Making Future.

Annual and Sustainability Report 2017

Contents.

ABOUT THE REPORT

Reviewed financial information

General review of sustainability information

The scope of the sustainability report, which also covers ÅF's statutory sustainability report as required by Chapter 6 of the Swedish Annual Accounts Act, is found on page 94. It follows the guidelines in GRI G4, Core level, and is externally reviewed.

Cover photo:
Andreas Almstedt, Lighting Designer, and Marie Lennartsson, Team Leader

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

ÅF at a glance.

WHO WE ARE

OUR VISION

Providing leading solutions for generations to come

ÅF – Making Future.

OUR MISSION

We create sustainable engineering and design solutions

OUR CORE VALUES

We are
Brave
Devoted
Team players

WE CREATE SUSTAINABLE SOLUTIONS IN

INFRASTRUCTURE

Buildings
Road & rail
Project management
Water & environment
Architecture & design

INDUSTRY

Manufacturing
Automotive development
Food & pharma
Process industry
Product development
Industrial engineering
Technical services

ENERGY

Heat & power
Hydropower
Renewable energy
Nuclear power
Transmission & distribution

DIGITAL SOLUTIONS

Experience design
IT solutions
Embedded systems
Systems management

The divisional structure is new since 1 January 2018 and aims to support our new strategy.

Read more about our strategy on page 10.

Highlights.

With its new strategy, Future ÅF, ÅF strengthens its position as an engineering and design company. The financial targets have also been reformulated and the organisational structure adapted to deliver according to the new focus.

ÅF grows both organically and through acquisitions. During the year, ÅF acquired 12 businesses that have total annual sales of SEK 600 million. The acquisitions strengthen ÅF's total offering and constitute a solid platform for future growth.

Clients choose ÅF as a long-term partner for challenging assignments. For example, SKF, Telia, FMV, AstraZeneca and Volvo Cars entrusted work to ÅF during the year.

On Universum's career barometer among young practising engineers, ÅF came in second place after IKEA.

ÅF has a structured approach to executive recruitment and leadership development, and during the year it implemented a new leadership programme for middle management: the ÅF Leadership Programme.

ÅF's New Immigrated Engineers project is developing well and by the end of 2017 approximately 60 trainees had done internships at ÅF, with most them then being offered employment.

ÅF's sustainability efforts are giving results, as can be seen from the improvements in SBPI, our measurement tool that defines ÅF's sustainability performance. The tool can be used by other companies and industries to measure sustainability performance.

Emma Andersson, Future talent at ÅF and student at KTH Royal Institute of Technology

9,865

Number of employees 2017

101

Number of countries with projects

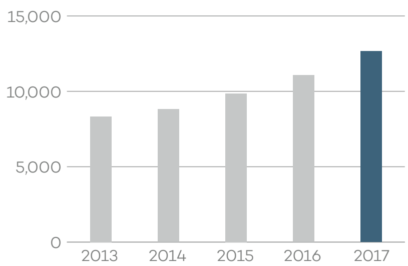
33

Number of countries with ÅF offices

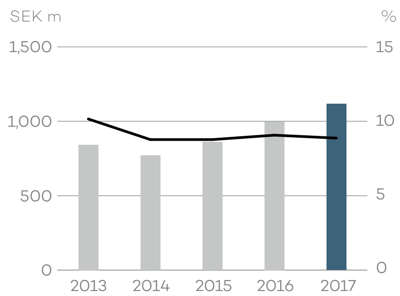
KEY RATIOS

	2017	2016
Net sales, SEK m	12,658	11,070
EBITA excl. items affecting comparability, SEK m	1,117	996
EBITA margin excl. items affecting comparability, %	8.8	9.0
EBITA, SEK m	1,027	992
EBITA margin, %	8.1	9.0
Profit after net financial items, SEK m	957	923
Basic earnings per share, SEK	9.58	9.32
Net debt, SEK m	2,631	2,298
Net debt/EBITDA, rolling 12 months, times	2.3	2.1
Net debt-equity ratio, %	52.7	48.9
Total number of employees	9,865	9,133
Capacity utilisation, %	77.6	77.6

NET SALES, SEK M

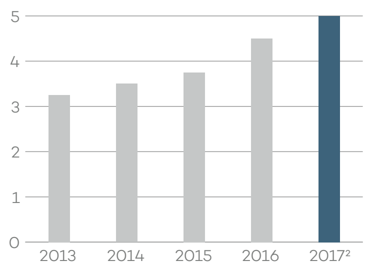


EBITA[1], SEK M AND %



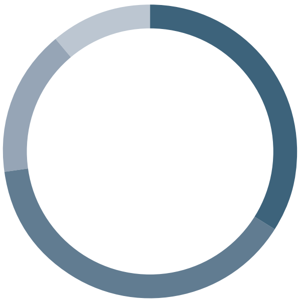
[1] Excl. items affecting comparability

DIVIDEND PER SHARE, SEK



[2] Proposed dividend

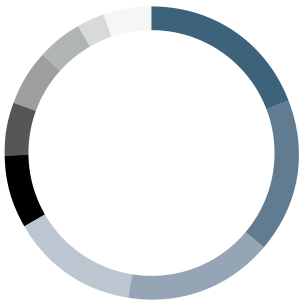
NET SALES BY DIVISION[1]



- Industry 34%
- Infrastructure 39%
- Digital Solutions 16%
- Energy 11%

[1] Divisional structure as of 1 January 2018. Pro forma figures for 2017.

