Training through ÅF Academy
ÅF Academy is our education platform offering a range of different courses and training programmes – from basic training for new consultants, to advanced training for specialists. All courses consistently reflect our values and fundamental approach to sound entrepreneurial skills. An important dimension of the ÅF Academy is that participants broaden their network within the company, which is useful in their day-to-day work and creates openings for new business. One of the key training sessions is our induction programme, Welcome to ÅF, which is compulsory for all new employees.

Professional development for managers
In addition to being knowledgeable within their field, ÅF's managers also need to be professional salespeople and communicative and inspiring leaders, capable of building strong teams. All new managers therefore attend a management training programme that covers areas such as leadership, finance and sales.

New leadership programme targeting middle management
In 2016, ÅF developed a new leadership programme targeting middle management, with a focus on leading teams and change. The programme was well received and will be rolled out to a larger target group in 2017. During the year, we also implemented a leadership programme aimed at women, with the intention of developing and encouraging selected women with leadership potential. The programme combines training with sharing experiences, and all participants are offered a senior mentor.

Senior manager development
For senior managers, a Business Executive Leadership Programme is arranged every other year, a joint venture with Stockholm School of Economics Executive Education. Training is spread across 12 months and focuses on strategy, international leadership and communication skills.

Specialist training
ÅF has more certified project managers than any other company in Sweden. The ÅF Academy provides continual training for certification under the European IPMA (International Project Management Association) standard. The ÅF Nuclear Academy is an educational initiative designed to meet increasing skills requirements from the nuclear power industry and its regulatory bodies. ÅF's certification training is also open to clients and other stakeholders.

Compulsory sustainability training
All ÅF employees undergo compulsory training in sustainability. The training is based on the principles of the UN Global Compact and provides a basic understanding of sustainability issues.

FOCUS AREA SUSTAINABILITY
ATTRACTIVE EMPLOYER

Our employees are a key factor for ÅF's success. ÅF attracts outstanding, highly motivated employees. Effective cooperation is important in enabling the development of innovative, multi-sectoral solutions.

30%

By 2020, 30 percent of all employees will be women

We have focused on the following areas to boost ÅF's attractiveness as an employer.

Increased proportion of women

HR efforts focus on ensuring an equal gender balance when recruiting to managerial positions and generally encouraging more women to apply to ÅF. By 2020, 30 percent of all employees will be women. At the end of the year, the proportion of women at the company was 25 percent, compared with 23 percent in 2015.

Employee satisfaction

Several factors affect commitment at work. We carry out regular activities and initiatives aimed at improving employee commitment. In 2015, we conducted a full-scale employee survey that revealed a consistently high level at 67 percent. The next survey will be conducted in 2017.

Confidence in ÅF's managers

ÅF's managers should practice leadership skills characterised by business acumen and an inclusive approach. Training and practical leadership will help strengthen confidence in ÅF's managers. In the 2015 employee survey, the leadership index rating was 69 percent. The next survey will be conducted in 2017.

Zero tolerance of discrimination

The employee survey and whistleblower function are key tools for combating discrimination and bullying. All tendencies towards wrongful behaviour can be tackled directly. The number of discrimination cases is monitored in our employee survey and is steadily declining. Specific action plans and follow-up processes have been drawn up and achievement of objectives will be continually monitored over the next few years.

EMMA CLAESSON

"We want to increase the proportion of women at ÅF. We're doing it because we believe it's more profitable, not only for us but for our clients too."

Vice President, Human Resources & Communications

MIGUEL ANGEL HERNANDEZ

"I lead a team of 30 people who work mainly with projects in central and southern Asia. Many people who live in these areas don't have access to electricity. And when it is available, it's often poor quality with constant power cuts that are disruptive for users. We develop solutions that increase the availability of electricity and therefore improve quality of life for these people. It feels like work that has a real purpose for me and my team."

Manager of Smart Grids and Utility Solutions at ÅF in Spain

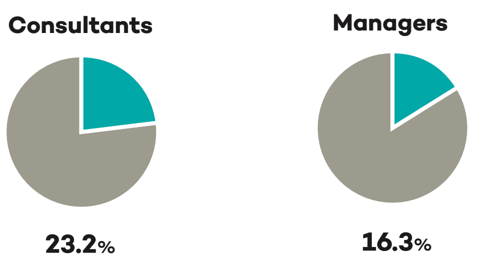
ANN GRANBERG

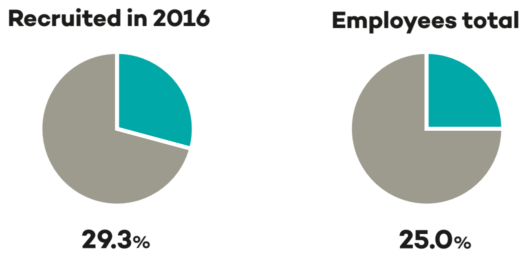
"Digitalisation also affects our working methods and the skills we are looking to recruit. Specifically, as far as we're concerned it's meant that we're now not only developing products but services and versatile experiences as well, which is exciting. What we need now is a far more holistic way of thinking, which is great as it benefits both users and society at large. The transition from the way we run companies and develop products today, to a more circular system in which our clients (and we too!) are forced to have a rethink, will continue to have a major impact on our industry. We have an extremely exciting time ahead of us!"

Market Area Manager, Industrial Design and Technical Communications

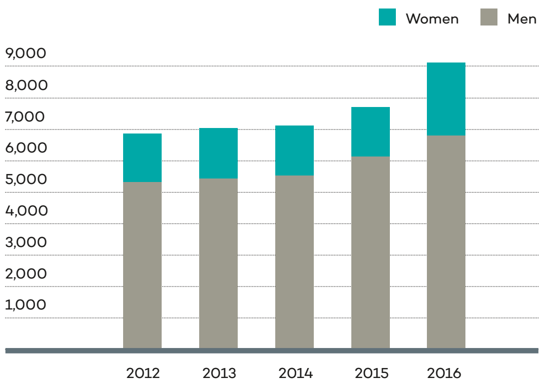
GENDER DISTRIBUTION 2016 [1)]

Women Men





NUMBER OF EMPLOYEES, ALL FORMS OF EMPLOYMENT



AVERAGE AGE [2)]

YEAR	2016	2015	2014	2013	2012
	41.2	41.3	41.1	41.3	41.1

SICKNESS ABSENCE [2)]

%	2016	2015	2014	2013	2012
	2.7	2.5	2.2	2.1	2.0

LENGTH OF EMPLOYMENT [1)]

%	0–2 years	2–5 years	5–10 years	10–20 years	>20
	35.6	27.6	19.2	11.2	6.4

AGE DISTRIBUTION [2)]

%	2016 men	2016 women	2015 men	2015 women
–29	**13.0**	**5.9**	13.0	5.5
30–39	**22.4**	**8.8**	23.0	7.9
40–49	**18.3**	**5.8**	19.3	5.9
50–59	**13.6**	**3.2**	13.4	2.7
60–	**8.0**	**1.0**	8.4	0.9
Total	**75.3**	**24.7**	77.1	22.9

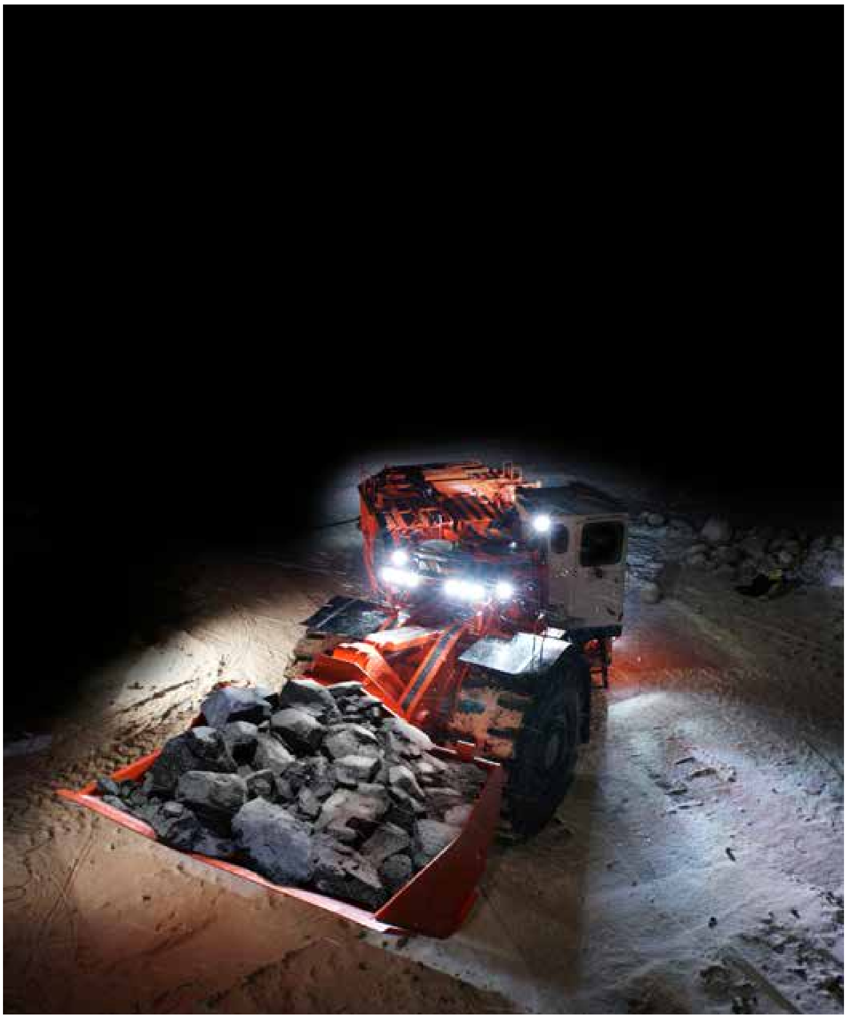
EDUCATION [1)]

%	2016	2015	2014	2013	2012
Postgrad. licentiate or Ph.D. studies	**2.9**	3.1	3.8	3.5	3.7
University degree	**62.0**	60.8	59.7	59.5	57.4
Other post-secondary education	**18.2**	17.6	16.1	15.8	15.6
Secondary education	**17.0**	18.5	20.4	20.3	23.3

SKILLS DEVELOPMENT

Number of hours of training per average FTE, total	2016	2015	2014
Hours of training	253,744	212,754	219,745
Average number of FTEs	8,115	7,453	6,887
Hours of training/employee	**31**	**29**	**32**

[1)] All permanent employees and employees on probationary periods
[2)] All forms of employment



DIGITALISATION

IMPROVING EFFICIENCY IN THE MINING INDUSTRY

Operating using driverless vehicles in mines has many benefits, including improving efficiency. The vehicles in mines can be programmed to work at the optimum level and are more durable. They need fewer operators, who can be stationed in an air-conditioned control room at ground level.

Sandvik is a world leader in this field, with its AutoMine system. ÅF is playing a key role by supplying the applications for giving orders, traffic control, surveillance and optimisation of the underground vehicles.

RECOGNITION

ÅF wins Swedish Lighting Award for King's Stockholm office. ÅF Lighting has been chosen as the recipient of the prestigious Swedish Lighting Award for game developer King's new Stockholm offices.

INFRASTRUCTURE

PROJECT DESIGN OF NEW TRAMWAY IN LUND

Lund is to be the site of a 5.5 km long tramway through the city. ÅF is actively involved as planning consultant in the Spårväg Lund C – ESS (European Spallation Source) project. ÅF's work begins with an evaluation of new technical systems based on an international analysis of the latest developments.

The planning covers tracks, electricity, signals, overhead cables, telecommunications, ducting, groundwork and street layout, configuration, sound and vibrations, geotechnics and traffic management. ÅF is also responsible for managing the overall project planning.

Read about more exciting and sustainable case studies in the Green Advisor Report 2016. www.afconsult.com

Artist's rendering of St. Laurentiigatan in Lund.

LIGHTING

GLOWING PRAISE IN NORWAY

The Well in Oslo is the Nordic region's largest spa and baths. A creative use of opportunities to vary the lighting in the building helps instil calm, harmony and wellbeing among its visitors. An advanced system controls 70 different types of electrical fittings.

ÅF is the architect behind this comprehensive lighting experience, which won the Norwegian Lighting Award in 2016 for best indoor lighting. In its explanation, the judging panel wrote "...each room and zone has its own identity through lighting design that affects visitors in various ways in the different parts of the building."

"...each room and zone has its own identity through lighting design that affects visitors in various ways in the different parts of the building."

DEVELOPMENTS IN THE AUTOMOTIVE INDUSTRY

SELF-DRIVING VEHICLES AND RESEARCH TO IMPROVE ROAD SAFETY

Fewer road traffic accidents, improved use of our infrastructure, less congestion on the roads and reduced emissions. These are the key drivers behind current investments in self-driving vehicles and active safety.

ÅF is involved in a number of research projects related to this future area. There are huge challenges and several pieces of the puzzle need to fit before completely autonomous vehicles with no human involvement become a reality. The solutions require knowledge of several areas, including sensor technology, data fusion, machine learning, big data and intelligent mapping technology. With its multidisciplinary know-how, ÅF is an excellent match for this set of needs.

RECOGNITION

ÅF has been awarded SJ's diploma for climate smart travel for purposefully pursuing consistent long-term environmental efforts, championing sustainable travel within the company.

Increased profit and continued growth

The Board of Directors and the CEO of ÅF AB (publ), corporate identity number 556120-6474, herewith submit their annual report and consolidated financial statements for the 2016 financial year. ÅF AB is the parent of the Group. The registered office is in Stockholm.

ÅF wins Swedish Lighting Award for King's Stockholm offices.

Net sales and profit

Net sales for the year totalled SEK 11,070 million (9,851). Growth was 12.4 percent, of which 2.9 percentage points were organic. Currency translation effects had a marginal impact on growth.

Adjusted for items affecting comparability, operating profit totalled SEK 964 million (832) and the operating margin was 8.7 percent (8.4). The underlying operating profit thus rose by 16 percent.

In order to increase profitability, a cost-cutting and streamlining programme, mainly related to the Industry Division but also to the Technology Division and the parent, was implemented during the year. The cost of this programme amounted to SEK 25 million and the annual savings effect was SEK 38 million. During the year the Group received a refund regarding an adjustment to pension premiums from prior years amounting to SEK 22 million. In addition, adjustments were made to the estimated size of future contingent considerations, which resulted in a positive effect on profit of SEK 6 million. The items stated above totalled a net amount of SEK 2 million. Including these items, operating profit totalled SEK 965 million (839) and the operating margin was 8.7 percent (8.5). Items affecting comparability last year amounted to SEK 7 million.

There were two more working days in 2016 compared with 2015. Capacity utilisation was 77.6 percent (76.9). Profit after financial items was SEK 923 million (799) and profit after tax was SEK 711 million (609). Earnings per share were SEK 9.32 (7.81).

Acquisitions and divestments

Fifteen businesses have been acquired since the beginning of the year, and they are expected to contribute sales of approximately SEK 1,500 million over a full year.

Acquisitions during the year included Reinertsen's infrastructure operations in Norway and Sweden, its chemicals and petrochemicals operations in Sweden and its process industry in Sweden.

Edy Toscano, a leading engineering consulting company in Switzerland, was acquired at the end of the year. Through this acquisition ÅF adds infrastructure to its business in Switzerland, becoming one of the largest engineering and consulting firms in Switzerland.

Midtconsult was acquired in line with ÅF's ambition to increase its presence in Denmark. It was consolidated as of 1 January 2017. The company's main market is in the construction and property sector, but it is also growing in the infrastructure sector.

Cash flow and financial position

Net debt for the year increased by SEK 812 million to SEK 2,298 million (1,486). Cash flow from operating activities reduced net debt by SEK 622 million. Doing more business in sectors with longer payment terms has resulted in more tied-up capital, which reduced cash flow from operating activities. SEK 292 million in dividends paid, SEK 128 million in share buy-backs and SEK 917 million in considerations paid increased net debt.

ÅF issued a senior non-secured bond loan totalling SEK 500 million on 14 March 2016. The bond loan has a variable interest rate of three months' STIBOR +135 basis points and a term of three years, with a final maturity date of 21 March 2019. The bond loan is listed on Nasdaq Stockholm. The Group thus has outstanding bond loans amounting to SEK 1,200 million.

Consolidated cash and cash equivalents totalled SEK 329 million (264) at the end of the period and unused credit facilities, including cash and cash equivalents, amounted to SEK 939 million (842). Equity per share was SEK 60.19 (54.46). The equity/assets ratio was 45.1 percent (50.9). Equity totalled SEK 4,697 million (4,230).

President and CEO

In October, President and CEO Jonas Wiström informed the Board of Directors of his intention to leave his position in 2017. In January 2017, ÅF's Board of Directors appointed Jonas Gustavsson as the new President and CEO, starting 1 April. Jonas Gustavsson has been head of Sandvik Machining Solutions since 2013 and previously held various leading positions at Sandvik since 2008. He was Vice President of Operations at Rotax 2002–2007 and held various senior positions at Bombardier 1997–2002 and at ABB 1995–1997. He is a Swedish citizen, was born in 1967 and holds an engineering degree. Jonas Wiström will leave his post as CEO when the new CEO takes office.

Parent

Parent operating income for the year totalled SEK 658 million (574) and relates chiefly to internal services within the Group. Profit after net financial items was SEK 522 million (599). Cash and cash equivalents totalled SEK 62 million (92). Gross investment in non-current assets was SEK 49 million (27).

Environment and sustainability

Together with its stakeholders and society in general, ÅF has an important duty to work towards more sustainable development. In many instances, ÅF is tasked with introducing new and better technology, implementing rationalisation measures and reducing emissions. ÅF also analyses and helps government authorities and other governing bodies to understand the challenges that we are all facing. With over a century of experience, ÅF has its sights firmly set on making a positive contribution to long-term sustainable development. ÅF has no licensable operations.

Employees

The average number of FTEs was 8,115 (7,453). The total number of employees at the end of the period was 9,133 (7,852): 6,916 (6,455) in Sweden and 2,217 (1,397) outside Sweden. ÅF adopts an active, long-term perspective to HR work in order to attract and retain skilled employees. This approach involves marketing ÅF as an employer externally, while also providing clear information about the various career paths and opportunities for development available at ÅF, and offering all employees the kind of work that develops them as individuals. In 2016, ÅF further strengthened its position as an attractive employer. In Universum's annual survey, which is Sweden's biggest among young practising engineers (with 2,395 responses), ÅF came in first among those with an M.Sc. in engineering. ÅF devotes considerable effort to employer branding activities to market itself as an attractive employer among potential employees and to bolster the company's image. During the year a number of activities were conducted at universities and colleges and several digital campaigns disseminated information about the brand and what ÅF does. ÅF also works to achieve a good gender balance within the company. ÅF works actively with diversity and equality within the framework of EVEN ODDS. In 2016, a number of events were conducted at various ÅF offices to attract more women to ÅF. ÅF also conducted a talent programme for promising female leaders within the organisation. The number of female employees at ÅF increased in 2016. At year-end, women constituted 23.2 percent (21.5) of the total number of consultants in the Group. The percentage of women in the company at year-end was 25.0 percent (23.2). ÅF has what it calls the ÅF Career Model whose main purpose is to clarify employee development opportunities and help showcase talent within ÅF. The model also aims to attract new employees by presenting the development opportunities available within the company. ÅF has collective agreements with Sveriges Ingenjörer (the Swedish Association of Graduate Engineers) and Unionen, Sweden's largest private-sector trade union.

Long-term incentive programmes

The 2016 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 of SEK 170.20 between 14 June 2019 and 13 March 2020. Convertibles with a nominal value of SEK 142 million were subscribed for, equivalent to 834,488 shares. The company bought back 834,488 shares in order to neutralise the dilutive effect a conversion would otherwise entail.

Guidelines for the remuneration of Group management

The guidelines adopted for 2016 by the AGM are set out in Note 6. The Board of Directors proposes that the 2017 AGM resolve that the policies for remuneration and other conditions of employment for Group management for 2017 are in line with the policies that applied in 2016, with these exceptions: that provisions on retirement age be omitted from the guidelines and that the period of notice and severance pay for the CEO be 12 plus 12 months. 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.

Corporate governance

ÅF prepares its Corporate Governance Report as a separate document from the statutory annual report. Please see pages 81–85.

Dividend

The Board of Directors proposes a dividend for 2016 of SEK 4.50 per share (3.75).

Expectations for 2017

ÅF considers the market outlook to be somewhat more positive compared to the same period last year. The market in road and rail, construction and the automotive and pharmaceutical industries is expected to remain strong and there are signs of stabilisation in the weak energy, mining and steel industries. The demand for digital solutions is expected to remain strong in all industries.