SALES BY INDUSTRY SEGMENT



- Infrastructure 19%
- Buildings 17%
- Automotive 16%
- Energy 14%
- Food & pharma 8%
- Process industry 6%
- Manufacturing 6%
- Telecom 5%
- Defence 4%
- Other 5%

It has been an exciting year, influenced by strong global trends and demand from clients for our sustainable solutions, but there has also been an increase in competition. In 2017 we saw the market, our clients and ourselves from a new perspective.

It starts with a new perspective.

The global trends in smart cities, industrial digitalization, future mobility and a changing energy market move development in society forward. At the same time, these trends are strong motivators for our business. ÅF has unique skills and rapid development provides an opportunity for a company like ÅF to get ahead. Society's needs for sustainable solutions have never been greater and drive customer demand for our collective expertise.

A new focus

This past year has been an exciting one during which we have done a careful analysis of our strategy and the company's potential. Historically, ÅF has developed well but owing to the trends in the market and the increase in demands from our clients, it was time for a new focus. The journey that is largely still ahead of us is to add value to our services by offering more projects, solutions, concepts and products while we develop our service business. We have unique skills in engineering, design and digital solutions that come into their own when we combine them in sustainable solutions directed at industry, infrastructure and the energy sector. The new strategy strengthens ÅF's position as an engineering and design company.

Strengthened competitiveness

We are experiencing fast-paced change and have carried out a series of initiatives in line with the new strategy to strengthen our competitiveness. We are growing and strengthening our position in our core markets and internationally in selected niches. We continue to have a high rate of growth and acquired 12 businesses during the year, which strengthen our position further. The organisational structure has been realigned to make us even more distinct and fleet-footed, and to form the foundation for business decisions to be taken at the right level as well as to stimulate more international growth. Our new business areas are designed to develop co-ordinated end-to-end solutions and concepts that can be sold to many clients. The hard work has barely begun, and it presents challenges in terms of both business sense and company culture. We have set up the new frameworks, but it is all about daring to apply a new approach and having our values permeate everything we do as brave, devoted team players.

Sustainability is the core

The new mission *We create sustainable engineering and design solutions* establishes sustainability as the core of our offering. At ÅF we have nearly 10,000 employees who contribute to sustainable social development through our client assignments. We continue to adhere to the Global Compact's principles for human rights, labour law, the environment and anti-corruption, which form the foundation for our positions in sustainability. We are also working on better ways to measure sustainability efforts based on the digital measuring tool SBPI, developed by ÅF together with the Swedish research institute RISE.

An attractive employer

When the economy is doing well, one of the challenges is to attract the best employees. There is a high level of competition for talent, particularly in the field of digitalization. We have made targeted efforts to strengthen our brand, partly by collaborating with interesting clients on challenging assignments, and partly by structured leadership and employee development efforts. We are proud to have been nominated once again by civil engineers in Sweden as one of the most attractive employers.

Market trend

During the year, demand for our services has been good with certain variations. The industrial economy is still strong in Sweden, which is reflected in demand from the automotive, forestry and food industries, as well as the paper and pulp industry. Demand from the mining and steel industries continues to increase, but from low levels. Investments in infrastructure in Sweden and Norway are still at a high level, but there is a shift in the market from a few major infrastructure projects to small and medium projects. The energy market is still weak in Europe, while the shift to more fossil-free energy production is creating greater demand in areas such as cogeneration plants based

» We are experiencing fast-paced change and have carried out a series of initiatives in line with the new strategy to strengthen our competitiveness. «

on renewable fuels. The digitalization that is currently under way is increasing, leading to sustained demand for embedded systems and digitalization in the industrial, energy and infrastructure markets.

A positive trend in all divisions
The Industry Division continues to show good growth and stable profitability. Digital solutions have become a key component in ÅF's offer and we see increased demand for industrial digitalization and automation solutions. Demand from the automotive industry continues to be strong.

The Infrastructure Division is experiencing growth and showing a good level of profitability. Demand in the road and rail segment continues to be positive, as is the architecture and property segment where ÅF operates mainly in commercial and public properties. Several acquisitions were made during the year to strengthen our position in architecture and design.

The International Division ends the year on a strong note. In Switzerland, the division was commissioned to consult with the government on preparation of its National Energy Strategy 2050. Growth during the year was related to infrastructure operations with the acquisition of AF-Toscano at the end of 2016.

The Technology Division continues to grow with good profitability. Demand for the division's services is strong, with clients increasingly seeking partnerships with suppliers capable of delivering long-term end-to-end solutions with customised business and supplier models. The offering has been strengthened by acquisitions in service design and user experience.

Financial position and outlook
A strong year-end meant that EBITA, excluding items affecting comparability, amounted to SEK 1,117 million, an increase of 12 percent. These results, together with the new strategic direction and increasing demand for ÅF's solutions, form the foundation for continued profitable growth in 2018.

Stockholm in March 2018

Jonas Gustavsson
President and CEO

ÅF creates value for shareholders by creating profitable growth. When ÅF's new strategy was launched, the financial targets were reformulated. Sustainability goals involving three areas of focus have been established for some time and are monitored in SBPI.

A clear set of objectives.

Financial targets
ÅF's new strategy will help to maintain strong growth and increase profitability in an increasingly competitive market. The financial targets were reformulated to apply over a business cycle.

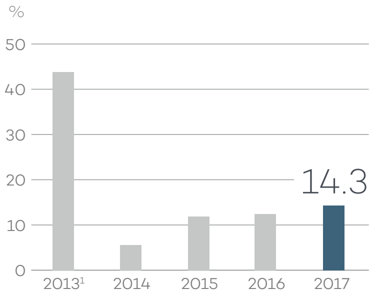
- Annual growth of 10 percent. The target includes add-on acquisitions. Larger platform acquisitions will also be made.
- An EBITA margin of 10 percent over a business cycle.
- Net debt in relation to EBITDA of 2.5.

Focus on sustainability
Developing sustainable solutions, conducting responsible business and being an attractive employer are the three areas that are most important to maintaining a long-term, sustainable business. We monitor the goals annually with SBPI, which is a tool developed by ÅF's specialists together with RISE Research Institutes of Sweden.

Henrik Kjellson, Manager, Digital Business

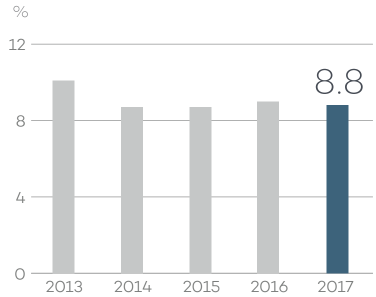
Financial targets and outcomes

Growth
10% annual growth including add-on acquisitions. Platform acquisitions will be on top.



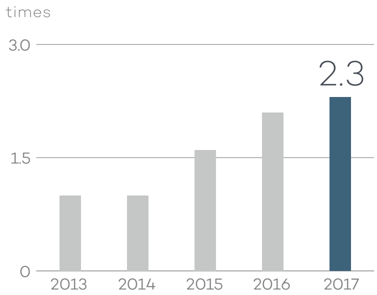
¹⁾ Growth in 2013 was 6.9% excluding the acquisition of Epsilon.

EBITA margin[2]
10% over a business cycle.



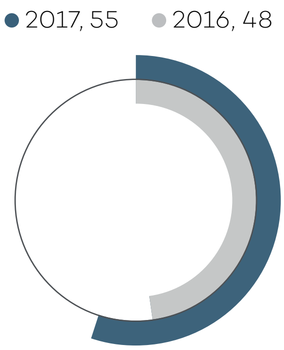
²⁾ Excl. items affecting comparability

Net debt
Net debt in relation to EBITDA of 2.5

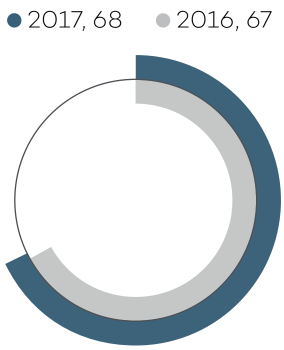


Sustainability performance

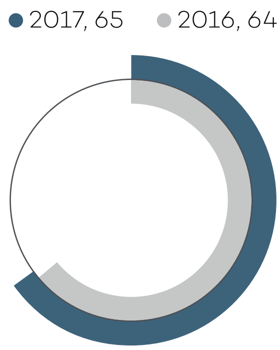
The SBPI tool measures ÅF's sustainability performance and defines how sustainable we are based on measuring points from the three focus areas. ÅF's sustainability performance for focus areas is found below. Read more on page 16.



Sustainable solutions
- Engineering and design solutions that help achieve the UN's 17 Sustainable Development Goals.



Responsible business
- Long-term profitability.
- Increased client satisfaction.
- Halve ÅF's carbon dioxide emissions by 2030 using 2016 as base year.
- ÅF's risk assessment checklist must always be filled in for new clients, deals and markets before a tender is issued.