Proposed appropriation of profits

Non-restricted profits of SEK 4,192,150,358 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 4.50 per share paid to the shareholders	349,699,514
To be carried forward	3,842,450,844
Total	**4,192,150,358**

The Board of Directors' explanation of the proposed appropriation of profits will be posted on the company's website, www.afconsult.com. It is also available from the company on request.

Four divisions

INDUSTRY DIVISION

The market for investments in industry improved gradually during the year. However, there remain differences in demand between industries. Demand has been strong throughout the year in automotive, food and pharmaceutical and generally in industrial automation and robotics, while demand from many normally consultant-heavy industries declined during the year, including nuclear power, mining, oil and gas, and to some extent steel. Although, signs of stabilisation in demand from these industries were noted during the second half of the year.

Thus, the market improved overall and the demand trend is positive. Among other things, inquiries are increasing for major projects, where ÅF, with its experience and expertise in running large projects, is well positioned to meet client needs.

Growth was 7.0 percent, of which 2.1 percentage points were organic. ÅF continued to strengthen its position in the food, pharmaceutical and automotive industries, and strengthened its position in the transmission field through the acquisition of the Norwegian energy technology consultant Solid Engineering. In addition, ÅF enhanced its offering in the chemical, petrochemical and processing industries through the acquisition of Reinertsen's operations.

Both operating profit and operating margin increased, amounting to SEK 403 million (371) and 9.1 percent (8.9), respectively.

President, Industry Division: Per Magnusson
Domestic markets: Sweden, Norway and Denmark
Other markets: Involved in projects in more than 60 countries

INFRASTRUCTURE DIVISION

In Scandinavia, demand for engineering services in infrastructure remains high. Public sector investments remain at high levels for both new and existing infrastructure, hospital upgrades and sustainable investments in property maintenance. ÅF has a high level of expertise and a strong position in these growing sectors.

The division continues to combine strong growth with high profitability and continues to take market share in both Sweden and Norway, which are the Group's largest infrastructure markets. Growth was 29.7 percent, of which 7.6 percentage points was organic.

In Norway, the division continues to grow with an increase of just over 50 percent, driven mainly by acquisitions. Early in the year ÅF and engineering and consulting company Reinertsen combined their infrastructure, construction and installation operations in a jointly owned company. In the third quarter the division took the next step and acquired 100 percent of the company. The business has about 400 employees in Trondheim, Oslo, Bergen, Lillestrøm and Sandefjord.

During the year architectural company Sandellsandberg was acquired, which means that ÅF now has an even stronger offering, ranging from individual housing projects to entire neighbourhoods. The acquisition complements ÅF's existing operations in industrial design, lighting architecture and landscape architecture, which now has a total of just over 250 employees.

Operating profit rose to SEK 427 million (347) and the operating margin amounted to 10.5 percent (11.0). Some of the success factors are a strong underlying market, growth and the division's ability to run both small projects and large, complex projects. The Infrastructure Division continues to run a number of major projects, including the expansion of Oslo Gardermoen Airport in Norway, the Stockholm Bypass project and the West Link rail tunnel in Gothenburg. ÅF, together with Tyréns, is also the technical consulting company in charge of Phase 1 of the East Link project.

President, Infrastructure Division: Mats Påhlsson
Domestic markets: Sweden, Norway and Denmark

KEY FIGURES	INDUSTRY DIVISION[1]		INFRASTRUCTURE DIVISION		INTERNATIONAL DIVISION[1]		TECHNOLOGY DIVISION	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Net sales, SEK m	**4,437**	4,147	**4,082**	3,147	**1,098**	1,179	**1,736**	1,601
Operating profit, SEK m	**403**	371	**427**	347	**58**	82	**162**	125
Operating margin, %	**9.1**	8.9	**10.5**	11.0	**5.3**	7.0	**9.3**	7.8
Average number of FTEs	**3,177**	3,204	**2,977**	2,254	**844**	893	**995**	983

[1] The historical figures above are adjusted based on the organisational changes implemented on 1 January 2016.

INTERNATIONAL DIVISION

President, International Division: Roberto Gerosa
Domestic markets: Switzerland, Finland and Czech Republic
Other markets: Involved in projects in more than 80 countries

The market for energy projects in the division's home market of Europe continued to be weak. However, demand continues to develop positively in Southeast Asia and Africa.

Population growth and urbanisation are driving demand for power generation and distribution in these markets. Falling oil prices have reduced the willingness of energy companies to invest in the Middle East, which resulted in cancelled or postponed projects in the region.

In Brazil, Electronuclear, the state-owned nuclear power operator, has called for a temporary halt to the Angra 3 nuclear power project. The reason is lack of funding and an investigation of the purchasing process for all suppliers. The project is expected to resume during the first half of 2017. The project's delay has resulted in lost revenues for ÅF and restructuring costs for local operations in Brazil. As a result of this, but mainly because of the weak European energy market, sales in the International Division decreased by 6.9 percent during the year to SEK 1,098 million (1,179).

Operating profit totalled SEK 58 million (82) and the operating margin was 5.3 percent (7.0). Operating profit was negatively affected by restructuring costs, including changes in senior management in the Czech infrastructure business. Together with the decline in net sales these resulted in a decline in operating profit.

In accordance with ÅF's desire to strengthen its global position in renewable energy, ÅF acquired the energy division of Spanish engineering company ARIES Ingeniería y Sistemas. The Madrid-based company offers consulting and engineering services, mainly in the global solar energy market.

As of 31 December ÅF acquired the Swiss engineering consultancy Edy Toscano. The company, which is one of the leading engineering consultancies in Switzerland in the infrastructure sector, has net sales of just over SEK 400 million. The acquisition is in line with the Group's strategy to grow in its domestic markets.

TECHNOLOGY DIVISION

President, Technology Division: Viktor Svensson
Domestic markets: Sweden and Norway

The market for embedded systems and digital solutions remains strong. Demand was strong from the automotive industry, primarily for applications in active safety, autonomous driving intelligence and IT services related to telematics, specialist areas in which ÅF currently has leading expertise in Sweden. ÅF is now one of the leading development partners to the Swedish automotive industry.

Demand from the telecom sector's operators remained good while the telecom market was weaker on the supply side. However, ÅF sees continued opportunities to win telecom business through the ability to compose so-called cross-functional consulting teams and cost-effective outsourcing projects.

Growth was 8.5 percent, of which 6.9 percentage points were organic. Together with ÅF's extensive industry and public sector expertise and the Technology Division's in-depth knowledge of application and systems development for the connected world, unique services in digital transformation can be offered to ÅF's clients.

The division increased its business in IT services generally, but particularly in the public sector and banking and finance sector. The division has also created a new business area, offering digital strategy consulting.

Operating profit increased by 30 percent to SEK 162 million (125), mainly due to strong demand, continued high capacity utilisation and the cost reduction program implemented in 2015. The operating margin climbed to 9.3 percent (7.8).

During the year the company acquired Sjöland & Thyselius, which is active in the defence and automotive industries as well as telecommunications and civil safety and security.

PERCENTAGE OF GROUP NET SALES

INDUSTRY DIVISION

39%

INFRASTRUCTURE DIVISION

36%

INTERNATIONAL DIVISION

10%

TECHNOLOGY DIVISION

15%

Continued high total shareholder return

The price of ÅF's Class B share rose by 16 percent in 2016. The total shareholder return, including reinvested dividends, amounted to 19 percent, thereby giving the ÅF share a continued better return than the index. The liquidity of the shares continued to be high during the year, exceeding the average for the last five years.

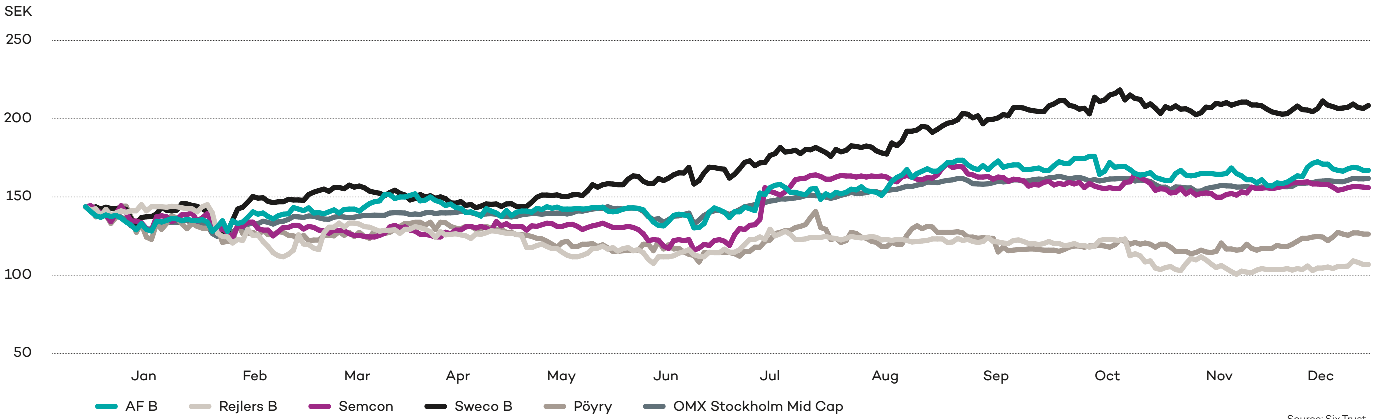
ÅF's B shares have been traded on the Nasdaq Stockholm since January 1986, on the Mid Cap list until 2016, under the "AF B" symbol. At year-end, the market capitalisation of ÅF's shares, including A shares, was SEK 12,978 million (11,153).

ÅF shares move to the Large Cap list
Rapid growth in sales and profits has resulted in strong returns for shareholders and rising market capitalisation. Visible proof of this is that since 2 January 2017, ÅF's share is traded on the Nasdaq Stockholm Large Cap, the exchange list for large companies with a market capitalisation exceeding one billion euros.

Price trend and turnover
At the end of 2016, the share price of AF B was SEK 167, an increase of 16.2 percent in 2016, which is better than OMX Stockholm, which rose by 5.8 percent, and the OMX Stockholm Mid Cap index, which rose by 12.6 percent in 2016.

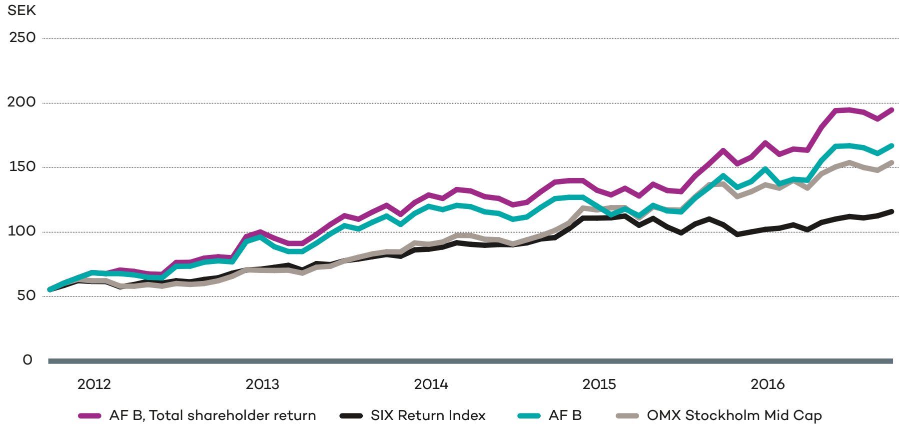
The total shareholder return on the AF B share, that is, price trends and reinvested dividend of SEK 3.75, was 19.3 percent during the year, while the reinvesting SIX Return Index rose by 9.6 percent. The accompanying chart shows the

PRICE TREND OF AF B COMPARED WITH THE INDEX AND COMPETITORS WITHIN THE INDUSTRY IN 2016



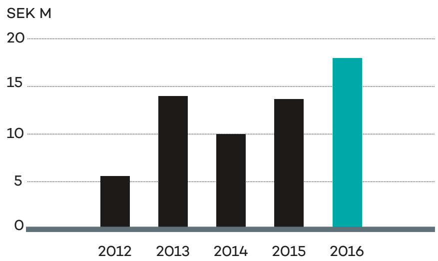
Source: Six Trust

TOTAL SHAREHOLDER RETURN AND PRICE TREND 2012–2016



Source: Six Trust

AVERAGE DAILY TURNOVER, AF B SHARE[1)]

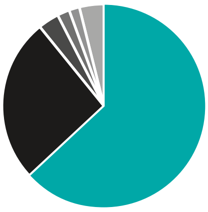


1) 2012–2015 refer to Nasdaq Stockholm, 2016 refers to all market places.

price trend for AF B compared to the index and some main competitors.

Over the last five year period, 2012–2016, the AF B share's total shareholder return was 250.9 percent compared with 108.9 percent for the reinvesting index SIX Return Index. The return for AF B and the SIX Return Index is shown in the chart on page 32.

DISTRIBUTION OF ÅF B SHARE TURNOVER IN 2016 PER MARKETPLACE



Source: Fidessa

In 2016 a total of 19 million shares (29) were traded on Nasdaq Stockholm for an aggregate value of SEK 2,855 million (3,437). The average turnover per trading day was 73,824 shares (114,465), corresponding to SEK 11 million (14). The share was traded on all trading days.

With the implementation of the EU's MiFiD directive at the end of 2007, equity trading has changed and now takes place both on regulated markets and other trading venues. Although most trading in ÅF's B shares is still done in Stockholm, the number traded in other marketplaces has gradually increased in recent years. Trading outside Nasdaq Stockholm increased in 2016 to 37 percent (22) of traded shares. In total, the share was traded in a dozen different marketplaces, with BATS, London and Turquoise accounting for most of this turnover.

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 2016 financial year the Board of Directors proposes a dividend of SEK 4.50 (3.75) per share, equivalent to a pay-out ratio of 48 percent and a dividend yield of 2.7 percent.

Share buy-backs, 2016

As of 31 December 2016, ÅF's holding of own shares amounted to 1,202,750 B shares (476,971). During the year, 49,905 own shares were used for

SHAREHOLDERS IN SWEDEN AND ABROAD

31 December 2016	Shareholding, %
Sweden	68.6
Other Nordic countries	4.5
Rest of Europe (excl. Sweden and the Nordics)	6.9
USA	19.5
Rest of world	0.5
Total	**100.0**

SIZE OF SHAREHOLDINGS

31 December 2016	Number of shareholders	Share-holding, %
≤ 500	6,475	1.2
501 – 5,000	3,002	5.9
≥ 5,001	553	92.9
Total	**10,030**	**100.0**

ANALYSTS WHO MONITOR ÅF REGULARLY

Name	Company
Viktor Lindeberg	Carnegie Investment Bank AB
Staffan Åberg	Handelsbanken Capital Markets
Johan Dahl	SEB Equities
Stefan Wård	Swedbank Markets

KEY RATIOS PER SHARE

SEK	2016	2015	2014	2013	2012
Share price, 31 December	167.00	143.75	126.00	112.50	77.75
Basic earnings	9.32	7.81	7.16	6.70	5.07
Diluted earnings	9.14	7.63	7.03	6.60	5.01
Equity attributable to shareholders in the parent	60.19	54.46	51.17	47.33	43.66
Divdend yield, percent[1]	2.7	2.6	2.8	2.9	3.5
Proposed dividend	4.50	3.75	3.50	3.25	2.75
Market capitalisation, SEK million	12,978	11,153	9,734	8,703	6,068

A 2:1 share split was carried out in 2014. The comparative figures have been adjusted.
[1] Based on proposed dividend.

THE TEN LARGEST SHAREHOLDERS AT 31 DECEMBER 2016

Owner	Class A shares	Class B shares	Share-holding, %	Votes, %
THE ÅFORSK FOUNDATION	3,205,752	7,840,951	14.0	37.0
HANDELSBANKEN FUNDS	–	7,027,257	8.9	6.5
SEB INVESTMENT MANAGEMENT	–	6,586,436	8.4	6.2
SWEDBANK ROBUR FUNDS	–	5,275,025	6.7	4.9
ZERES PUBLIC MARKET FUND	–	4,196,855	5.3	3.9
CBNY-NORGES BANK	–	3,444,524	4.4	3.2
DIDNER & GERGE FUNDS AB	–	3,037,273	3.8	2.8
NTC VARIOUS FIDUCIARY CAPACIT	–	2,467,813	3.1	2.3
ÅF AB	–	1,202,750	1.5	1.1
PARETO GLOBAL	–	1,074,504	1.4	1.0
Total ten largest shareholders	**3,205,752**	**42,153,388**	**57.5**	**68.9**
Total other	12,000	33,542,613	42.5	31.1
Total shares	**3,217,752**	**75,696,001**	**100.00**	**100.00**

matching of the 2012 and 2013 share savings programmes. Conversion of shares as per the 2012 and 2013 staff convertible programme increased the number of B shares by 848,460. During the fourth quarter of 2016, 775,684 B shares related to the 2016 staff convertible programme were bought back.

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 2016. The CEO and CFO have conducted numerous meetings with investors and analysts, mostly in Stockholm and London, and gave presentations at investor seminars. Periodical web conferences are also held with investors, analysts and the media when the year-end and interim reports for Q1 and Q3 are published.

DEVELOPMENT OF THE SHARE CAPITAL

			Change in number of shares		Total number of shares		Total shares	Share capital
Year	Quota value	Change	Class A shares	Class B shares	Class A shares	Class B shares	Number	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		848,460	3,217,752	75,696,001	78,913,733 [1]	197,284

[1] Of which 1,202,750 own shares.

Since 2011, ÅF has been the proud main sponsor of the ÅF Offshore Race, from Stockholm around Gotland. ÅF Offshore Race is a good platform for generating company pride and commitment, attracting new potential employees and building relationships with clients.

Risks and risk management

ÅF's risk management model has been implemented to meet the strategic, operational and financial risks linked to ÅF's operations. In 2016, 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.

Strategic & operating risks	Description	Risk management
Market	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 a number of major international players as well as various small and medium-sized local competitors in each market.	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 evaluations of the current competitive situation in each local market and at appropriate levels within the operation.
Sustainability	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 corruption.	ÅF reduces its exposure to risks related to sustainability through its internal Code of Conduct, a clear and regulating sustainability policy and an obligatory sustainability risk analysis at an early stage of the business process. The Group's anti-corruption framework clearly sets out the ethical rules governing ÅF's conduct in relation to clients as well as in its operations. A whistleblowing channel enables every ÅF employee to report deviations with complete confidentiality. ÅF has ISO 14001 (environment) and OHSAS 18001 (occupational health and safety) certification and has procedures to ensure compliance with legal requirements.
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 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.	ÅF has its own business support system for the internal control, management, follow-up and continual improvement of operations. This system has been certified under ISO 9001:2008 (quality), ISO 14001:2004 (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 the planning, follow-up, control and delivery of the assignments ÅF is tasked with. The business support system's implementation is monitored continuously by ÅF's internal audit. ÅF has comprehensive insurance cover including public liability insurance, product liability insurance and consultant liability insurance.

Strategic & operating risks	Description	Risk management
Capacity utilisation and price per hour	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 100 million. An increase in the price per hour of one percent, with unchanged capacity utilisation, improves ÅF's annual profit by around SEK 80 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.
Project operations	Large assignments with great responsibility also increase risk exposure – both financially and in relation to quality and performance 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, project planning, verification and validation of delivery. Steering committees are formed to monitor progress, results and risks. ÅF conducts internal audits annually to ensure that the process and procedures are complied with and function as intended.
Partners, subcontractors and sub-consultants	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 is 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 ÅF's business operations. 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.	In order 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.

Financial risks	Description	Risk management
Financing and liquidity risks	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 routine in place to ensure the availability of appropriate lines of credit at all times. ÅF's policy is that the company shall have a net debt over time, and that net debt shall be between 1.5 and 2.0 times EBITDA over a business cycle. In accordance with the current policy, the company is to have cash and cash equivalents and unutilised credit facilities that together correspond to at least six percent of annual sales.
Interest rate risk	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 would have an effect of SEK 26 million on the Group's interest expenses.
Exchange rate risk	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.	ÅF's transaction exposure is relatively limited, as the majority of sales and expenses are invoiced in local currencies. In accordance with current policy, payment flows in foreign currencies are hedged when it is possible to determine the amount and time of the transaction with a great degree of certainty, and in cases where 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 USD/SEK. An unhedged currency fluctuation of 10 percent in these currencies would affect ÅF's operating profit by SEK 5 million, SEK 2 million and SEK 1 million respectively on an annual basis. In line with Group policy, ÅF does not hedge translation exposure.
Credit risk	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 in the event that the counterparty does not fulfil its obligations.	Credit risk consists of outstanding accounts receivable and uninvoiced 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 risk of bad debts. ÅF's ten largest clients, which account for a total of 33 percent of Group sales, are all large listed companies or publicly owned institutions and companies. The remaining 67 percent of net sales are spread over a large number of clients.

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Consolidated income statement

1 January – 31 December (SEK million)	Note	2016	2015
Net sales	2	11,070	9,851
Purchases of services and materials		-2,944	-2,672
Other external costs	5, 22	-917	-826
Personnel costs	6	-6,139	-5,467
Amortisation and impairment of intangible assets	13	-48	-43
Depreciation and impairment of property, plant and equipment	14	-67	-56
Other operating income	4	10	55
Other operating expenses	7	-1	-2
Profit attributable to participations in associates	15	0	0
Operating profit	2, 8	**965**	**839**
Profit/loss from financial items			
Financial income	9	16	11
Financial expenses	9	-58	-51
Net financial items		**-42**	**-40**
Profit after financial items		**923**	**799**
Tax	20	-212	-190
Profit for the period		**711**	**609**
Attributable to:			
Shareholders in the parent		726	605
Non-controlling interest		-15	4
		711	**609**
Attributable to the parent's shareholders	11		
Basic earnings per share (SEK)		9.32	7.81
Diluted earnings per share (SEK)		9.14	7.63

Statement of consolidated comprehensive income

1 January – 31 December (SEK million)	2016	2015
Profit for the period	**711**	**609**
Items which will be classified to profit or loss		
The year's translation differences for foreign operations	112	-39
Changes in hedge reserve	-11	-3
Tax	2	0
Items which will not be classified to profit or loss		
Pensions	-5	-22
Tax	1	4
Other comprehensive income	**99**	**-59**
Comprehensive income for the period	**810**	**551**
Attributable to:		
Shareholders in the parent	818	547
Non-controlling interest	-8	4
	810	**551**

Consolidated balance sheet

As at 31 December (SEK million)	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets	2, 13	5,955	4,818
Property, plant and equipment	2, 14	476	385
Participations in associates	15	0	0
Financial investments	12	5	1
Non-current receivables	12	1	4
Deferred tax asset	20	24	17
Total non-current assets		**6,462**	**5,224**
Current assets			
Accounts receivable	12	2,314	1,914
Revenue generated but not invoiced	12	944	703
Current tax assets	20	17	12
Other receivables		195	86
Prepaid expenses and accrued income	16	146	113
Cash and cash equivalents		329	264
Total current assets		**3,945**	**3,093**
Total assets		**10,407**	**8,316**

As at 31 December (SEK million)	Note	2016	2015
EQUITY AND LIABILITIES			
Equity	17		
Share capital		197	195
Other contributed capital		1,104	1,138
Reserves		163	64
Profits brought forward including profit for the period		3,212	2,829
Equity attributable to shareholders in the parent		**4,677**	**4,225**
Non-controlling interest		19	4
Total equity		**4,697**	**4,230**
Liabilities			
Loans and credit facilities	12	2,197	1,239
Provisions for pensions	18	163	106
Other provisions	19	57	18
Deferred tax liabilities	20	140	128
Other liabilities	12	323	36
Total non-current liabilities		**2,880**	**1,527**
Loans and credit facilities	12	267	404
Other provisions	19	39	29
Work invoiced but not yet carried out		205	170
Accounts payable		644	569
Current tax liability	20	91	54
Accrued expenses and prepaid income	21	1,033	829
Other liabilities	12	552	505
Total current liabilities		**2,830**	**2,559**
Total liabilities		**5,710**	**4,087**
Total equity and liabilities		**10,407**	**8,316**

Net debt	2016	2015
Loans and credit facilities	2,464	1,644
Net pension liability	163	106
Cash and cash equivalents	-329	-264
Total net debt	**2,298**	**1,486**

Statement of change in consolidated equity

SEK million	Share capital	Other contributed capital	Reserves	Retained profit incl. profit for the period	Total	Non-controlling interest	Total equity
	Equity attributable to shareholders in the parent						
Equity brought forward 1 Jan 2015	195	1,140	105	2,512	3,953	2	3,955
Profit for the period				605	605	4	609
Other comprehensive income			-41	-18	-59	1	-58
Comprehensive income for the period	**—**	**—**	**-41**	**588**	**546**	**5**	**551**
Dividends				-271	-271	-2	-273
Conversion of convertible bonds into shares (2012 programme)	2	63			65		65
Value of conversion option (2015 programme)		10			10		10
Tax on value of conversion option (2015 programme)		-2			-2		-2
Share buy-backs/sales		-86			-86		-86
Cancellation of shares	-2	2			—		—
Share programmes		11			11		11
Equity carried forward 31 Dec 2015	**195**	**1,138**	**64**	**2,829**	**4,225**	**4**	**4,230**
Equity brought forward 1 Jan 2016	195	1,138	64	2,829	4,225	4	4,230
Profit for the period				726	726	-15	711
Other comprehensive income			96	-4	92	7	99
Comprehensive income for the period	**—**	**—**	**96**	**722**	**818**	**-8**	**810**
Dividends				-292	-292	0	-292
Conversion of convertible bonds into shares (2013 programme)	2	77			79		79
Value of conversion option (2016 programme)		10			10		10
Tax on value of conversion option (2016 programme)		-2			-2		-2
Share buy-backs/sales		-128			-128		-128
Share programmes		10			10		10
Shareholders' contribution					—	2	2
Transactions related to non-controlling interest			3	-47	-43	21	-22
Equity carried forward 31 Dec 2016	**197**	**1,104**	**164**	**3,212**	**4,677**	**19**	**4,697**

For supplementary information, see Note 17.

Statement of consolidated cash flows

1 January – 31 December (SEK million)	Note	2016	2015
Operating activities	27		
Profit after financial items		923	799
Adjustment for items not included in cash flow		95	88
Income tax paid		-188	-231
Cash flow from operating activities before changes in working capital		**830**	**656**
Cash flow from changes in working capital			
Change in operating receivables		-356	-172
Change in operating liabilities		148	39
Cash flow from operating activities		**622**	**523**
Investing activities			
Acquisition of property, plant and equipment		-79	-57
Disposal of property, plant and equipment		2	1
Acquisition of intangible assets		-20	-12
Acquisition of business operations	3	-649	-609
Disposal of business operations		—	3
Contingent considerations paid and step acquisitions		-220	-133
Acquisition/Disposal of financial assets		2	-1
Cash flow from investing activities		**-963**	**-807**
Financing activities			
Borrowings		831	829
Amortisation of loans		—	-100
Dividend paid (including non-controlling interest)		-292	-273
Share buy-backs/sales		-128	-86
Payout, convertible programme		-2	—
Shareholders' contribution received		2	—
Cash flow from financing activities		**411**	**370**
Cash flow for the period		**70**	**86**
Opening cash and cash equivalents		264	178
Exchange difference in cash and cash equivalents		-5	0
Closing cash and cash equivalents		**329**	**264**

Change in consolidated net debt	2016	2015
Opening balance	1,486	870
Cash flow from operating activities	-622	-523
Investments	97	66
Acquisitions and contingent considerations	917	741
Dividend	292	273
Share buy-backs/sales	128	86
Other	0	-27
Closing balance	**2,298**	**1,486**

Parent income statement

1 January – 31 December (SEK million)	Note	2016	2015
Operating income			
Net sales		456	390
Other operating income	4	202	184
		658	**574**
Operating expenses			
Other external costs	5, 22	-320	-276
Personnel costs	6	-149	-126
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	13, 14	-31	-26
Other operating expenses	7	-197	-179
Operating profit/loss		**-39**	**-32**
Profit/loss from financial items			
Profit from participations in Group companies	9	588	658
Interest income and similar profit/loss items	9	19	12
Interest expense and similar profit/loss items	9	-45	-38
		561	**631**
Profit/loss after financial items		**522**	**599**
Appropriations	10	65	55
Pre-tax profit		**588**	**654**
Tax	20	-1	0
Profit for the period		**587**	**654**

Parent statement of comprehensive income

1 January – 31 December (SEK million)	2016	2015
Profit for the period	**587**	**654**
Items which will be classified to profit or loss		
Changes in value of hedge reserve	-11	-4
Tax	2	1
Other comprehensive income	**-9**	**-3**
Comprehensive income for the period	**579**	**651**

Parent balance sheet

As at 31 December (SEK million)	Note	2016	2015
Non-current assets			
Intangible assets	13	19	16
Property, plant and equipment	14	107	89
Financial assets			
Participations in Group companies	25	5,718	5,438
Receivables from Group companies	24	37	30
Non-current receivables		9	9
Total non-current assets		**5,890**	**5,582**
Current assets			
Current receivables			
Accounts receivable		0	1
Receivables from Group companies	24	1,141	572
Other receivables		621	537
Prepaid expenses and accrued income	16	112	74
Total current receivables		**1,875**	**1,184**
Cash and bank balances		62	92
Total current assets		**1,937**	**1,276**
Total assets		**7,828**	**6,858**

As at 31 December (SEK million)	Note	2016	2015
EQUITY AND LIABILITIES			
Equity	17		
Restricted equity			
Share capital		197	195
Statutory reserve		47	47
Non-restricted equity			
Share premium reserve		1,016	1,060
Fair value reserve		-11	-2
Profit brought forward		2,599	2,227
Profit for the period		587	654
Total equity		**4,436**	**4,181**
Untaxed reserves	26	**134**	**129**
Provisions			
Provisions for pensions and similar obligations	18	19	21
Deferred tax liability	20	4	3
Other provisions	19	63	109
Total provisions		**85**	**132**
Non-current liabilities			
Bond loan	12	1,200	700
Staff convertible	12	256	121
Liabilities to credit institutions	12	700	400
Liabilities to Group companies	24	0	0
Other liabilities	12	0	0
Total non-current liabilities		**2,157**	**1,221**
Current liabilities			
Staff convertible	12	18	95
Liabilities to credit institutions	12	190	259
Accounts payable		97	87
Liabilities to Group companies	24	632	684
Current tax liability	20	3	1
Other liabilities	12	22	22
Accrued expenses and prepaid income	21	53	48
Total current liabilities		**1,016**	**1,195**
Total equity and liabilities		**7,828**	**6,858**

Statement of change in parent equity

SEK million	Restricted equity: Share capital	Restricted equity: Statutory reserve	Non-restricted equity: Share premium reserve	Non-restricted equity: Fair value reserve	Non-restricted equity: Profit brought forward	Non-restricted equity: Profit for the period	Total equity
Equity brought forward 1 Jan 2015	196	47	1,073	1	1,892	595	3,803
Profit for the period						654	654
Other comprehensive income				-3			-3
Comprehensive income for the period	**—**	**—**	**—**	**-3**	**—**	**654**	**651**
Appropriations					595	-595	—
Dividends					-271		-271
Conversion of convertible bonds into shares (2012 programme)	2		63				65
Value of conversion option (2015 programme)			10				10
Tax on value of conversion option (2015 programme)			-2				-2
Share buy-backs/sales			-86				-86
Cancellation of shares	-2		2				—
Share programmes					11		11
Equity carried forward 31 Dec 2015	**195**	**47**	**1,060**	**-2**	**2,227**	**654**	**4,181**
Equity brought forward 1 Jan 2016	195	47	1,060	-2	2,227	654	4,181
Profit for the period						587	587
Other comprehensive income				-9			-9
Comprehensive income for the period	**—**	**—**	**—**	**-9**	**—**	**587**	**579**
Appropriations					654	-654	—
Dividends					-292		-292
Conversion of convertible bonds into shares (2013 programme)	2		77				79
Value of conversion option (2016 programme)			10				10
Tax on value of conversion option (2016 programme)			-2				-2
Share buy-backs/sales			-128				-128
Share programmes					10		10
Equity carried forward 31 Dec 2016	**197**	**47**	**1,016**	**-11**	**2,599**	**587**	**4,436**

For supplementary information, see Note 17.

Statement of cash flows for parent

1 January – 31 December (SEK million)	Note	2016	2015
Operating activities	27		
Profit/loss after financial items		522	599
Adjustment for items not included in cash flow		14	-472
Income tax paid		0	71
Cash flow from operating activities before changes in working capital		**536**	**198**
Cash flow from changes in working capital			
Change in operating receivables		-539	260
Change in operating liabilities		-39	-107
Cash flow from operating activities		**-42**	**351**
Investing activities			
Acquisition of property, plant and equipment		-37	-18
Acquisition of intangible assets		-15	-10
Acquisition/disposal of financial assets		4	0
Acquisition of subsidiaries		-18	-309
Shareholders' contribution made		-330	-219
Contingent considerations paid		-44	-104
Cash flow from investing activities		**-441**	**-660**
Financing activities			
Borrowings		874	831
Amortisation of loans		–	-100
Dividend paid		-292	-271
Share buy-backs		-128	-86
Conversion proceeds		-2	—
Cash flow from financing activities		**452**	**374**
Cash flow for the period		-30	**66**
Opening cash and cash equivalents		92	27
Closing cash and cash equivalents		**62**	**92**

Amounts are in SEK millions unless otherwise stated.

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 (Tryggandelagen), 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, with the exception of 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 assets.

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 a number of 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. Assessments 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 29.

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 30 March 2017. 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 25 April 2017.

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.

1.3.2 Future changes in accounting policies
IFRS 9 – Financial Instruments
IFRS 9 will supersede the current IAS 39 – Financial Instruments: Recognition and Measurement. The standard comes into force on 1 January 2018 and will be applied retroactively. The standard will not be applied in advance. The Group does not expect the new standard to have any significant impact on the balance sheets and income statements.

IFRS 15 – Revenue from Contracts with Customers
IFRS 15 – Revenue from Contracts with Customers, will supersede the current IAS 11 – Construction Contracts and IAS 18 – Revenue. The standard comes into force on 1 January 2018 and will not be applied in advance. The Group does not expect the new standard to have any significant impact on the balance sheets and income statements.

IFRS 16 – Leases
IFRS 16 will supersede the current IAS 17 – Leases. The standard comes into force on 1 January 2019 and will not be applied in advance. The new standard will have an effect on the consolidated balance sheet. Efforts to estimate the extent of the effect are in progress.

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 twelve months after the balance sheet date. Current assets and liabilities consist essentially of amounts expected to be recovered or settled within twelve months of the balance sheet date.

1.6 Basis of consolidation
1.6.1 Subsidiaries
Subsidiaries are companies over which ÅF 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 analysis undertaken in connection with a business combination. The analysis determines the acquisition value 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 such time as 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 arrangement has direct rights to the assets and obligations for the liabilities in that joint arrangement. In such an arrangement, the assets, liabilities, revenues 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 controlling influence 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 such time as 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 ruling on the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate ruling at the balance sheet date. 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 ruling on the transaction date. Non-monetary assets and liabilities carried at fair value are translated into the functional currency at the exchange rate ruling 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 ruling at the balance sheet date. 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

Revenue from services rendered is recognised in accordance with IAS 18. The percentage of completion method is applied to all assignments whose outcome can be measured reliably. The majority of assignments are performed on a current account basis, according to which income is entered into the accounts when the work is performed, and clients are normally invoiced one month after the work is carried out. Where assignments are carried out on a fixed-price basis, revenue is recognised in profit or loss on the basis of the stage of completion at the balance sheet date. The stage of completion of an assignment is determined by comparing the expenditure at the balance sheet date with estimated total expenditure. If it is probable that the total assignment expenditure will exceed the total assignment revenue, the anticipated loss is immediately recognised as an expense in its entirety. Revenue is not recognised if it is probable that the economic benefits will not flow to the Group. In the event of significant uncertainty about payment or associated expenses, no revenue is recognised.

1.9 Operating expense and financial income and expense

1.9.1 Operating leases

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

1.9.2 Finance leases

Minimum lease payments are apportioned between a finance charge and a reduction of the outstanding liability. The finance charge is spread over the lease term so that the amount charged in each reporting period corresponds to a fixed rate of interest on the liability recognised in that period. Contingent rents are recognised in the periods in which they arise.

1.9.3 Financial income and expense

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

Interest income on receivables and interest payable on liabilities are calculated using the effective interest rate method. The effective interest rate is the rate of interest that makes the present value of all future inflows and outflows over the life of the receivable or liability equal to its carrying amount.

The interest component of finance lease payments is recognised in profit or loss by applying the effective interest rate method. Interest receivable 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 to profit and loss for the period to which they relate. Costs arising when raising a loan are divided over the maturity of the loan on the basis of the recognised liability.

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

1.10 Financial instruments

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the contractual terms of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been sent. Liabilities are recognised once the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are recognised when an invoice has been received.

A financial asset is derecognised from the balance sheet when the rights in the contract are transferred or expire or the company loses control over them. The same applies to parts of a financial asset. A financial liability is derecognised when the obligation in the contract is discharged or in some other way extinguished. The same applies to parts of a financial liability.

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 an acquisition value equivalent to the fair value of the instrument with the addition of transaction costs for all financial instruments except those in the financial assets valued at fair value via profit and loss category, which are recognised at fair value excluding transaction costs. A financial instrument is classified on initial recognition on the basis of the purpose for which the instrument was acquired. The classification determines how the financial instrument is to be valued after initial recognition, as described below.

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

1.10.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are valued at amortised cost. Amortised cost is determined on the basis of the effective interest rate calculated on the date of acquisition. Assets with a short term are not discounted.

Accounts receivable are recognised at the amount which it is estimated will be received, i.e. after the deduction of doubtful receivables and as the result of individual evaluation. Impairments of accounts receivable are recognised in operating expense.

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 consist of cash, immediately accessible deposits with banks and similar institutions, and short-term liquid investments with a maturity of less than three months from the date of purchase, which are subject to only an insignificant risk of changes in value.

cont. **Note 1**

1.10.3 Financial assets and liabilities measured at fair value in profit or loss
This category consists of two sub-groups: financial assets and liabilities held for sale and other financial assets and liabilities which the company has decided to place in this category. The second sub-category includes contingent considerations and put/call share options associated with acquisitions. Assets and liabilities in this category are valued continuously at fair value with changes for the period recognised in profit or loss for the period.

1.10.4 Other financial liabilities
Loans and other financial liabilities, e.g. accounts payable, are included in this category. The liabilities are valued at amortised cost. Accounts payable have a short expected term and are valued without discounting to their nominal amount.

Non-current liabilities have an expected term longer than one year, while current liabilities have a term shorter than one year.

Staff convertibles can be converted into shares by the counterparty exercising an option to convert the instrument into shares. Staff convertibles are recognised as a compound financial instrument comprising a liability component and an equity component. The fair value of the liability is calculated by discounting future cash flows using the current market interest rate for an equivalent liability without a conversion right. The value of the equity instrument is calculated as the difference between the issue proceeds when the staff convertible was issued and the fair value of the financial liability at the time of issue. Any deferred tax attributable to the liability on the date of issue is deducted from the carrying amount of the equity instrument. The transaction costs relating to the issue of a compound financial instrument are apportioned between the liability component and the equity component in the same proportions as the issue proceeds. The interest expense is recognised in profit or loss and calculated using the effective interest rate method.

1.11 Derivatives and hedging
Derivatives 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 such time as 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. Flows from both contracted and forecast transactions can be hedged. Gains and losses on hedging are recognised in profit or loss on the same date as gains and losses on the hedged items are recognised. Even if hedge accounting is not applied, increases or decreases in the value of the derivative are recognised as income or expense in operating profit/loss or in net financial income/expense depending on the intention behind the use of the derivative. With hedge accounting, the ineffective part of the hedge is recognised in the same way as changes in the value of a derivative that is 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 probable that future economic benefits will flow to the company, and that the cost of the item can be measured reliably. Property, plant and equipment are recognised in the consolidated financial statements at cost less accumulated depreciation and any impairment losses. 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 which consist of parts with different useful lives are treated as separate components of property, plant and equipment.

The carrying amount of an asset 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. The gain or loss arising on the disposal or retirement of an asset is the difference between the disposal proceeds and the carrying amount less direct costs to sell. The gain or loss is recognised under other operating income/expense.

Subsequent expenditure
Subsequent expenditure is added to the cost only if it is probable that future economic benefits that are attributable to the asset will flow 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. Leases are classified as either finance leases or operating leases in the consolidated financial statements. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Otherwise it is classified as an operating lease. Assets held under finance leases are recognised as assets in the consolidated balance sheet. The liability to make future lease payments is recognised under non-current and current liabilities. The leased assets are depreciated according to plan.

1.12.3 Depreciation
Depreciation is charged on a straight-line basis over the estimated useful life of an asset.

Estimated useful lives are:

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 a number of components with different useful lives. The primary division is between buildings and land. No depreciation is applied to the land component, which is regarded as having an unlimited useful life. The buildings, however, consist of many components with varying useful lives. The useful lives of these components have been assessed as varying between 40 and 100 years.

The residual value and useful life of an asset are reviewed 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.

When it comes to goodwill arising from acquisitions occurring before 1 January 2004, IFRS has not been applied retroactively; instead, the carrying amount on that date will continue to be the cost of acquisition in the consolidated financial statements, net of impairment losses.

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 on the acquisition of associates is included in the carrying amount of the investment in the associate.

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 losses.

Costs incurred in respect of internally generated goodwill and internally generated trademarks are recognised in profit or loss as they are incurred.

1.13.3 Subsequent expenditure
Subsequent expenditure on capitalised intangible assets is recognised as an asset in the balance sheet only if it increases the future economic benefits from the specific asset to which it relates. All other expenditure is recognised as an expense as it is incurred.

1.13.4 Amortisation
Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the asset, unless its useful life is indefinite. Amortisable intangible assets are amortised from the date they become available for use.

Estimated useful lives are:

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 — with the exception of 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 any such indication, the asset's recoverable amount is determined. Goodwill and intangible assets with an indefinite life are tested for impairment annually or as soon as there are indications that the asset in question has diminished in value. The carrying amounts of the exceptions stated above are tested in accordance with the relevant 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 calculating value in use, future cash flows are discounted at a discount rate which reflects the risk-free rate of interest and the risk associated with the specific asset. For an asset that does not generate cash flows that are essentially independent of other assets, the value in use is calculated for the cash-generating unit to which the asset belongs. The impairment loss is the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses in respect of cash-generating units are allocated in the first instance to goodwill. Impairment is then applied to the other assets included in the unit on a pro rata basis.

1.14.2 Impairment test for financial assets
At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset or group of assets requires impairment. Objective evidence consists both of observable circumstances that have arisen and which have a negative effect on the ability to recover the acquisition cost, and of significant and long-lasting reductions in the fair value of an investment designated as an available-for-sale financial asset.

On the impairment of an equity instrument designated as an available-for-sale financial asset, accumulated losses already recognised in equity are reversed through profit or loss.

The recoverable amount of assets in the loans and receivables category which are recognised at amortised cost is measured as the present value of the future cash flow discounted at the effective interest rate current on the date on which the asset was first recognised. Assets with a short term are not discounted. Impairment is charged to profit or loss.

1.14.3 Reversal of an impairment loss
An impairment loss is reversed if there are indications that the impairment requirement no longer exists and there has been a change in the assumptions which formed the basis for the measurement of the recoverable amount. Impairment of goodwill is, however, never reversed. A reversal is carried out only to the extent that the carrying amount after reversal does not exceed the carrying amount which would have been recognised, less depreciation/amortisation if appropriate, if no impairment had been applied.

Impairment of loans and receivables that has been recognised at amortised cost is reversed if a subsequent increase in the recoverable amount can be attributed objectively to an event occurring after the impairment had been 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 via profit or loss. The impaired value is the value from which subsequent revaluations are made, and these are recognised in other comprehensive income. Impairment losses on interest-bearing instruments designated as available-for-sale financial assets are reversed in profit or loss if the fair value increases and the increase can be attributed objectively to an event occurring after the impairment had been made.

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

1.16 Employee benefits
1.16.1 Defined-contribution pension plans
Obligations in respect of contributions to defined contribution pension plans are recognised as an expense in profit or loss when they arise.

1.16.2 Defined-benefit pension plans
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 both current and prior periods. These benefits are discounted to present value. The discount rate is the interest rate at the balance sheet date on a high-quality investment-grade corporate bond with the term equivalent to the Group's pension obligations. Where there is no active market for corporate bonds of this type, the interest rate on mortgage bonds with a corresponding term are 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 liabilities, which are also recognised in the balance sheet for each defined-benefit plan, consist of the present value of obligations less the fair value of the plan assets. If the value of plan assets exceeds the value of the obligations, a surplus arises, and this is recognised as a plan asset under receivables. Past service costs are recognised in profit or loss.

When a difference arises between the way in which pension costs are determined in the legal entity and Group, a provision or receivable in respect of a special employers' contribution based on this difference is recognised. The provision or receivable is not discounted to present value.

1.16.3 Share-based payment
Under the share savings programme adopted by the AGM, employees are eligible to receive performance-related matching shares for shares which they have themselves purchased under the programme. For these share programmes, 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 programme. Provisions for estimated social security contributions are made during the vesting period. The buy-back of shares to meet obligations under outstanding share programmes is recognised in equity.

1.16.4 Convertible programme
The Group has issued convertible bonds targeted to employees. The convertible is divided into a financial liability and a conversion option, which is recognised as 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 the result of an offer made in order to encourage voluntary redundancy. In the event that 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 as a result of 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. Where the effect of the point in time when payment takes place is significant, provisions are calculated by discounting expected future cash flows at a rate of interest before tax that reflects current market assessments of the time value of money and, where appropriate, the risks associated with the liability. Provisions for restructuring are recognised once the Group has adopted a detailed and formal restructuring plan, and the work of restructuring has either begun or been publicly announced. No provisions are made for future operating expenses.

cont. **Note 1**

1.18 Taxes
Income tax consists of current tax and deferred tax. Income tax is recognised in profit or loss unless the underlying transaction is recognised in other comprehensive income, in which case the 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 as at the balance sheet date, including adjustments of current tax in respect of prior periods.

Deferred tax is calculated in accordance with the balance-sheet method starting from temporary differences between the carrying amount and the value for tax purposes of assets and liabilities. The following temporary differences are disregarded: temporary differences arising on the initial recognition of goodwill; the initial recognition of assets and liabilities which do not constitute business combinations and affect neither recognised nor taxable income at the time of the transaction; and temporary differences attributable to investments in subsidiaries and associates, in cases where the parent, investor or joint owner can exert some influence over the point in time when the temporary differences will be reversed and when it is not anticipated that this reversal will take place in the foreseeable future. The valuation of deferred tax is based on how the carrying amounts of assets and liabilities are expected to be realised or adjusted. Deferred tax is calculated using the tax rates and tax rules enacted or substantively enacted as at the balance sheet date.

Deferred tax assets in respect of deductible temporary differences and unused tax losses are recognised only to the extent that it is probable that they can be utilised. The value of deferred tax assets is reduced when it is no longer deemed probable 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 when there is a potential obligation relating to past events whose existence will be confirmed only by one or more uncertain future events, or when there is an obligation which is 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 measured reliably.

1.20 Earnings per share
The calculation of earnings per share is based on the consolidated profit or loss attributable to the parent's shareholders and on the weighted average number of shares outstanding during the year. In calculating earnings per share after dilution, the profit or loss and the weighted average number of shares are adjusted to take account of the effects of potential diluting ordinary shares, which derive during the reporting period from matching shares in the programme 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 applies 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 taking into account the relationship between reporting and taxation. The recommendation specifies which exceptions and supplements are to be made with respect to IFRS. The differences between the accounting policies of the Group and parent are presented below.

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

Differences between the accounting policies of the Group and parent

1.21.1 Subsidiaries and associates
Shares in subsidiaries and associates are recognised in the parent using the acquisition 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 reports all leases on the basis of the rules for operating leases.

1.21.3 Financial guarantees
The parent's financial guarantees consist mainly of guarantee commitments in favour of subsidiaries and associates. Financial guarantees mean that the company has an obligation to reimburse holders of a debt instrument for losses they suffer through a specified debtor not making due payments under the terms of the contract. In recognising financial guarantees, the parent applies RFR 2, which involves a relaxation of the rules of IAS 39 in respect of financial guarantees issued for the benefit of subsidiaries and associates. The parent recognises financial guarantees as a provision in the balance sheet when the company has an obligation for which payment is probably necessary to settle the commitment.

1.21.4 Employee benefits
Defined-benefit pension plans
In calculating defined-benefit pension plans, the basis for calculation applied by the parent differs from that set out in IAS 19. The parent complies with the provisions of the Pension Obligations Vesting Act and the Swedish Financial Supervisory Authority's rules since these are a condition 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 on the basis of 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
The parent recognises untaxed reserves including deferred tax liability. In the consolidated financial statements, untaxed reserves are apportioned between a deferred tax liability and equity.

1.21.6 Group contributions and shareholders' contributions for legal entities
Group contributions both made and received 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.

2 Segment reporting

	Industry		Infrastructure		International		Technology		Group-wide and eliminations		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Income and expense												
Sales to external clients	4,301	4,055	4,009	3,084	1,080	1,165	1,680	1,554	—	-7	11,070	9,851
Sales between segments	136	92	73	63	19	14	56	47	-284	-216	—	—
Net sales	4,437	4,147	4,082	3,147	1,098	1,179	1,736	1,601	-284	-223	11,070	9,851
Operating expense	-4,026	-3,770	-3,638	-2,786	-1,028	-1,083	-1,573	-1,475	275	200	-9,989	-8,913
Amortisation and impairment of intangible assets	0	0	-1	-1	-2	-2	0	0	-45	-39	-48	-43
Depreciation and impairment of property, plant and equipment	-8	-6	-16	-14	-10	-12	-1	-1	-32	-23	-67	-56
Operating profit	403	371	427	347	58	82	162	125	-85	-85	965	839
Operating margin, %	9.1	8.9	10.5	11.0	5.3	7.0	9.3	7.8	—	—	8.7	8.5
Total growth, %	7.0	11.6	29.7	15.3	-6.9	3.9	8.5	9.5	—	—	12.4	12.6
of which organic, %	2.1	-0.2	7.6	7.7	-7.4	6.8	6.9	9.5	—	—	2.9	4.8

Operating segments

The Group's operating structure and internal reporting to the CEO is based on accounting by divisions. The aim is to classify the divisions on the basis of 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 refer to traditional parent functions. The accounting policies governing operating segments are the same as those applied in the Group in general. There are no individual clients whose sales amount to 10 percent or more of the Group's total sales.

At 1 January 2016, a reorganisation was implemented in which the hydropower operations of the Industry Division and the International Division were merged. The combined operations were placed under the International Division and the historical data for the divisions are reported pro forma.

	Net sales		Non-current assets	
By geographical area	2016	2015	2016	2015
Sweden	8,658	7,742	4,175	3,730
Norway	1,147	819	1,024	612
Switzerland	443	490	827	506
Other countries	823	800	405	354
Total	**11,070**	**9,851**	**6,431**	**5,202**

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

3 Acquisition of business operations

Acquisitions 2016

In 2016, ÅF acquired and took over all shares in Alteco AB, ÅF Reinertsen Deal Sverige AB, Erstad & Lekven Oslo AS, ÅF Reinertsen AS, Sandell-sandberg AB, Optiman Projektledelse AS, Traffic Team A/S, Ingenjörs-projekt Sverige AB, Sjöland & Thysélius AB, Solid Engineering AS, AF-Aries SA, AF Toscano AG and asset acquisition Reinertsen Oil & Gas along with two small businesses in Sweden. The acquired businesses added about 1,380 employees to ÅF's roster. None of the acquisitions is substantial, and for that reason they are all recognised together in the table below.

AB Teknoplan and Midtconsult P/S were also acquired in 2016. These companies were consolidated as of the takeover date of 1 January 2017. Acquisition analyses have not yet been prepared for them.

Effects of acquisitions

The table below shows the effect of the acquired companies on consolidated assets and liabilities. Acquisition analyses are preliminary as the assets in the companies acquired have not been finally analysed.

Total net assets of acquired companies at date of acquisition, 2016

2016	Identifiable assets and liabilities	Fair value adjustment	Fair value recognised in the Group
Intangible assets	17	72	89
Property, plant and equipment	45	9	54
Financial assets	21	—	21
Accounts receivable and other receivables	398	—	398
Cash and cash equivalents	172	—	172
Deferred tax	—	-13	-13
Accounts payable and other liabilities	-419	—	-419
Net identifiable assets and liabilities	**234**	**68**	**302**
Non-controlling interest			-102
Goodwill			968
Consideration including estimated contingent consideration/option			**1,168**
Transaction costs			2
Less:			
Cash (acquired)			-172
Estimated contingent consideration/option			-307
Other assets			-41
Net cash outflow			**649**

Goodwill

Goodwill refers primarily to human capital in the form of staff expertise, as well as 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 and option

Agreed upon contingent considerations in the acquired companies relate to the performance of each company for up to three years. Total contingent consideration for the acquired companies is a maximum of SEK 301 million (39). The maximum payment for options amounts to SEK 51 (—) million. For further information on contingent consideration, see Note 12.

Acquisition-related expenditure

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

Acquired receivables

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

Net sales from acquired companies

During the year, acquired companies/operations contributed SEK 734 million (600) to net sales. If the above-mentioned acquisitions had been executed on 1 January 2016, they would have contributed net sales of SEK 1,524 million (792).

Acquisitions 2015

In 2015, ÅF acquired and took over all shares in LN Management AB, PRC Group AB, EQC Group AB, LEB Consult AB, Markitekten AB and Österjärn AB for a total of 675 employees. None of the acquisitions is substantial, and for that reason they are all recognised together in the table below.

At the end of 2015, Erstad & Lekven Oslo AS and Alteco AB were also acquired. These companies were consolidated as of 1 January 2016. The purchase price for Alteco AB is however included in the table below.

Total net assets of acquired companies at date of acquisition, 2015

2015	Identifiable assets and liabilities	Fair value adjustment	Fair value recognised in the Group
Intangible assets	3	27	29
Property, plant and equipment	19	—	19
Accounts receivable and other receivables	230	-29	201
Cash and cash equivalents	38	—	38
Deferred tax	—	1	1
Accounts payable and other liabilities	-204	—	-204
Net identifiable assets and liabilities	**85**	**-2**	**83**
Goodwill			594
Consideration including estimated contingent consideration			**677**
Transaction costs			6
Less:			
Cash (acquired)			-38
Estimated contingent consideration			-37
Net cash outflow			**609**

4 Other operating income

Group	2016	2015
Exchange gains	2	—
Adjustment of contingent consideration	6	50
Government grants	3	4
	10	**55**

Other operating income of SEK 202 million (184) in the parent largely relates to the re-invoicing of rental charges, chiefly to subsidiaries.

5 Fees and reimbursement of auditors' expenses

	Group		Parent	
	2016	2015	2016	2015
Auditing firm EY				
Audit assignments	6	5	1	1
Tax advice	0	0	0	0
Other services	1	2	1	1
	6	**7**	**1**	**2**
Other auditors				
Audit assignments	0	1	–	–
Tax advice	0	0	–	–
Other services	0	0	–	–
	1	**1**	**–**	**–**

"Audit assignments" 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.

6 Employees and personnel costs

Average number of full-time employees (FTEs) by gender

	2016			2015		
Parent	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Sweden	79	45	123	66	42	108
Subsidiaries						
Sweden	1,446	4,968	6,414	1,246	4,761	6,006
Norway	194	456	650	89	312	402
Switzerland	53	184	237	49	152	201
Czech Republic	38	162	200	54	175	229
Finland	32	115	147	34	136	170
Denmark	27	119	146	24	115	139
Estonia	7	30	38	7	30	38
India	3	34	37	13	17	30
Spain	12	18	30	2	27	29
Turkey	7	22	29	5	19	25
Russia	7	14	20	6	14	20
Brazil	1	8	9	1	9	11
Lithuania	5	4	9	6	7	13
Other	7	18	25	7	26	33
Group total	**1,918**	**6,197**	**8,115**	**1,610**	**5,843**	**7,453**

Gender distribution on the Board of Directors and in Group management

	Women, %	
Group	**2016**	**2015**
Board of Directors	30	30
Group management	36	36

Salaries, other remuneration and social security contributions

	2016		2015	
Group	**Salaries and remuneration**	**Social security contributions**	**Salaries and remuneration**	**Social security contributions**
Board of Directors and Group management	42	22	41	21
of which annual variable remuneration	11	3	8	3
of which pension costs[1)]	–	9	–	9
Other employees	4,296	1,634	3,808	1,477
of which annual variable remuneration	141	44	112	35
of which pension costs[1)]	–	503	–	477
	4,338	**1,656**	**3,850**	**1,498**

	2016		2015	
Parent	**Salaries and remuneration**	**Social security contributions**	**Salaries and remuneration**	**Social security contributions**
Board of Directors and CEO	12	6	11	6
of which annual variable remuneration	3	1	3	1
of which pension costs[1)]	–	3	–	2
Other employees	80	40	68	34
of which annual variable remuneration	10	3	6	2
of which pension costs[1)]	–	15	–	13
	92	**47**	**80**	**39**

1) Including statutory charges.

Annual variable remuneration

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

Remuneration of the Board of Directors

The AGM held on 27 April 2016 approved remuneration, including remuneration for committee work, totalling SEK 2,940,000 for the work of the Board in 2016. The Chairman received SEK 650,000 and other members of the Board of Directors not employed by the Group received SEK 275,000 each.

Fees for committee work of SEK 50,000 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 100,000 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 2015 for the first two quarters and at the rate determined by the AGM in 2016 for the remaining two quarters of the year.

In addition, the employee representatives on the Board received a total of SEK 48,000 (48,000).

No agreements have been signed concerning future pensions or severance pay for the Chairman or other members of the Board.

	Fees in SEK 2016		
Director	**Board of Directors**	**Committee**	**Total**
Marika Fredriksson	267,500	45,000	312,500
Staffan Jufors	267,500	–	267,500
Anders Narvinger	625,000	100,000	725,000
Björn O. Nilsson	267,500	25,000	292,500
Maud Olofsson	267,500	–	267,500
Joakim Rubin	267,500	50,000	317,500
Kristina Schauman	267,500	100,000	367,500
Anders Snell	267,500	45,000	312,500
Total	**2,497,500**	**365,000**	**2,862,500**

	Fees in SEK 2015		
Director	**Board of Directors**	**Committee**	**Total**
Marika Fredriksson	260,000	45,000	305,000
Staffan Jufors	260,000	–	260,000
Anders Narvinger	600,000	122,500	722,500
Björn O. Nilsson	260,000	–	260,000
Maud Olofsson	260,000	–	260,000
Joakim Rubin	260,000	47,500	307,500
Kristina Schauman	260,000	95,000	355,000
Anders Snell	260,000	45,000	305,000
Total	**2,420,000**	**355,000**	**2,775,000**

Note 6, *cont.*

Guidelines for remuneration of senior executives in accordance with the resolution of the 2016 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.

The remuneration package for senior executives consists of basic salary, a variable salary element, long-term incentive programmes and pension entitlements. Other remuneration may be awarded, primarily in the form of the use of a company car.

The Board of Directors shall ensure that there is an appropriate balance between fixed and variable elements of the remuneration package.

Basic salary and variable remuneration

Remuneration packages are renegotiated annually. Remuneration is based on factors such as duties, expertise, experience, position and performance. The apportionment between basic salary and variable remuneration is also related to the individual's position and duties. The annual variable element for the CEO and senior executives is a maximum of 60 percent of the fixed annual salary. The fixed annual salary is the current monthly salary multiplied by 12. The variable element is based on outcomes in relation to targets. The targets and salary for the CEO are determined 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 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 contributions. All pension benefits are vested, and are not, therefore, dependent on future employment. The retirement age for the CEO is 60, and for other senior executives, 65. Remuneration in accordance with the long-term incentive programme does not qualify for pension entitlement.

Employees' notice of termination 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.

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

	2016		
	CEO	Other members of Group management	Total
Salary including daily allowance	6	20	26
Provisions for annual variable remuneration earned during the current year	3	8	11
Provisions for long-term variable remuneration	1	2	2
Pension costs [1]	3	7	9
Other social security contributions	3	9	12
Total	**15**	**45**	**60**

	2015		
	CEO	Other members of Group management	Total
Salary including daily allowance	6	22	28
Provisions for annual variable remuneration earned during the current year	3	6	8
Provisions for long-term variable remuneration	1	2	2
Pension costs [1]	2	7	9
Other social security contributions	3	8	11
Total	**15**	**45**	**59**

[1] Including statutory charges.

President/CEO

The remuneration of the CEO has been based on the "Guidelines for the remuneration of senior executives" as set out above.

The fixed basic salary of the CEO was SEK 6 million (6). The CEO also has the use of a company car. Annual variable remuneration is based on the Group's results, as well as a number of pre-set targets, and may amount to a maximum of 60 percent of fixed basic salary.

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. An obligation to work during the period of notice may apply for a maximum of one year.

Group management, excluding the President/CEO

The Group management team consists of 10 (10) individuals excluding the President/CEO.

The remuneration of Group management has been based on the Guidelines for the remuneration of senior executives as set out above.

One of the members of Group management has retirement benefit conditions in line with the ITP occupational pension plan. Others have defined-contribution retirement benefits, towards which an amount equivalent to 30 percent of basic salary is allocated annually.

ÅF has no outstanding retirement benefit obligations to current or former members of the Board of Directors and/or Presidents. Full salary continues to be payable during the period of notice.

Long-term variable remuneration

Staff convertible

In 2013, ÅF AB issued convertibles directed to staff totalling SEK 77 million. The loan runs with an annual interest of Stibor 180 and a margin of 0.86 with effect from 15 August 2013. Conversion may be called during the period from 15 June 2016 to 15 March 2017. The conversion price is SEK 100. A commercial interest rate for the corresponding liability without conversion right has been estimated at Stibor 180 and a margin of 4.50.

In 2015, ÅF AB issued convertibles directed 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 AB issued convertibles directed 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.

Performance-related share programme

Employees who participate in the performance-related share programme saved an amount equivalent to a maximum of 5 percent of their fixed salaries, which was used to purchase shares. Senior executives may be given the right to performance matching of up to four shares, Group management up to five shares and the CEO up to six shares for each share purchased within the PSPs. To qualify for performance matching, the individual concerned

Note 6, *cont.*

must also have been employed during the entire three-year period from the beginning of the respective programme.

A condition for performance matching is that ÅF's average annual percentage increase in earnings per share meets certain targets (see the table for each share programme). The base value for the calculation of the increase in earnings per share is the total of earnings per share for the four quarters immediately preceding the implementation of a new share programme. Before the number of performance shares for matching is finally determined, the Board of Directors will consider whether performance matching is reasonable. If the minimum performance has not been achieved, no performance matching shares will be issued. In addition to performance matching, employees will be allocated a number of Class B shares free of charge, equivalent to the number saved.

The expense is arrived at and charged by periodising a straight-line estimated expense over three years for each programme. The cost includes social security contributions for the countries in which they arise.

Share savings programme (PSP)	2013	2014
Base value earnings per share, SEK	5.23	7.75
Target for annual average increase in earnings per share, %	5–15	5–15
Number of participants in the allocation	21	125
Number of participants at the balance sheet date	18	111
Allocation of matching shares, number	0–5	0–5
Allocation of number of free shares per saved share	1	1
Maximum number of matching shares	110,000	500,000
Maximum dilution of earnings per share, %	0.2	0.5
Provisions for the year	1.1	13.6
Accumulated provision	6.8	33.8
Minimum cost[1)]	1.4	7.1
Maximum cost[1)]	7.0	37.5
Saving period	July 2013–June 2014	July 2014–June 2015
Closing date	June 2016	June 2017

1) Estimated on number of participants and share price at end of reporting period.

7 Other operating expenses

Group	2016	2015
Exchange losses	—	2
Capital loss on disposal of non-current assets	1	—
	1	**2**

Other operating expenses of SEK 197 million (179) in the parent relate primarily to rental charges.

8 Items affecting comparability

Group	2016	2015
Revaluation of contingent considerations	6	50
Restructuring	-25	-43
Repayment of pensions	22	–
	2	**7**

In order to improve analysis between periods, items affecting comparability are reported separately here.

9 Financial items

Group	2016	2015
Interest income[1)]	4	4
Exchange gains	12	6
Financial income	**16**	**11**
Interest expense[1)]	-38	-28
Other financial expenses	-7	-6
Exchange losses	-13	-16
Financial expense	**-58**	**-51**
Financial items	**-42**	**-40**

Parent	2016	2015
Dividends from Group companies	650	658
Impairment of shares in Group companies	-63	—
Results from participations in Group companies	**588**	**658**
Interest income, Group companies	11	7
Interest income	0	1
Exchange gains	8	4
Interest income and similar profit/loss items	**19**	**12**
Interest expense, Group companies	0	0
Interest expense [1)]	-36	-31
Exchange losses	-9	-7
Interest expense and similar profit/loss items	**-45**	**-38**
Financial items	**561**	**631**

1) Includes interest on pension provisions.

10 Appropriations

Parent	2016	2015
Difference between recognised depreciation and depreciation according to plan	-5	-3
Group contribution received	70	58
	65	**55**

11 Earnings per share and number of shares

	Basic earnings per share		Diluted earnings per share	
SEK	**2016**	**2015**	**2016**	**2015**
Earnings per share	9.32	7.81	9.14	7.63

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

Basic earnings per share
The calculation of earnings per share for 2016 has been based on the profit for the period attributable to the parent's ordinary shareholders, amounting to SEK 726 million (605) and on a weighted average number of outstanding shares in 2016 amounting to 77,937,176 (77,502,515).

Diluted earnings per share
In calculating diluted earnings per share, the weighted number of outstanding ordinary shares were 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 savings programmes, as well as staff convertibles.

Profit attributable to the parent's diluted ordinary shares

	2016	2015
Profit attributable to the parent's ordinary shares	726	605
Reversal of interest expense for staff convertibles	7	5
	733	**610**

Weighted average number of diluted ordinary shares outstanding

	2016	2015
Weighted average number of basic ordinary shares during the year	77,937,176	77,502,515
Effect of outstanding PSPs	299,082	394,013
Effect of outstanding staff convertibles	1,984,108	2,035,004
Weighted average number of diluted ordinary shares during the year	**80,220,366**	**79,931,532**

Total number of shares

2015	Class A shares	Class B shares	Total number of shares	Of which own shares	Total number of outstanding shares
Opening balance 2015	3,217,752	74,987,218	78,204,970	953,094	77,251,876
Cancellation	—	-967,869	-967,869	-967,869	—
Conversion to shares (convertible programme)	—	828,192	828,192	—	828,192
Share buy-backs	—	—	—	695,043	-695,043
Matching shares for share programmes	—	—	—	-203,297	203,297
Closing balance 2015	**3,217,752**	**74,847,541**	**78,065,293**	**476,971**	**77,588,322**

2016	Class A shares	Class B shares	Total number of shares	Of which own shares	Total number of outstanding shares
Opening balance 2016	3,217,752	74,847,541	78,065,293	476,971	77,588,322
Conversion to shares (convertible programme)	—	848,460	848,460	—	848,460
Share buy-backs	—	—	—	775,684	-775,684
Matching shares for share programmes	—	—	—	-49,905	49,905
Closing balance 2016	**3,217,752**	**75,696,001**	**78,913,753**	**1,202,750**	**77,711,003**

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).

12 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 the Group's profit. Derivative instruments are used to hedge some risk exposure.

The Group's risk management is handled centrally by the Group Treasury Department on the basis of 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 is relatively limited in the ÅF Group.

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 Group policy, ÅF does not hedge translation exposure.

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 consist of bank loans, bond loans and employee convertibles at both fixed and floating interest rates. Interest swaps are used to hedge floating interest to fixed.

Credit risk

Credit risk is a result of the company having at all times a substantial number of outstanding trade receivables, as well as fees earned but not invoiced, in other words 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 33 percent of the Group's sales, are all large listed companies with good credit ratings or government institutions and companies. The remaining 67 percent of net sales are spread over a large number of clients. There is, therefore, not deemed to be any significant credit risk with regard to any single major client. Counterparties for derivative contracts and cash transactions are limited to financial institutions with a high credit rating. Historically ÅF has suffered only very limited 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 1,500 million, of which SEK 610 million was unutilised at the end of the reporting period. The company also finances itself through the bond market.

Sensitivity analysis

Interest

Of the Group's borrowings at the end of the reporting period, loans at variable interest rates comprised 100 percent of all borrowings, and 29 percent of the loans are secured 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 26 million.

Currency

Transaction exposure is relatively limited, as the majority of 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/EUR and USD/SEK. An unhedged currency fluctuation of 10 percent in these currencies would affect ÅF's operating profit by SEK 5 million, SEK 2 million and SEK 1 million respectively on an annual basis.

In line with ÅF's policy, ÅF does not hedge translation exposure. An isolated change of 10 percent in the SEK exchange rate in 2016 against all other currencies would affect operating profit by a net of SEK 11 million.

Closing rate of earnings	2016	2015
CHF	8.91	8.43
CZK	0.35	0.34
DKK	1.29	1.22
EUR	9.57	9.14
NOK	1.05	0.96

	2016					
Group	Derivatives used in hedge accounting	Financial assets/liabilities measured at fair value via profit or loss	Loans and receivables	Financial liabilities	Total carrying amount	Fair value
Financial investments (level 3)		5			5	5
Non-current receivables			1		1	1
Accounts receivable			2,314		2,314	2,314
Revenue generated but not invoiced			944		944	944
Derivatives (level 2)	12				12	12
Cash and cash equivalents			329		329	329
Total	**12**	**5**	**3,588**	**—**	**3,605**	**3,605**
Non-current loans and credit facilities				2,197	2,197	2,198
Other non-current liabilities				13	13	13
Current loans and credit facilities				267	267	267
Accounts payable				644	644	644
Accrued expenses, subcontractors				169	169	169
Derivatives (level 2)	16				16	16
Contingent consideration (level 3) – Other liabilities		337			337	337
Option (level 3) – Other liabilities		49			49	49
Total	**16**	**385**	**—**	**3,290**	**3,691**	**3,692**

cont. **Note 12**

Group	2015 Derivatives used in hedge accounting	Financial assets/liabilities measured at fair value via profit or loss	Loans and receivables	Financial liabilities	Total carrying amount	Fair value
Financial investments (level 3)		1			1	1
Non-current receivables			4		4	4
Accounts receivable			1,914		1,914	1,914
Revenue generated but not invoiced			703		703	703
Derivatives (level 2)	5				5	5
Cash and cash equivalents			264		264	264
Total	**5**	**1**	**2,885**	**—**	**2,890**	**2,890**
Non-current loans and credit facilities				1,239	1,239	1,230
Other non-current liabilities				1	1	1
Current loans and credit facilities				404	404	404
Accounts payable				569	569	569
Accrued expenses, subcontractors				148	148	148
Derivatives (level 2)	13				13	13
Contingent consideration (level 3) – Other liabilities		188			188	188
Total	**13**	**188**	**—**	**2,361**	**2,562**	**2,553**

Parent	2016 Derivatives used in hedge accounting	Financial assets/liabilities measured at fair value via profit or loss	Loans and receivables	Financial liabilities	Total carrying amount	Fair value
Accounts receivable			107		107	107
Derivatives (level 2)	12				12	12
Cash and bank balances			62		62	62
Total	**12**	**—**	**169**	**—**	**182**	**182**
Non-current liabilities to credit institutions				700	700	700
Other non-current liabilities				1,456	1,456	1,457
Current liabilities to credit institutions				190	190	190
Other current liabilities				18	18	18
Accounts payable				105	105	105
Derivatives (level 2)	16				16	16
Total	**16**	**—**	**—**	**2,469**	**2,485**	**2,486**

Parent	2015 Derivatives used in hedge accounting	Financial assets/liabilities measured at fair value via profit or loss	Loans and receivables	Financial liabilities	Total carrying amount	Fair value
Accounts receivable			80		80	80
Derivatives (level 2)	5				5	5
Cash and bank balances			92		92	92
Total	**5**	**—**	**172**	**—**	**177**	**177**
Non-current liabilities to credit institutions				400	400	400
Other non-current liabilities				821	821	812
Current liabilities to credit institutions				258	258	258
Other current liabilities				95	95	95
Accounts payable				91	91	91
Derivatives (level 2)	13				13	13
Total	**13**	**—**	**—**	**1,665**	**1,679**	**1,670**

cont. **Note 12**

Measurement of fair value
Fair value corresponds with carrying amount, with the exception of 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.

Derivative instruments
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 on the basis of quoted prices for the same instruments on active markets).

Non-current and current liabilities to credit institutions
Non-current and current liabilities to credit institutions are included in level 2. 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 bond is listed on the Nasdaq Stockholm. The market value is based on the market price at the end of the reporting period.

Contingent consideration
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 involves a higher liability for contingent consideration. Normally, there is a ceiling on each contingent consideration which limits how large the liability can become (for more information, see Note 3).

Maximum contingent consideration paid totalled SEK 379 million at the end of the reporting period.

Option
Calculation of fair value on put/call options related to 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 for the option. Normally there is a ceiling on each option that limits how large the liability can become (see Note 3).

Maximum payout for the options totalled SEK 51 million at the end of the reporting period.

Due date structure, financial liabilities

	2016			
Group	<1 year	1–2 years	3–5 years	>5 years
Bank loans, SEK	190	–	700	–
Bank loans, CHF	48	–	–	–
Bond loan	–	–	1,200	–
Staff convertibles	18	121	135	–
Finance leasing liabilities	11	16	14	–
Contingent consideration/option	67	87	253	–
Accounts payable	644	–	–	–
Accrued expenses, subcontractors	169	–	–	–
Interest	27	26	25	–

	2015			
Group	<1 year	1–2 years	3–5 years	>5 years
Bank loans, SEK	–	258	400	–
Bank loans, CHF	34	–	–	–
Bond loan	–	–	700	–
Staff convertibles	95	–	121	–
Finance leasing liabilities	17	13	5	–
Contingent consideration	100	63	27	–
Accounts payable	569	–	–	–
Accrued expenses, subcontractors	148	–	–	–
Interest	13	7	21	–

Accounts receivable

	Group		Parent	
Age analysis of accounts receivable which are due but not impaired	2016	2015	2016	2015
<30 days	83	82	–	–
30–90 days	32	27	–	–
91–180 days	58	24	0	–
>180 days	16	13	0	0
Total	**189**	**145**	**0**	**0**

	Group		Parent	
Provision for doubtful receivables	2016	2015	2016	2015
Provision at start of year	44	39	–	–
Provision for anticipated losses	34	25	–	–
Established losses	-2	-15	–	–
Recovered losses	-14	-6	–	–
Acquired businesses	2	–	–	–
Exchange differences	2	0	–	–
Provision at end of year	**65**	**44**		

Credit quality
Credit risk is managed in each subsidiary in accordance with a centrally drawn up credit policy. Outstanding accounts receivable are monitored and reported regularly within each company and within the Group. Provisions have been 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 33 percent of Group sales, are all large listed companies or publicly owned institutions and companies.

cont. **Note 12**

Loans and credit facilities

Group	2016	2015
Non-current liabilities		
Bank loans	711	400
Staff convertible	256	121
Bond loan	1,200	700
Finance leasing liabilities	30	18
	2,197	**1,239**
Current liabilities		
Bank loans	238	292
Staff convertible	18	95
Finance leasing liabilities	11	17
	267	**404**

ÅF issued a senior non-secured bond loan totalling SEK 500 million during the year. The bond loan has a variable interest rate of three months' STIBOR +135 basis points and a term of three years, with a final maturity date of 21 March 2019. The bond is listed on the Nasdaq Stockholm. The Group thus has outstanding bond loans amounting to SEK 1,200 million.

ÅF has a revolving credit facility of SEK 1,000 million with a remaining period of 2.5 years, along with a bank overdraft facility of SEK 500 million.

Of total credit facilities of SEK 1,500 million, SEK 890 million was utilised at the end of the reporting period.

The agreements governing the Group's bank loans include certain financial obligations which must be fulfilled to retain the loan and avoid increased borrowing cost. The most important obligation is net debt/operating profit (EBITDA). All financial obligations were fulfilled by a good margin during the year.

Conditions and repayment periods

	2016			
Group	Nom. amount in original currency	Carrying amount	Due, year	Fair value
Non-current liabilities				
Sweden, SEK, variable interest rate	700	700	2019	700
Bond loan, SEK	700	700	2020	698
Bond loan, SEK	500	500	2019	503
Other		11		11
		1,911		**1,912**
Current liabilities				
Sweden, SEK, variable interest rate	182	182	2017	182
Sweden, SEK, variable interest rate	8	8	2017	8
Switzerland, CHF, variable interest rate	4	36	2017	36
Other		12		12
		238		**238**

	2015			
Group	Nom. amount in original currency	Carrying amount	Due, year	Fair value
Non-current liabilities				
Sweden, SEK, variable interest rate	400	400	2018	400
Bond loan, SEK	700	700	2020	691
Other		0		0
		1,100		**1,091**
Current liabilities				
Sweden, SEK, variable interest rate	249	249	2016	249
Sweden, SEK, variable interest rate	9	9	2016	9
Switzerland, CHF, variable interest rate	4	34	2016	34
		292		**292**

Contingent considerations/options

Change in contingent consideration/option	2016	2015
Opening balance	188	342
Estimated liabilities, acquisitions	307	37
Initial valuation put/call option	82	–
Payments[1)]	-230	-133
Changes in value recognised in other operating income – Advansia	–	-34
Changes in value recognised in other operating income – other	-6	-16
Changes in value recognised against goodwill – other	–	-2
Changes in value recognised against equity – Reinertsen AS	35	–
Discounting	3	2
Exchange differences	6	-9
Closing balance	**385**	**188**

1) Of which SEK 10 million for 2016 is an item that does not affect cash flow.

13 Intangible assets

	Goodwill		Intangible assets related to business combinations		Other intangible assets		Total	
Group	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Cost	5,584	4,506	526	446	113	85	6,224	5,037
Accumulated amortisation	—	—	-158	-122	-75	-65	-237	-186
Accumulated impairment	-32	-32	—	—	-1	-1	-33	-33
Carrying amount	**5,553**	**4,474**	**368**	**325**	**35**	**19**	**5,955**	**4,818**
Opening carrying amount	4 474	3,925	325	329	19	23	4,818	4,276
Purchases	—	—	—	—	20	12	20	12
Divestments and disposals	—	—	—	—	—	-1	—	-1
Acquired business operations	974	596	72	27	10	—	1,057	623
Changes in contingent consideration	—	-2	—	—	—	—	—	-2
Amortisation for the period	—	—	-33	-29	-15	-14	-48	-43
Impairment for the period	—	—	—	—	—	—	—	0
Exchange differences	104	-46	3	-2	0	0	108	-48
Closing carrying amount	**5,553**	**4,474**	**368**	**325**	**35**	**19**	**5,955**	**4,818**

Group
The Group's intangible assets arise primarily from acquired businesses. These acquired intangible assets consist largely of goodwill, since the main value of consulting companies lies in their human capital, the expertise of their employees. Other intangible assets identified in connection with the 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.

Impairment tests on goodwill are carried out annually, during Q4 or when there are indications that an impairment need has arisen, by discounting the anticipated future cash flow by a weighted average cost of capital per cash-generating unit. The present value of the 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 onwards the calculation is based on an annual growth rate of two percent.

The forecasts are based on previous experience, internal assessments and external sources of information. The most important variable is operating margin, which is affected by hourly rate, capacity utilisation rate, payroll expenses and total number of employees. No reasonable changes in the assessments of 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.

The discount rate varies between cash-generating units as shown in the table.

	Discount rate before tax, %	
Cash-generating unit	**2016**	**2015**
Industry Division	8.6	9.2
Infrastructure Division	8.6	9.2
International Division	8.4	9.3
Technology Division	8.6	9.2

	Goodwill	
Cash-generating unit	**2016**	**2015**
Industry Division	2,162	1,986
Infrastructure Division	1,807	1,218
International Division	895	623
Technology Division	688	647
Total	**5,553**	**4,474**

	Intangible assets	
Parent	**2016**	**2015**
Cost	64	49
Accumulated amortisation	-46	-34
Carrying amount	**19**	**16**
Opening carrying amount	16	16
Purchases	15	10
Amortisation for the period	-12	-10
Closing carrying amount	**19**	**16**

14 Property, plant and equipment

Group	Equipment, tools, fixtures and fittings 2016	Equipment, tools, fixtures and fittings 2015	Buildings and land 2016	Buildings and land 2015	Total 2016	Total 2015
Cost	481	396	259	213	740	608
Accumulated depreciation	-205	-170	-60	-54	-265	-224
Carrying amount	**276**	**226**	**200**	**159**	**476**	**385**
Opening carrying amount	226	193	159	153	385	346
Purchases	103	75	–	1	103	75
Divestments and disposals	-11	-9	–	-1	-11	-7
Acquired business operations	19	19	35	–	54	1
Depreciation for the period	-63	-51	-4	-5	-67	-56
Exchange differences	2	-1	10	10	12	9
Closing carrying amount	**276**	**226**	**200**	**159**	**476**	**385**

Group

Finance leases

Current and non-current liabilities in the consolidated balance sheet include future payments in respect of leasing obligations entered as liabilities. See Note 12.

Parent	2016	2015
Cost	223	186
Accumulated depreciation	-115	-96
Carrying amount	**107**	**89**
Opening carrying amount	89	87
Depreciation for the period	-19	-16
Closing carrying amount	**107**	**89**

15 Participations in associates and joint arrangements

	Group 2016	Group 2015
Carrying amount at start of year	0	1
Dividend	0	-1
Carrying amount at end of year	**0**	**0**

	Country	Category	Project
FEM Consult I/S	Denmark	Joint venture	Tunnel
Sweco ÅF Healthcare AB	Sweden	Joint venture	Hospital
Stockholm Bypass	Sweden	Joint operation	Roads
East Link	Sweden	Joint operation	Railways
Fennovoima	Finland	Joint operation	Nuclear power
Atdorf	Switzerland	Joint operation	Hydropower
Axpo	Switzerland	Joint operation	Transmission
Berschnerbach	Switzerland	Joint operation	Hydropower
Cotlan	Switzerland	Joint operation	Hydropower
Ecosens	Switzerland	Joint operation	Nuclear power
Jerada	Switzerland	Joint operation	Thermal power
Piva	Switzerland	Joint operation	Hydropower
Vinh	Switzerland	Joint operation	Renewable energy

Associates and joint arrangements related to the acquisition of AF Toscano AG are not included in the above summary.

16 Prepaid expenses and accrued income

	Group 2016	Group 2015	Parent 2016	Parent 2015
Rent	57	51	51	46
Support and maintenance agreements	38	11	36	7
Insurance	2	13	1	9
Other	49	38	26	12
	146	**113**	**112**	**74**

17 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 share is SEK 2.50 (2.50).

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

Dividends	2017[1]	2016	2015
Dividend per share, SEK	4.50	3.75	3.50
Total number of outstanding shares	77,711,003	77,588,322	77,387,143
Dividend	**350**	**291**	**271**

[1] Proposed dividend.

Reserves	Translation reserve	Hedge reserve	Total reserves
Opening balance, 2015	**105**	**0**	**105**
Exchange differences for the year	-39	–	-39
Cash flow hedges	–	0	0
Interest rate swap	–	-3	-3
Tax	–	0	0
Closing balance, 2015	**66**	**-2**	**64**
Opening balance, 2016	**66**	**-2**	**64**
Exchange differences for the year	108	–	108
Cash flow hedges	–	3	3
Interest rate swap	–	-14	-14
Tax	–	2	2
Closing balance, 2016	**174**	**-11**	**164**

Capital management

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

Net debt is measured in relation to EBITDA (net debt/EBITDA) and shall be between 1.5 and 2.0 over a business cycle.

As at 31 December 2016, net debt/EBITDA was 2.1 (1.6).

There are external requirements in the agreements governing the bank loans. Additional information on these is given in Note 12.

There were no changes in capital requirements during the year.

Proposed appropriation of profits

Non-restricted profits of SEK 4,192,150,358 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 4.50 per share paid to the shareholders	349,699,514
To be carried forward	3,842,450,844
Total	**4,192,150,358**

18 Pension obligations

Of the Group's total number of employees at the end of the year, around 6 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 pensions 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 280 million (269). 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 149 percent (153). 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.

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

Group

Defined-benefit plans

	2016	2015
Present value of funded obligations	-472	-450
Fair value of plan assets	427	406
	-46	**-44**
Present value of unfunded obligations	-64	-62
Acquisitions	-54	—
Liability recognised in balance sheet	**-163**	**-106**
Of which Switzerland	-99	-44
Of which Sweden	-64	-62

Change in defined-benefit net debt

	2016			2015		
	Present value of plan assets	Present value of obligations	Total	Present value of plan assets	Present value of obligations	Total
Opening balance	406	-513	-106	425	-508	-83
Current service costs	—	-20	-20	—	-19	-19
Past service costs	—	8	8	—	—	—
Change in special employers' contribution (Sweden)	—	-1	-1	—	0	0
Interest income/expense	2	-4	-2	3	-5	-2
Return on plan assets (excluding interest)	4	—	4	4	—	4
Actuarial gains/losses	—	-8	-8	—	-27	-27
Exchange difference	23	-26	-3	28	-28	0
Contributions by the employer	15	—	15	16	—	16
Contributions by plan participants	13	-13	—	15	-15	—
Benefits paid	-37	40	4	-86	89	4
Acquisitions	—	—	-54	—	—	—
Closing balance	**427**	**-536**	**-163**	**406**	**-513**	**-106**

cont. **Note 18**

Actuarial gains and losses

	2016	2015
Financial assumptions	-9	-8
Demographic assumptions	1	—
Experience adjustments	0	-19
Total	**-8**	**-27**

Allocation of plan assets

	2016	2015
Cash and cash equivalents	13	13
Equity instruments	144	148
Debt instruments	172	150
Real property	83	81
Other	15	14
Total	**427**	**406**

All assets have a quoted market price.

Assumptions for defined-benefit obligations

Sweden	2016	2015
Discount rate, %	2.25	2.75
Inflation, %	1.5	1.5

Switzerland	2016	2015
Discount rate, %	0.4	0.5
Inflation, %	0.5	1.0
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.

Sensitivity analysis of pension obligations

	Sweden		Switzerland	
	Changes in assumptions	Increase/ decrease	Changes in assumptions	Increase/ decrease
Discount rate	+/-0.25%	-/+2	+/-0.25%	-17/+18
Rate of salary increases	—	—	+/-0.25%	+/-3

The above 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 14 million (16) over the coming year. The average remaining term for the Swedish plan is 14 years (14) and for the Swiss plan, 16 years (16). All figures exclude the pension liability acquired at the end of the year.

Defined-contribution plans

	Group		Parent	
	2016	2015	2016	2015
Cost of defined-contribution plans (including Alecta)	500	466	18	16

Parent

Defined-benefit plans

	2016	2015
Present value of unfunded obligations	19	21
Net amount recognised as regards defined-benefit plans	**19**	**21**
Of this, covered by credit insurance via FPG/PRI	19	21

Changes in obligations during the year

	2016	2015
Net present value of pension obligations at start of year	21	22
Cost excluding interest expense charged to profit or loss	0	-1
Interest expense	1	1
Payment of pensions	-2	-2
Net present value of pension obligations at end of year	**19**	**21**

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

19 Other provisions

Change in non-current provisions

	2016	2015
Carrying amount at start of period	18	13
Provisions during the period	9	11
Amount utilised during the period	-12	-2
Releases during the period	-1	-3
Provisions from acquired businesses	42	—
Exchange differences	1	0
Carrying amount at end of period	**57**	**18**

Change in current provisions

	Restructuring		Other		Total	
	2016	2015	2016	2015	2016	2015
Carrying amount at start of period	25	2	4	9	29	12
Provisions during the period	28	59	20	4	48	64
Amount utilised during the period	-36	-36	-3	-6	-38	-42
Releases during the period	—	—	—	-4	—	-4
Exchange differences	0	0	0	0	0	0
Carrying amount at end of period	**17**	**25**	**21**	**4**	**39**	**29**

Parent

Other provisions

	2016	2015
Carrying amount at start of period	**109**	**254**
Provisions during the period	18	2
Amount utilised during the period	-66	-105
Releases during the period	—	-34
Exchange differences	2	-8
Carrying amount at end of period	**63**	**109**

Of the recognised provision, SEK 61 million (108) is for contingent considerations/option.

20 Taxes

Recognised in profit or loss

Group	2016	2015
Current tax		
Tax expense for the period	206	191
Adjustment of tax attributable to previous years	3	2
Deferred tax		
Deferred tax expense	3	-3
Total recognised consolidated tax expense	**212**	**190**

Parent	2016	2015
Current tax		
Tax expense for the period	3	1
Adjustment of tax attributable to previous years	—	—
Deferred tax		
Deferred tax expense	-2	-1
Total recognised parent tax expense	**1**	**0**

Reconciliation of effective tax

Group	2016 (%)	2016	2015 (%)	2015
Pre-tax profit		923		799
Tax per parent's applicable tax rate	22.0	203	22.0	176
Effect of other tax rates for foreign subsidiaries	0.2	2	0.1	0
Non-deductible costs	1.4	13	1.4	11
Non-taxable income	-0.3	-2	0.0	0
Tax for previous non-capitalised loss carry-forwards	-0.1	-1	0.0	0
Effects of loss carry-forward without corresponding capitalisation of deferred tax	0.3	2	0.1	1
Effect of changed tax rates	-0.1	-1	0.0	0
Tax attributable to previous years	-0.3	-3	0.2	2
Other	-0.1	-1	0.1	1
Recognised effective tax	**23.0**	**212**	**23.8**	**190**

Parent	2016 (%)	2016	2015 (%)	2015
Pre-tax profit		588		654
Tax per parent's applicable tax rate	22.0	129	22.0	144
Non-deductible costs	2.5	15	0.2	1
Non-taxable income	-24.4	-143	-22.2	-145
Recognised effective tax	**0.1**	**1**	**0.0**	**0**

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Deferred tax asset		Deferred tax liability		Net	
Group	2016	2015	2016	2015	2016	2015
Non-current assets	1	1	-111	-91	-109	-89
Current receivables and liabilities	3	1	-6	-7	-3	-6
Provisions and non-current liabilities	50	27	-6	-3	44	25
Untaxed reserves	—	—	-55	-47	-55	-47
Loss carry-forward	8	7	—	—	8	7
Tax assets/liabilities	**63**	**36**	**-178**	**-148**	**-115**	**-111**
Set-off	-39	-20	39	20	—	—
Net tax assets/liabilities	**24**	**17**	**-140**	**-128**	**-115**	**-111**

cont. **Note 20**

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	2016	2015
Tax deficit	33	44
	33	**44**

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.

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

Group	Balance at 1 January 2016	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	Acquisition/divestment of business	Balance at 31 December 2016
Non-current assets	-89	-7	—	—	-13	-109
Current receivables and liabilities	-6	1	2	—	—	-3
Provisions and non-current liabilities	25	7	1	-2	13	44
Untaxed reserves	-47	-5	—	—	-3	-55
Loss carry-forward	7	1	—	—	—	8
	-111	**-3**	**3**	**-2**	**-3**	**-115**

Group	Balance at 1 January 2015	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	Acquisition/divestment of business	Balance at 31 December 2015
Non-current assets	-95	6	-1	—	1	-89
Current receivables and liabilities	-3	-3	0	—	—	-6
Provisions and non-current liabilities	20	3	4	-2	-1	25
Untaxed reserves	-44	3	—	—	-5	-47
Loss carry-forward	8	-5	-1	—	5	7
	-114	**3**	**3**	**-2**	**-1**	**-111**

21 Accrued expenses and prepaid income

	Group		Parent	
	2016	2015	2016	2015
Personnel-related liabilities	781	606	26	23
Accrued expenses, subcontractors	169	148	0	0
Other	83	74	27	25
	1,033	**829**	**53**	**48**

22 Operating leases

Lease agreements in 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

	Premises		Other	
Group	2016	2015	2016	2015
During the year	251	230	77	70
Within one year	264	240	78	66
Between one and five years	847	710	199	174
Longer than five years	417	452	—	—
Total	**1,778**	**1,632**	**354**	**309**

	Premises		Other	
Parent	2016	2015	2016	2015
During the year	197	181	6	5
Within one year	213	188	5	5
Between one and five years	748	648	19	20
Longer than five years	353	449	—	—
Total	**1,511**	**1,465**	**29**	**30**

23 Pledged assets, contingent liabilities and contingent assets

	Group		Parent	
	2016	2015	2016	2015
Pledged assets				
In the form of pledged assets for own liabilities and provisions				
Property mortgages	36	34	—	—
Floating charges	1	1	—	—
Total pledged assets	**37**	**35**	**—**	**—**
Contingent liabilities				
Guarantee commitments, FPG/ PRI	1	1	0	0
Guarantee commitments in favour of subsidiaries	—	—	42	11
Guarantee commitments	232	209	70	69
Total contingent liabilities	**233**	**209**	**112**	**80**

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.

24 Related party transactions

The parent has a related party relationship with its subsidiaries, see Note 25.

Summary of transactions with related parties

This refers to the ÅForsk Foundation, which holds 37.0 percent of the votes in ÅF 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	2016	16	–	4	–
Joint venture	2015	18	–	3	–
Senior executives	2016	–	–	–	30
Senior executives	2015	–	–	–	38
The ÅForsk Foundation	2016	1	–	0	–
The ÅForsk Foundation	2015	1	–	1	–

In 2016, in addition to the above, the Group received appropriations from the ÅForsk Foundation amounting to SEK 2 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	2016	661	39	1,178	632
Subsidiaries	2015	579	24	602	684
Senior executives	2016	–	–	–	30
Senior executives	2015	–	–	–	38
The ÅForsk Foundation	2016	0	–	0	–
The ÅForsk Foundation	2015	0	–	1	–

25 Group companies

Comprehensive list of all Group subsidiaries

			2016	
	Corp. ID number	Registered office	Participating interest, %[1)]	Carrying amount in parent
AB Ångpanneföreningen	556158-1249	Sweden	100	0
ÅF-Industry AB	556224-8012	Sweden	100	1,472
OrbiTec AB	556470-7015	Sweden	100	–
ES-KONSULT Energi och Säkerhet AB	556415-0067	Sweden	100	–
PRC Group AB	556643-5292	Sweden	100	–
PRC Engineering AB	556404-3221	Sweden	100	–
PRC Engineering AS	998 202 582	Norway	100	–
Automatiksystem i Jämtland AB	556413-0945	Sweden	100	–
Alteco AB	556550-2209	Sweden	100	–
Ingenjörsprojekt i Sverige AB	556487-7164	Sweden	100	–
ÅF-Infrastructure AB	556185-2103	Sweden	100	780
Bygganalys AB	556461-1050	Sweden	100	–
Connect Consult AB	556641-5260	Sweden	100	–
Ljusarkitektur Sweden AB	556568-9485	Sweden	100	–
Österjärn AB	556290-3996	Sweden	100	–
Markitekten AB	556477-3405	Sweden	100	–
AF-CityPlan spol. s.r.o.	473 07 218	Czech Republic	13	–
EQC Group AB	556821-1089	Sweden	100	–
EQC Mälardalen AB	556824-8859	Sweden	100	–
EQC Östergötland AB	556824-8842	Sweden	100	–
EQC Karlstad AB	556816-6713	Sweden	100	–
EQC Engineering AB	556882-2851	Sweden	100	–
EQC Väst AB	556882-2869	Sweden	100	–
EQC Mitt AB	556942-4582	Sweden	100	–
EQC Management AB	556847-0988	Sweden	100	–
EQC Bro AB	556955-7860	Sweden	100	–
LEB Consult AB	556102-3192	Sweden	100	–
VVS Byrån i Växjö AB	556603-2834	Sweden	100	–
ÅF Reinertsen Sverige Deal AB	559034-2266	Sweden	100	–
Sandellsandberg arkitekter AB	556464-9308	Sweden	100	–
Teamab VVS Konsult AB	556302-1145	Sweden	100	–
ÅF-Consult AB	556101-7384	Sweden	100	8
AF-Consult GmbH	218 403 818	Germany	100	0
ÅF-Teknik & Miljö AB	556534-7423	Sweden	100	0

cont. **Note 25**

Comprehensive list of all Group subsidiaries

	Corp. ID number	Registered office	2016 Participating interest, %[1]	2016 Carrying amount in parent
ÅF-Funktionspartner AB	556099-8071	Sweden	100	1
ÅF-Technology AB	556866-4444	Sweden	100	1,489
Sjöland & Thyselius Datakonsulter AB	556361-3370	Sweden	100	—
Sjöland & Thyselius Communications AB	556593-3461	Sweden	100	—
Epsilon Holding AB	556421-6884	Sweden	100	13
Epsilon Design AB	556314-1380	Sweden	100	—
Epsilon Polen Sp.z o.o.	9521980649	Poland	100	—
LN Management AB	556933-4740	Sweden	100	308
LeanNova Engineering AB	556880-7233	Sweden	100	0
LeanNova Automotive Engineering (Shanghai) Co. Ltd.	310 000 400 718 401	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 Technology AS	974 415 852	Norway	100	—
ÅF Solid Engineering AS	984 615 051	Norway	88	—
ÅF Solid Consult AS	986 580 719	Norway	100	—
ÅF A/S	21 007 994	Denmark	100	38
ÅF-Hansen & Henneberg A/S	13 59 08 85	Denmark	100	46
Traffic Team A/S	36 94 60 59	Denmark	51	13
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	—
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	1
ET Holding AG	CHE 112.276.851	Switzerland	100	—
Galli Group Holding AG	CHE 114.656.176	Switzerland	100	—
AF Toscano AG	CHE 105.960.103	Switzerland	100	—
Toscano GmbH	HRB 22976	Germany	85	—
Newhouse Limited Holding	CHE 102.733.321	Switzerland	100	—
Jodar + Partners SA	CHE 493.461.477	Switzerland	100	—
Kistler Architektur GmbH	CHE 107.630.131	Switzerland	100	—
Huber & Partner AG	CHE 105.889.422	Switzerland	100	—
Jobin & Partenaires SA	CHE 106.020.757	Switzerland	100	—
AF-Consult Switzerland AG	CH-400.3.924.101-4	Switzerland	100	419
International Power Design Ltd.	CH-400.3.025.445-4	Switzerland	100	—
AF-Consult Italia 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	51	—
AF-Consult Ltd.	4080012527924	Macedonia	100	—
AF-Consult Energy doo Beograd	20 801 298	Serbia	100	—
AF-Iteco AG	CH-020.3.914.049-4	Switzerland	100	—
ITECO Nepal (Pvt.) Ltd	2616/043-44	Nepal	66.6	—
Power Design Internatioanl Ltd	224 309	Uganda	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	21
				5,718

[1] Participating interest refers to both voting share and proportion of total number of shares.

Specification of changes in carrying amounts for the year

	Parent 2016	Parent 2015
Opening carrying amount	5,438	4,945
Acquisitions	34	309
Changed estimated contingent consideration	-23	-34
Impairment	-63	—
Shareholders' contribution	331	219
Closing carrying amount	**5,718**	**5,438**

26 Untaxed reserves

Parent	2016	2015
Accumulated additional depreciation		
Opening balance 1 January	38	35
Depreciation for the year, equipment	5	3
Closing balance 31 December	**42**	**38**
Transfer to tax allocation reserve		
Opening balance 1 January	91	91
Closing balance 31 December	**91**	**91**
Total untaxed reserves	**134**	**129**

27 Statement of cash flows

Interest paid and dividends received

	Group		Parent	
	2016	2015	2016	2015
Dividends received	–	–	650	658
Group contribution received	–	–	70	58
Interest received	4	4	11	8
Interest paid	-34	-27	-31	-25
	-31	**-23**	**700**	**699**

Adjustment for items not included in cash flow

	Group		Parent	
	2016	2015	2016	2015
Depreciation/amortisation	102	92	31	26
Changed estimated contingent consideration	-6	-50	–	–
Restructuring reserve	-8	20	–	–
Anticipated dividend from subsidiaries	–	–	-75	-500
Impairment of shares in subsidiaries	–	–	63	–
Other	6	26	-5	2
	95	**88**	**14**	**-472**

28 Subsequent events

ÅF's Board of Directors appointed Jonas Gustavsson as the new President and CEO. Jonas will assume the position by 1 April, replacing Jonas Wiström, who has requested to leave his position after 15 years. Jonas Wiström will leave his post as CEO on 31 March, but will be available until December 2017.

Quality Engineering Group AB, Vatten & Miljöbyrån AB, Teroc Engineering AB and Climate Energy Consulting Piteå AB were acquired after the end of the reporting period. Acquisition analyses for these companies have yet to be prepared.

29 Critical estimates and judgements

Noteworthy sources of uncertainty in estimates

The Group makes estimates and judgements about the future. By definition, 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 judgements 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, a number of assumptions about future circumstances and estimates of parameters have been made. Changes to these assumptions and estimates could have an effect on the carrying amount of goodwill, see Note 13.

A lower rate of growth 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.

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 pension provision is based on a number of assumptions, see Note 18. Were a lower discount rate to be used, the obligations would increase and have a negative effect on the Group's equity. The reverse applies if a higher discount rate is used.

Assessment of forecast and the stage of completion of contracts

The Group applies the percentage of completion method, which means that income is recognised on the basis of stage of completion. The stage of completion is determined by comparing the accrued expenditure at the balance sheet date with total expenditure. This means that the Group must estimate how large a percentage of the total expenditure is represented by the accrued expenditure 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 in the course of doing business, such as in customer assignments and in conjunction with acquisitions. At year-end, the Group recognised provisions based on a best assessment.

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. The claim is considered to be unfounded, so it has not led to any change in the assessment of the contingent consideration's size.

30 Information on parent

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

The consolidated financial statements for 2016 comprise the parent and its subsidiaries, which together form the Group. The Group also includes participations in associates.

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 Sweden — 30 March 2017

Anders Narvinger
Chairman of the Board

Jonas Wiström
President and CEO

Marika Fredriksson
Director

Staffan Jufors
Director

Björn O. Nilsson
Director

Maud Olofsson
Director

Joakim Rubin
Director

Kristina Schauman
Director

Anders Snell
Director

Anders Forslund
Director,
employee representative

Anders Toll
Director,
employee representative

Our Audit Report was presented on 31 March 2017

Ernst & Young AB

Hamish Mabon
Authorised Public
Accountant

Auditor’s report

To the general meeting of the shareholders of ÅF AB, corporate identity number 556120-6474

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of ÅF AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 28–75 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 2016 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 2016 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.

Basis of opinion

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.

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.

Percentage-of-completion method

A significant part of the Company’s revenues are derived from customer projects in which the company has undertaken to carry out projects at a fixed price. For fixed price projects, the Company applies the percentage of completion-method, when profit outcome can be estimated reliably. As described in Note 1 paragraph 1.8 and Note 29, revenues are recognized in the income statement based on the degree of completion at the balance sheet date. Completion of an assignment is determined by how much of total costs have incurred to date. This means that the company estimates how much of estimated total spending have incurred at the balance sheet date. The estimates made to determine the degree of completion and the impact these have on the company’s accounts, leads us to assessing revenue recognition for fixed price projects as a key audit matter.

In our audit, we have assessed the company’s processes for managing and accounting for projects and have evaluated the key control elements in these processes. We have identified significant projects based on size and risk by analyzing data for ongoing projects and through discussion with the company. For these projects, we have evaluated the estimates and assumptions underlying revenue recognition. We also examined related information disclosed in the annual report.

Goodwill

Goodwill amounts to 5 553 MSEK in the statement of financial position as per 31 December 2016. The accounting principles for goodwill are described in Note 1 paragraph 1.13.1. As described in Note 13, the Company tests impairment annually or/and when an indication of impairment to the carrying value does not exceed estimated recoverable value of these assets. The recoverable amounts are determined with a calculation of the value in use of each cash generating unit by calculating the present value of estimated future cash flows. Used forecasts of future cash flows are based on the forecast set for the following year, supplemented by an individual assessment of an additional four years. In addition, calculations are based on a long-term annual growth rate of 2 percent. In established forecasts, the Company includes assumptions about growth rates and operating margins in each cash generating unit. Impairment tests for 2016 did not result in any impairment. Note 29 indicates that changes in the key assumptions and estimates could have an effect on the carrying value of goodwill as declining growth rates and operating margins and a higher discount rate would give a lower recoverable amount. We have therefore assessed this is a key audit matter.

In our audit, we evaluated the company’s process to establish impairment test. We have examined how cash-generating units are identified against established criteria and compared to how the Company internally follows up goodwill. We have evaluated the Company’s valuation and modeling, assessed the reasonableness of the assumptions. We have made a sensitivity analysis of changes in assumptions and made comparisons with historical results and the precision of previous forecasts. The plausibility of the discount rate and long-term growth for each unit has been evaluated through comparisons with other companies in the same industry. We also examined the information disclosed in the annual report.

Contingent considerations at acquisition

In connection with acquisitions, the company may agree with the seller on a contingent consideration, which usually means that part of the purchase consideration is dependent upon the financial performance of the acquired business for a specific period of time. To establish the value of a contingent consideration, the company therefore needs to make assumptions about the future financial performance of the acquired business. Liabilities for contingent considerations are measured at fair value in the statement of financial position, and at 31 December 2016 amounted to SEK 337 million. The maximum contingent consideration totalled SEK 379 million at the end of the reporting period. A change in forecasts regarding the future financial performance of an acquired business will mean a change in the value of recognised contingent considerations, which is recognised in profit or loss as it arises. We have therefore treated this as an area of significance in our audit. Disclosures regarding contingent considerations are provided under Notes 3, 4, 12 and 29.

As part of our audit we have examined acquisition agreements and the parameters on which the contingent considerations are based. Based on current and historical outcomes for each acquired company, as well as established business plans, we have assessed the company's assumptions regarding future earnings and consequently the size of contingent considerations. We have also assessed valuation methods and calculation models, and whether the submitted disclosures are appropriate.

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 1–27 and 80–92. 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 intends 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated dealt with 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.

Stockholm, 31 March 2017
Ernst & Young AB

Hamish Mabon
Authorised Public Accountant

Long-term growth and profitability

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. Over the past year, our priorities have related to ÅF's ability to continue to grow, both organically and through acquisitions.

In 2016, a total of 15 businesses were acquired that will contribute to the company's value generation through strengthened client offerings and continued establishments both in Sweden and abroad. The businesses acquired during the year performed well and in line with the company's ambition to offer more end-to-end solutions, while moving the client offering up the value chain. Combined with organic growth, these acquisitions will also provide a solid platform for continued growth in 2017.

ÅF's ability to attract the best employees is a key factor for the business, which makes it particularly important to nurture the ÅF brand and the values it represents. Promoting ÅF's brand is therefore linked to the Board of Directors' goals and commitment. Through sound corporate governance and control, the Board of Directors ensures 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, whether it be buildings, transport, products or resource use. The Board of Directors is heavily involved in and monitors sustainability developments. We focus attention on the business ethics of sustainability. As part of our corporate governance duties we follow and monitor compliance with regulations, primarily the UN Global Compact, regarding ethics, anti-corruption and human rights, along with our decision-making processes and risk management within these areas.

In October, Jonas Wiström announced his intention to step down from his position as CEO of ÅF in 2017, after 15 years in the role, and at the same time undertook to remain until a new President and CEO had been appointed. I would like to take this opportunity to thank Jonas Wiström for his excellent work and for the trusting, long-term relationships Jonas has established for ÅF. The Board of Directors would also like to welcome Jonas Gustavsson as the new President and CEO.

Jonas Gustavsson comes from his role as President of Sandvik Machining Solutions and prior to that he held several senior positions in the sector. Overall, we have established a stable platform from which to develop ÅF's business. We are now putting a successful 2016 behind us and looking ahead to an exciting year with our sights set on our targets for 2020.

Stockholm, March 2017

Anders Narvinger
Chairman of the Board

Corporate governance report

This corporate governance report was prepared by the company's Board of Directors and covers the corporate governance of ÅF during the 2016 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 Ernst & Young AB, whose opinion follows immediately after the report.

Corporate governance within ÅF

ÅF AB 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 the company's Group management in accordance with applicable laws, rules and recommendations and with ÅF's Articles of Association and internal regulations. The shareholders' meeting is the company's highest decision-making body and is the forum in which the shareholders exercise their voting rights. The Board of Directors and the Chairman of the Board are elected at the general meeting of shareholders. The Board of Directors appoints the CEO. The administration of the company by the Board of Directors and the CEO, as well as the company's financial reporting are reviewed by the external auditor appointed by the AGM. To streamline and strengthen its work in certain areas, the Board of Directors has appointed an Audit Committee and a Remuneration Committee. One important support function for the Audit Committee is ÅF's Internal Audit Function. ÅF applies the Swedish Corporate Governance Code (available at www.corporategovernanceboard.se) and did not deviate from it in 2016. ÅF complies with Nasdaq Stockholm's Rules for Issuers (available at business.nasdaq.com/list/Rules-and-Regulations) and generally accepted stock exchange practice. The most important internal instrument of governance is the Articles of Association adopted by the shareholders' meeting. In addition, there are the Board of Director's Rules of Procedure and the Board of Director's instructions for the CEO. Internal policies and instructions constitute essential management documents for the whole company, clarifying responsibility and authority within specific areas, such as information security, regulatory compliance and risk management.

Ownership structure

ÅF has issued two classes of share: A shares and B shares. Each A share is entitled to 10 votes, and each B share to 1 vote.

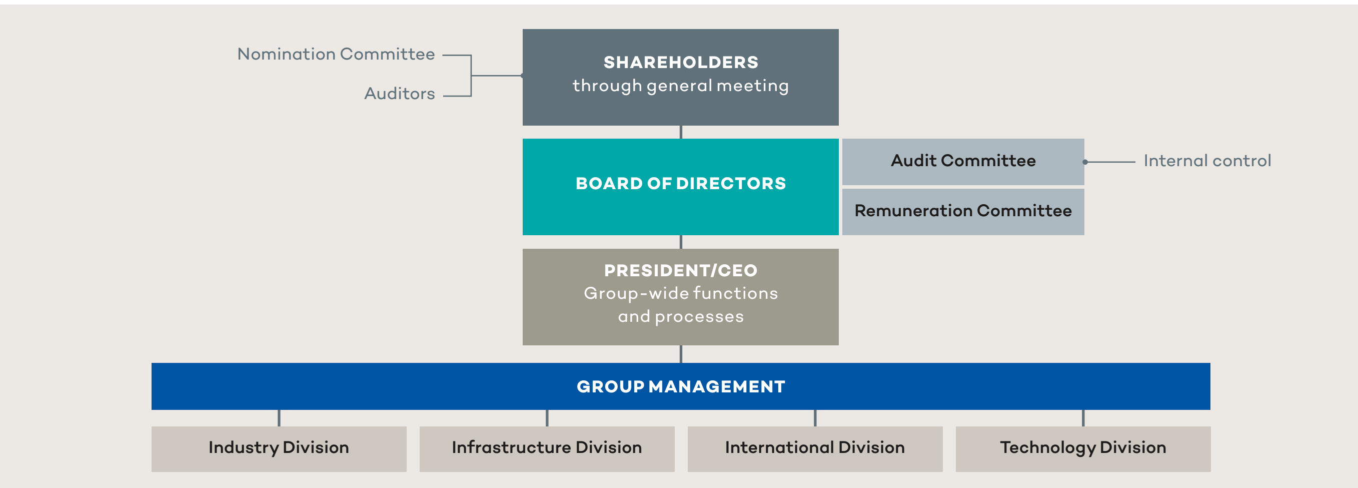
Share distribution at 31 December 2016:

Number of shareholders:	10,030
A shares:	3,217,752
B shares:	75,696,001
Total number of shares:	78,913,753
of which own B shares:	1,202,750
Votes:	107,873,521

The largest shareholder at the end of the year was the ÅForsk Foundation, with 37.0 percent of the votes. Handelsbanken Funds had 6.5 percent and SEB Investment Management had 6.2 percent of the votes.

ÅF's Annual General Meeting

The shareholders' meeting held within six months of the end of the financial year, and which approves the income statement and balance sheet, is called the Annual General Meeting. Shareholders who are registered in the share register on the record day, and who have given sufficient notice of participation, have the right to participate in the shareholders' meeting. The notice convening the AGM is published on the company's website and advertised in the Swedish Official Gazette. The fact that the notice convening the AGM has been published is advertised in Dagens Industri. The 2016 AGM was held at ÅF's head office in Solna, Sweden,



on 27 April 2016. In total, 179 shareholders participated, representing 67.3 percent of the share capital and 76.1 percent of the votes. In addition to the election of the Board of Directors, the AGM resolved to introduce the staff convertible 2016, and authorised the Board of Directors to acquire and transfer own shares and to issue new class B shares. The minutes of the meeting together with all the documentation issued prior to the AGM are available on the ÅF website, under the section for Corporate Governance.

Nomination Committee
In accordance with a resolution passed at the 2016 AGM, the members of the Nomination Committee for the 2017 AGM shall be appointed by at least three and at most five of the shareholders with the largest number of votes. In addition, the Chairman of the Board shall be a member of the Nomination Committee. The names of the committee members were announced six months before the AGM. The Nomination Committee for the 2017 AGM comprises: Jonas Abrahamsson (Chair), appointed by the ÅForsk Foundation; Annika Andersson appointed by Swedbank Robur Funds; Jonathan Schönbäck, appointed by Handelsbanken Asset Management; Anders Narvinger, ÅF's Chairman of the Board; Johan Strandberg, appointed by SEB Investment Management; and Karl Åberg, appointed by Zeres Capital.

Duties of the Nomination Committee
The Nomination Committee submits proposals, prior to the AGM, on the number of Board members, the composition and remuneration of the Board of Directors, and any fees payable for committee work. The committee shall also submit proposals on who is to chair the Board of Directors and the AGM, as well as on auditors and their remuneration. In accordance with its remit, the committee shall also carry out any other duties assigned to it under the Swedish Corporate Governance Code.

The work of the Nomination Committee
In the period up to and including 3 February 2017, the committee held six minuted meetings and maintained contact between meetings. To assess how well the present Board of Directors meets the demands that will be placed on the Board in consequence of the company position and future focus, the committee has discussed the size and composition of the Board in relation to, for example, experience in the industry, specialist expertise and diversity. 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 combined skills and experience that are appropriate for their work, as well as an equal gender balance. The Nomination Committee has adhered to this aim and justified its proposals for the composition of the Board in that the gender distribution, background and combined expertise of the proposed members fulfil these aims. The AGM has re-elected the Board of Directors as proposed by the Nomination Committee. As a basis for the committee's work, 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 commissioned recruitment firm Novare to carry out an evaluation, and has considered the results of the evaluation of the Board of Directors and its work in 2016, and interviewed individual members of the Board. No remuneration has been paid for work on the committee. All shareholders are entitled to approach the committee with suggestions for members to serve on the Board of Directors. The committee's proposals, the report on the committee's work prior to the 2017 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 2017 AGM.

Board of Directors
The Board of Directors of ÅF shall consist of a minimum of six and a maximum of ten members, with a maximum of five deputies, appointed by the AGM. Eight Board members were elected by the 2016 AGM. In addition, the employees have two ordinary representatives on the Board of Directors, with two deputies. The CEO is not a member of the Board of Directors. The following members were re-elected to the Board of Directors for 2016: Marika Fredriksson, Staffan Jufors, Anders Narvinger, Björn O. Nilsson, Maud Olofsson, Joakim Rubin, Kristina Schauman and Anders Snell. 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 Wiström, 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 further information on the Board of Directors, please refer to pages 86–87 of the annual report. The fees paid to the Board of Directors are determined by the AGM based on proposals from the Nomination Committee.

Independence of the Board of Directors
The composition of the Board of Directors of ÅF meets the requirements for independent directors laid down by the Swedish Corporate Governance Code. Members of the Board of Directors Björn O. Nilsson and Anders Snell are dependent in relation to the largest shareholder by voting rights in ÅF, but are not dependent of the company or Group management. The other members of the Board of Directors are independent of the company's major shareholders, the company and Group management.

The work of the Board of Directors
Each year the Board of Directors produces a written formal work plan which sets out the responsibilities of the Board and governs the allocation of duties among Board members, the rules for decision-making,

dates and times of Board meetings, notification, agenda and minutes for Board meetings, and the Board's work with accounting and auditing matters. The ÅF 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. Every ordinary Board meeting follows the agenda set out in the Board of Directors' formal work plan, which includes a report from the CEO, a financial report and various strategic matters. The Board of Directors has elected to appoint a Remuneration Committee and an Audit Committee. During the year, the Board of Directors held 12 meetings including an inaugural meeting, of which one was a telephone meeting for which the relevant documentation was sent out in advance, and one was by correspondence. Four of the meetings were held in connection with the publication of the company's interim reports. The work of the Board of Directors revolves mostly around strategic issues, business plans, budgeting, accounts and acquisitions, in addition to other decisions which, under the company's decision-process rules, are dealt with by the Board. Reports on the progress of the company's operational activities and finances are a standing item on the agenda. A strategy seminar was held at the meeting in September, and included a thorough review of each division. On one occasion each year, the Board of Directors discusses issues related to succession planning for senior executives in the company. On one occasion in 2016, the Board of Directors met with the company's auditors without the presence of management.

	Board of Directors	Audit Committee	Remuneration Committee
Total number of meetings (excl. 1 by correspondence)	**11**	**5**	**2**
Anders Narvinger	11	1	2
Marika Fredriksson	7		2
Staffan Jufors	11		
Björn O. Nilsson	11	4	
Maud Olofsson	11		
Joakim Rubin	10	5	
Kristina Schauman	11	5	
Anders Snell	11		2
Anders Forslund, employee representative	6		
Anders Toll, employee representative	11		
Fredrik Sundin, deputy employee representative	5		

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 of the CEO. The committee also deals with matters relating to the salary and terms and conditions of employment for senior executives who report directly to the CEO, and overall terms of employment and remuneration packages for all the company's employees. The Remuneration Committee reports to the Board of Directors. Since the inaugural meeting of 2016, the Remuneration Committee has consisted of Anders Narvinger (Chair), Anders Snell and Marika Fredriksson. The CEO and the HR Manager participate as co-opted members. The committee held two minuted meetings.

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 recommendation from among the auditors that have participated in such procedure to the Nomination Committee at the general meeting of shareholders. The Audit Committee supports the work of the Board of Directors by safeguarding the quality of financial reports and following up the results of the reviews and audits carried out by 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 2016, the Remuneration Committee has consisted of Kristina Schauman (Chair), Björn O. Nilsson and Joakim Rubin. Ernst & Young AB, the company's auditors, were represented by Hamish Mabon as auditor in charge. The CFO and the manager responsible for the Group Accounting and Reporting department attend as co-opted members. The company's internal auditors attended as rapporteur when needed. The committee held six minuted meetings, including one by correspondence.

Attendance at Board and Committee meetings, 2016

Attendance at Board meetings during the year was very good with a 95 percent attendance rate. The Audit Committee and the Remuneration Committee meetings recorded full attendance at every meeting.

Evaluation of the Board of Directors and the CEO

The Nomination Committee conducted an evaluation of the work of the Board of Directors in 2016, and for such purpose appointed recruitment company Novare, which has communicated the results of its work. Furthermore, the members of the Nomination Committee held meetings with individual Board members. The evaluation covers areas such as the climate of cooperation, the breadth of expertise available and the way the work of the Board of Directors has been carried out. The object of the evaluation is to obtain an understanding of the directors' opinions on how the work of the Board of Directors has been carried out. The Board of Directors evaluates the work of the CEO on an ongoing basis, by monitoring the progress of the business against the targets that have been set. A formal evaluation is carried out once a year, and the results are discussed with the CEO.

Auditors
The auditors work for and on behalf of the shareholders to audit the company's accounting records, the annual accounts and the administration of the Board of Directors and the CEO. A full audit of the annual report and the consolidated financial statements is carried out. The auditors also carry out a review of 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 2016 AGM reappointed the accounting firm Ernst & Young AB, represented by Hamish Mabon as the auditor in charge, to serve to the end of the 2017 AGM. In 2016, a procurement procedure was carried out for the auditing of ÅF via a bidding process, in accordance with the Auditors Ordinance. As a result of the process, KPMG and EY were deemed to be the best alternatives. The Audit Committee concluded that it will recommend to the Nomination Committee to propose to the 2017 AGM that KPMG be appointed the auditor for the period extending up until the 2018 AGM.

CEO and Group management
The Board of Directors has delegated operational responsibility for the administration of the company and the Group to the company's CEO. The CEO leads operations within the framework laid down by the Board of Directors. The Board has adopted instructions for the division of responsibility between the Board of Directors and the CEO. These are updated and approved each year. The CEO has appointed a Group management team with day-to-day responsibility for various aspects of the Group's operation. ÅF's 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 competence development, together with various other strategic issues. In 2016, ten minuted meetings were held, including a two-day meeting with additional Group managers invited. Once a month the CEO and the CFO discuss each of the divisions' income statements, balance sheets, key figures and major projects with the relevant president and controller. Every four months a whole-day review is held with each division to examine more long-term issues, including HR, strategy and budget. At the end of 2016, Group management consisted of the President and CEO, divisional presidents, CFO, the VPs of Human Resources, Sales and Sustainability, CIO, as well as the PA to the CEO, who serves as secretary to Group management. For further information about the members of the Group management team, please see pages 88–89 of the annual report.

The Board of Directors' description of internal controls
The Board of Directors' responsibility for internal controls is regulated in the Swedish Companies Act and the Swedish Corporate Governance Code, which set out requirements for annual external disclosures on how internal controls over financial reporting are organised. Board members must keep themselves informed about the state of affairs in the company and evaluate the internal control system on a regular basis. Internal controls at ÅF are designed to ensure that the company's operations are efficient and fit for purpose, that financial reporting is reliable, and that applicable laws and regulations are complied with. ÅF divides its internal controls over financial reporting into the following components: Control environment, Risk assessment, Control activities, Information & Communication, and Follow-up.

Control environment
The control environment constitutes the basis for internal controls over financial reporting. One important aspect of the control environment is that decision paths, authority and responsibility are clearly defined and communicated between different levels of the organisation, and that guidance documents are available in the form of policies, guidelines and manuals. A description of ÅF's internal control system is included in the company's process-orientated business management system used for managing and supporting day-to-day business operations. This sets out the organisational structure, together with the authority and responsibility vested in the various roles in the business. The process orientation of the management system guides users to the relevant routines and appropriate tools for the task in question, thus providing a sound basis for compliance with requirements and expectations for an appropriate control environment. The management system is available to all employees via the ÅF intranet.

Risk assessment
ÅF's risk assessment in respect of financial reporting aims to identify and evaluate the key risks affecting financial reporting in the Group's companies, business areas, divisions, processes and operations, all of which can affect financial reporting. Risk assessment forms the basis for risk management and control, as well as control targets that help to ensure that the fundamental requirements of external financial reporting are met. The risks are assessed, reported and managed by ÅF centrally together with the divisions. Risks are also assessed and managed in other contexts; for example, risks associated with 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 a number of built-in control activities. These involve all levels of the organisation. Responsibility for implementing control activities at ÅF is allocated appropriately within the organisation, with clear roles ensuring effectiveness and reliability. Specific internal control activities are in place, with the aim of identifying or preventing the risk of reporting errors. For all ÅF units, including those outside Sweden, result analysis takes place continuously. Other control activities are carried out through the finance functions of the various divisions and ÅF AB's Group Accounting and Reporting department. All accounting and reporting activities for ÅF's Swedish operations are centralised

under ÅF Business Services (ÅBS) 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 about and the communication of policies, process descriptions, routines and tools applicable to financial reports are contained in the management system that is available to the relevant personnel via the ÅF intranet. Updates are carried out in the event of any changes in internal or external requirements or expectations with regard to financial reports. Communication with internal and external parties is governed by a communication and IR policy, which sets out guidelines for the form this should take. The policy aims to ensure that all disclosure obligations are met properly and in full. Internal communication aims to ensure that every employee understands ÅF's values and business activities. Information is actively communicated on an ongoing basis through the Group's intranet and other channels to keep employees informed.

Follow-up
Compliance and the efficacy of internal controls are followed up on an ongoing basis by both the Board of Directors and management to guarantee the quality of the processes. The company's financial situation and strategy in respect of its financial position are considered at every Board meeting. The Board of Directors also receives detailed monthly reports on the company's financial position and the development of the business. The Audit Committee fulfils an important function by guaranteeing control activities for key risk areas in the financial reporting process. The Audit Committee, management and the internal audit function regularly follow up any reported non-conformances. ÅF's system for financial management and control allows considerable opportunities for effective financial follow-ups throughout ÅF. Monthly reports are submitted for each profit centre, and the reports on the financial performance of assignments reflect the highest standards of reliability and detail. Any errors that are identified and any measures that are taken are reported to the next level up in the line organisation. ÅF's internal audit function carries out independent audits to monitor whether the internal control and management systems live up to ÅF's internal ambitions and external requirements and expectations. Priority areas for ÅF's internal audits are the ÅF brand, ÅF's values and ethics, processes and systems, as well as the assignments that ÅF has undertaken to perform. Reports are submitted to the CEO and the Board of Directors' Audit Committee.

Corporate social responsibility
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 and the OECD's guidelines are fundamental to this work. The company's sustainability objectives govern the priorities set in this 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. For further details about the sustainability work that ÅF is engaged in, please see ÅF's Sustainability Report, which is available on ÅF's website.

Stockholm, 3 February, 2017
The Board of Directors of ÅF AB

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders of ÅF AB, corporate identity number 556120-5474

Engagement and responsibility
It is the Board of Directors who is responsible for the corporate governance statement for the financial year 2016 on pages 81–85 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.

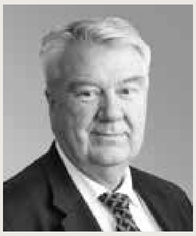
Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 31 March 2017
Ernst & Young AB

Hamish Mabon
Authorised Public Accountant

Board of Directors

					
	Anders Narvinger	**Marika Fredriksson**	**Staffan Jufors**	**Björn O. Nilsson**	**Maud Olofsson**
	Chairman of the Board and Chairman of the Remuneration Committee	Director and member of the Remuneration Committee	Director	Director and member of the Audit Committee	Director
Elected	2011, Chairman of the Board 2014	2013	2014	2010	2013
Born	1948	1963	1951	1956	1955
Education	M.Sc. Engineering, Faculty of Engineering, Lund University, and graduate in economics, Uppsala University.	Master of Business Administration, Hanken School of Economics, Helsinki.	Graduate business administrator, Gothenburg School of Business, Economics and Law.	Doctor of Technology, M.Sc., Royal Institute of Technology (KTH), Stockholm.	Upper Secondary School diploma.
Current position and other significant duties outside ÅF	Chairman of the Board of Alfa Laval AB, Capio AB and Coor Service Management Holding AB.	CFO, Vestas Wind system A/S. Director of SSAB.	Director of Akelius Residential Property AB, Haldex AB and Nordens Ark.	Professor, CEO and member of the Royal Swedish Academy of Engineering Sciences (IVA), Senior lecturer at the Royal Institute of Technology, Stockholm. Chairman of the Board of BioInvent International AB and of the ÅForsk Foundation. Director of SwedNano Tech AB.	Chairman of the Board of Visita. Director of Arise AB, Diös Fastigheter AB, Envac AB and the Confederation of Swedish Enterprise. Member of Macquarie Advisory Board.
Professional experience	CEO of the Association of Swedish Engineering Industries (Teknikföretagen), former President and CEO of ABB Sverige.	Member of the Senior Management team of Volvo Construction Equipment, Autoliv and Gambro.	CEO of Volvo Trucks and Volvo Penta, Chairman of the Board of Volvo Buses.	Deputy President, Biovitrum AB; President KaroBio AB, Director of Research, Amersham Pharmacia Biotech AB.	Party Chair of the Centre Party, Sweden's Minister of Enterprise, Energy and Communications, 2006–2011 and Sweden's Deputy Prime Minister, 2006–2010.
Shareholding at 31 December 2016	10,000 B shares	—	2,000 B shares	—	2,000 B shares

				
Joakim Rubin	**Kristina Schauman**	**Anders Snell**	**Anders Forslund**	**Anders Toll**
Director and member of the Audit Committee	Director and Chairman of the Audit Committee	Director and member of the Remuneration Committee	Director, employee representative	Director, employee representative
2012	2012	2009	2012	2009
1960	1965	1950	1974	1955
M.Sc. Engineering, Institute of Technology, Linköping University.	MBA, Stockholm School of Economics.	M.Sc. Engineering, Royal Institute of Technology (KTH), Stockholm.	Graduate Engineer, Faculty of Engineering, Lund University.	Engineer.
Funding Partner at Zeres Capital Partners, director of Cramo Oyj.	Director and Chairman of the Audit Committee of Apoteket AB, BillerudKorsnäs AB, Orexo AB, Coor Service Management Holding AB and Ellos Group Holding AB, Director of Livförsäkringsbolaget Skandia, mutual and BEWI Group AB.	Chairman of the Board of Wibax AB and executive member of the ÅForsk Foundation.	Employed in ÅF's Industry Division.	Employed in ÅF's Industry Division.
Senior Partner at the Finnish venture capital company CapMan. Head of Corporate Finance and Debt, Handelsbanken Capital Markets.	CFO of OMX, Carnegie and Apoteket AB, CEO of Apoteket AB and CFO of Investor AB.	Senior Vice President BillerudKorsnäs, Senior Vice President AssiDomän, CEO Grycksbo, CEO Norsundet Bruks AB, Chairman of the ÅForsk Foundation.	Automation engineer, Industry Division.	Inspection Engineer, Project Engineer at Industry Division.
—	2,500 B shares	—	763 B shares 2013 Staff Convertible Programme: nominal amount SEK 60,000	254 B shares

Deputies

Johan Lindborg
Deputy for employee representative

Elected: 2015
Born: 1981
Education: Upper secondary engineering
Other appointments: Employed in ÅF's Industry Division.
Holding: —

Fredrik Sundin
Deputy for employee representative

Elected: 2016
Born: 1972
Education: M.Sc. Engineering, Uppsala University
Other appointments: Employed in ÅF's Technology Division.
Holding: 1,363 B shares

Auditors

Ernst & Young AB

Auditor in charge
Hamish Mabon


1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Group management

1. Jonas Wiström
President and CEO

Employed: 2002
Born: 1960
Education: M.Sc. Engineering, KTH Royal Institute of Technology
Other appointments: Chairman of the Board of Ratos, Deputy Chairman of the Association of Swedish Engineering Industries and the Royal Swedish Academy of Engineering Sciences' Business Council, Director of Sweden International Chamber of Commerce. Member of the Royal Swedish Academy of Engineering Sciences (IVA)
Professional experience: President/CEO Prevas AB, CEO Silicon Graphics northern Europe, head of Sun Microsystems Sweden
Holding: 76,541 B shares
2015 Staff Convertible Programme: nominal amount SEK 6,000,000
2016 Staff Convertible Programme: nominal amount SEK 6,000,000

4. Marie Edman
PA to the President

Employed: 2010
Born: 1953
Education: Managerial Secretary studies; PR & Business Communication, IHM Business School
Professional experience: PA to the President at Proffice, Electrolux Cleaning Appliances and Skandex
Holding: 18,576 B shares
2015 Staff Convertible Programme: nominal amount SEK 3,000,000
2016 Staff Convertible Programme: nominal amount SEK 3,000,000

2. Lars-Eric Aaro
Executive Vice President, Corporate Sales

Employed: 2015
Born: 1956
Education: M.Sc. Mining Engineering, Luleå University of Technology
Professional experience: CEO LKAB, Divisional Manager Boliden, Sales Director Atlas Copco/Secoroc
Holding: 0 B shares
2016 Staff Convertible Programme: nominal amount SEK 3,000,000

5. Roberto Gerosa
President, International Division

Employed: 2007
Born: 1965
Education: M.Sc. Engineering, Swiss Federal Institute of Technology, Zurich
Professional experience: CEO AF-Colenco Ltd, Switzerland, CEO Colenco Power Engineering Ltd, Switzerland
Holding: 41,071 B shares
2015 Staff Convertible Programme: nominal amount SEK 3,000,000
2016 Staff Convertible Programme: nominal amount SEK 3,000,000

3. Emma Claesson
Vice President, Human Resources & Communications

Employed: 2014
Born: 1974
Education: MBA, Uppsala University
Professional experience: VP HR SSAB EMEA, Director Leadership & Competence Development SSAB, Management Consultant Accenture
Holding: 345 B shares
2015 Staff Convertible Programme: nominal amount SEK 3,000,000
2016 Staff Convertible Programme: nominal amount SEK 3,000,000

6. Stefan Johansson
CFO

Employed: 2011
Born: 1958
Education: MBA, Linköping University
Professional experience: CFO Haldex and Duni, and various positions in the ABB Group
Holding: 27,634 B shares
2015 Staff Convertible Programme: nominal amount SEK 3,000,000
2016 Staff Convertible Programme: nominal amount SEK 3,000,000

7. Per Magnusson
President, Industry Division

Employed: 2006
Born: 1954
Education: Electrical power engineering, Polhem Technical Upper Secondary School, and advanced supplementary courses in economics, marketing, and business development, KTH Executive School
Professional experience: Plant Engineer ASEA AB, consultant Rejlers Ingenjörer AB, Consulting Manager J&W AB, Sigma AB, CEO Benima SydVäst
Holding: 7,911 B shares
2015 Staff Convertible Programme: nominal amount SEK 2,000,000
2016 Staff Convertible Programme: nominal amount SEK 3,000,000

10. Viktor Svensson
President, Technology Division

Employed: 2003
Born: 1975
Education: MBA, Blekinge Institute of Technology
Professional experience: Stock market journalist at Finanstidningen
Holding: 17,000 B shares
2015 Staff Convertible Programme: nominal amount SEK 3,000,000
2016 Staff Convertible Programme: nominal amount SEK 3,000,000

8. Mats Påhlsson
President, Infrastructure Division

Employed: 2009
Born: 1954
Education: M.Sc. Engineering, Luleå University of Technology
Professional experience: Site Engineer Skanska, CEO SWECO VBB Viak and SWECO VBB, Business Area Manager ÅF Infrastructure Planning
Holding: 26,945 B shares
2013 Staff Convertible Programme: nominal amount SEK 1,500,000
2015 Staff Convertible Programme: nominal amount SEK 3,000,000
2016 Staff Convertible Programme: nominal amount SEK 3,000,000

11. Lena Tollerz Törn
CIO

Employed: 2015
Born: 1972
Education: MBA, Stockholm School of Economics
Professional experience: COO SPP, CIO Swedish Tax Agency, Manager Accenture
Holding: 0 B shares
2015 Staff Convertible Programme: nominal amount SEK 900,000
2016 Staff Convertible Programme: nominal amount SEK 3,000,000

9. Nyamko Sabuni
Vice President, Sustainability

Employed: 2013
Born: 1969
Education: Law, Uppsala University; Information and Communication, Berghs School of Communication; Migration Policy, Mälardalen 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
Holding: 668 B shares
2016 Staff Convertible Programme: nominal amount SEK 3,000,000

Five-year financial summary, SEK

SEK million, unless otherwise stated	2016	2015	2014	2013	2012
Net sales and profit					
Net sales	11,070	9,851	8,805	8,337	5,796
Operating profit excluding items affecting comparability	964	832	747	724	481
Operating profit	965	839	756	722	481
Profit after financial items	923	799	720	677	477
Profit for the period	711	609	553	525	353
Capital structure					
Non-current assets	6,462	5,224	4,638	4,499	4,566
Current assets	3,945	3,093	2,666	2,575	2,950
Equity including non-controlling interest	4,697	4,230	3,955	3,674	3,422
Non-current liabilities	2,880	1,527	1,021	1,170	1,699
Current liabilities	2,830	2,559	2,328	2,230	2,395
Balance sheet total	10,407	8,316	7,304	7,074	7,516
Equity (average)	4,473	4,115	3,805	3,498	2,665
Total capital (average)	9,166	8,016	7,317	7,237	4,845
Capital employed (average)	6,581	5,694	5,005	4,736	3,143
Net debt	2,298	1 486	870	853	877
Key ratios					
Operating margin excluding items affecting comparability, percent	8.7	8.4	8.5	8.7	8.3
Operating margin, percent	8.7	8.5	8.6	8.7	8.3
Profit margin, percent	8.3	8.1	8.2	8.1	8.2
Equity ratio, percent	45.1	50.9	54.1	51.9	45.5
Net debt/EBITDA, times	2.1	1.6	1.0	1.0	1.6
Net debt/equity ratio, percent	48.9	35.1	22.0	23.2	25.6
Current ratio, times	1.4	1.2	1.1	1.2	1.2
Return on equity, percent	15.9	14.8	14.5	15.0	13.3
Return on total capital, percent	10.5	10.5	10.4	10.1	10.2
Return on capital employed, percent	14.7	14.8	15.2	15.4	15.7
Interest cover, times	22.6	20.0	19.3	14.4	28.9
The ÅF share					
Basic earnings per share, SEK	9.32	7.81	7.16	6.71	5.07
Diluted earnings per share, SEK	9.14	7.63	7.03	6.60	5.01
Dividend yield, percent	2.7	2.6	2.8	2.9	3.5
Basic equity per share, SEK	60.19	54.46	51.17	47.33	43.66
Diluted equity per share, SEK	58.50	52.85	49.74	45.86	42.66
Cash flow from operating activities per basic share, SEK	7.98	6.75	7.78	5.45	7.09
Cash flow from operating activities per diluted share, SEK	7.75	6.54	7.55	5.31	6.97
Share price 31 December, SEK	167.00	143.75	126.00	112.50	77.75
Market capitalisation	12,978	11,153	9,734	8,703	6,068
Ordinary dividend per share, SEK	4.50[1]	3.75	3.50	3.25	2.75
Other					
Cash flow from operating activities	622	523	601	425	483
Cash flow from investing activities	-963	-807	-238	-199	-1,226
Cash flow from financing activities	411	370	-367	-529	902
Capacity utilisation rate, percent	77.6	76.9	76.1	75.1	74.2
Average number of FTEs excluding associates	8,115	7,453	6,887	6,666	4,808

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

[1] Proposed dividend.

Five-year financial summary, EUR

EUR million, unless otherwise stated	**2016**	**2015**	**2014**	**2013**	**2012**
Closing day exchange rate	9.57	9.14	9.52	8.94	8.62
Average exchange rate	9.47	9.36	9.10	8.65	8.71
Net sales and profit					
Net sales	1,169	1,053	968	964	665
Operating profit excluding items affecting comparability	102	89	82	84	55
Operating profit	102	90	83	83	55
Profit after financial items	97	85	79	78	55
Profit for the period	75	65	61	61	41
Capital structure					
Non-current assets	675	572	487	503	530
Current assets	412	339	280	288	342
Equity including non-controlling interest	491	463	416	411	397
Non-current liabilities	301	167	107	131	197
Current liabilities	296	280	245	249	278
Balance sheet total	1,088	910	768	791	872
Equity (average)	472	440	418	404	306
Total capital (average)	968	857	804	837	556
Capital employed (average)	695	609	550	548	361
Net debt	240	163	91	95	102
Key ratios					
Operating margin excluding items affecting comparability, percent	8.7	8.4	8.5	8.7	8.3
Operating margin, percent	8.7	8.5	8.6	8.7	8.3
Profit margin, percent	8.3	8.1	8.2	8.1	8.2
Equity ratio, percent	45.1	50.9	54.1	51.9	45.5
Net debt/EBITDA, times	2.1	1.6	1.0	1.0	1.6
Net debt/equity ratio, percent	48.9	35.1	22.0	23.2	25.6
Current ratio, times	1.4	1.2	1.1	1.2	1.2
Return on equity, percent	15.9	14.8	14.5	15.0	13.3
Return on total capital, percent	10.5	10.5	10.4	10.1	10.2
Return on capital employed, percent	14.7	14.8	15.2	15.4	15.7
Interest cover, times	22.6	20.0	19.3	14.4	28.9
The ÅF share					
Basic earnings per share, EUR	0.98	0.83	0.79	0.78	0.58
Diluted earnings per share, EUR	0.97	0.82	0.77	0.76	0.58
Dividend yield, percent	2.7	2.6	2.8	2.9	3.5
Basic equity per share, EUR	6.29	5.96	5.38	5.29	5.06
Diluted equity per share, EUR	6.11	5.79	5.23	5.13	4.95
Cash flow from operating activities per basic share, EUR	0.84	0.72	0.85	0.63	0.81
Cash flow from operating activities per diluted share, EUR	0.82	0.70	0.83	0.61	0.80
Share price 31 December, EUR	17.46	15.74	13.24	12.58	9.02
Market capitalisation	1,357	1,221	1,023	973	704
Ordinary dividend per share, EUR	0.47[1)]	0.41	0.37	0.36	0.32
Other					
Cash flow from operating activities	66	56	66	49	55
Cash flow from investing activities	-102	-86	-26	-23	-141
Cash flow from financing activities	43	40	-40	-61	104
Capacity utilisation rate, percent	77.6	76.9	76.1	75.1	74.2
Average number of FTEs excluding associates	8,115	7,453	6,887	6,666	4,808

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

1) Proposed dividend.

Calendar 2017

3	Feb	Year-end report 2016
25	Apr	Interim Report January–March 2017
25	Apr	AGM
13	Jul	Interim report January–June 2017
23	Oct	Interim Report January–September 2017

Definitions

Acquired growth – Sales from an acquired operation, recognised as acquired sales 12 months from possession date.

Acquisition-related items – Depreciation/amortisation of goodwill and acquisition-related intangible assets, revaluation of contingent considerations and gains/losses on the 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 as a percentage of 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 relative to share price at end of reporting period.

Earnings per share – Earnings attributable to parent's shareholders relative to average number of outstanding shares. ÅF own shares are not regarded as outstanding shares.

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

EBITA margin – EBITA in relation to net sales.

EBITDA – Operating profit/loss before interest, tax, impairment, depreciation/amortisation and acquisition-related items.

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 the balance sheet total.

Interest cover – Profit after financial items with restoration of financial expenses, in relation to financial expenses.

Items affecting comparability – Primarily relate to costs for restructuring and acquisition-related items such as adjustments to contingent considerations and capital gains on the disposal of companies and operations. Other items of a non-recurring nature may also be recognised as items affecting comparability in cases where they provide a more accurate view of the underlying operating profit.

Net debt/equity ratio – Net debt divided by equity including non-controlling interests.

Net debt/net cash – Interest-bearing liabilities (excluding contingent considerations) and pension provisions less cash, cash equivalents and interest-bearing receivables.

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 before net financial items and tax.

Operating profit excl. items affecting comparability – Operating profit adjusted for items affecting comparability.

Organic growth – Total growth with regard 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 – Sales and operating profit with regard to the most recent twelve-month period.

Total shareholder return – Change in share price and reinvested dividend.

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Production: Hallvarsson & Halvarsson in cooperation with ÅF. Photo: Olof Holdar, Tomasz Majewsk, Olof Thiel, Adolfsson & Partners/Joachim Belaieff, Foster & Partners and Berg Arkitekter, Metro Arkitekter and Lunds kommun, iStock, Johnér Bildbyrå. Printing: Göteborgstryckeriet in April 2017.

FSC www.fsc.org MIX Paper from responsible sources FSC® C021184

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BY EXPERIENCE

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

ÅF – Innovation by experience.