Attractive employer
- Increased employee satisfaction.
- Leadership must feature a high degree of confidence in line managers.
- Increased proportion of women in the workforce: 30 percent at all levels by 2020.
- Zero tolerance of discrimination.

This is how we create value.

OUR OPERATIONS

Resources

→

Structural capital
- Uniquely wide-reaching engineering and design expertise
- Experience collected from different industries and clients
- Project references and knowledge bank that is accessible to all employees
- ÅF's brand stands for engineering expertise, design, quality, experience and innovation
- Strong employer brand, which is attractive to new employees

Human capital
- Approximately 10,000 employees with a unique set of collective skills and experience
- 30,000 engineers and specialists in ÅF's skills network
- Sustainability in focus – compulsory training for all employees
- Focus on skills development by means of assignments and ÅF Academy
- Leadership development
- Gender equality and diversity

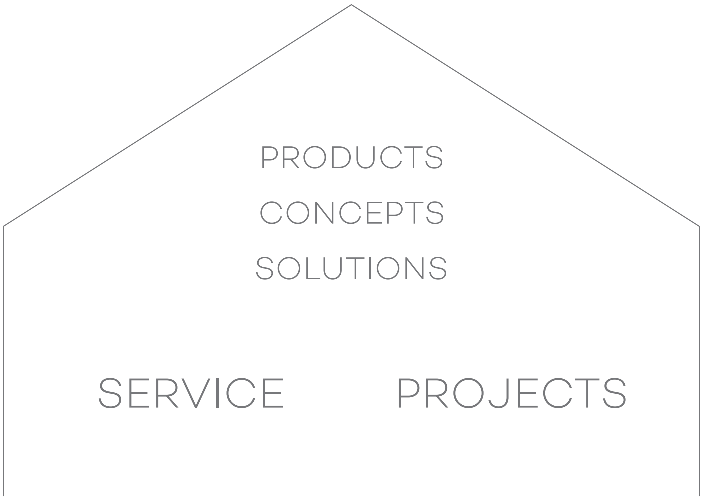
Social capital and relational capital
- Long-term, active owners
- Strong, long-lasting client relationships
- Good relationships with research organisations, universities and institutes of technology
- Active sustainability work

Financial capital
- Loans and equity
- Strong cash flow and balance sheet

Manufactured capital
- Over 150 offices around the world
- System support for all processes

Energy consumption
- Office heating and travel to clients

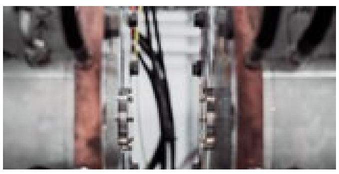
Our business model and offering...



We create sustainable solutions in:

INFRASTRUCTURE
- Buildings
- Road & rail
- Project management
- Water & environment
- Architecture & design

ENERGY
- Heat & power
- Hydropower
- Renewable energy
- Nuclear power
- Transmission & distribution



INDUSTRY
- Manufacturing
- Automotive development
- Food & pharma
- Process industry
- Product development
- Industrial engineering
- Technical services

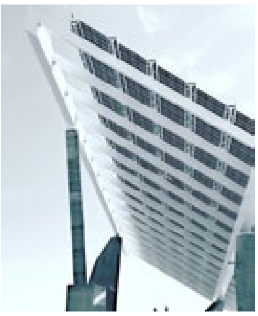
DIGITAL SOLUTIONS
- Experience design
- IT solutions
- Embedded systems
- Systems management

…meet society's current needs →

Smart cities and infrastructure
- Sustainable urban development
- Smart buildings
- More efficient transport

Future mobility
- Safer traffic
- Lower environmental impact
- Autonomous vehicles

Industrial digitalization
- Optimisation of logistics and process flows
- Increased productivity
- Reduced resource and energy consumption



Changing energy markets
- Gradual shift away from fossil fuels
- Storage possibilities for energy
- Reliable transmission and distribution

Stakeholders

Clients
- Profitable, efficient and sustainable solutions for strong competitiveness and lower costs
- Proportion of large projects and end-to-end solutions constitutes approximately 60% of net sales

Employees
- Personal development and career opportunities
- In-house projects provide the opportunity to work with ÅF colleagues
- Proportion of women is 25%
- Total number of training hours: 291,638
- Salaries, benefits and other personnel costs (excl. employer contributions): SEK 5,992 million

Shareholders
- Proposed dividend: SEK 5.00/share
- Total B share return: 11%
- Positive result (EBITA): SEK 1,027 million

Society
- Strengthened industrial competitiveness
- Well-functioning infrastructure
- More sustainable energy recovery and use
- Direct and indirect creation of jobs around the world
- Income tax and employer contributions: SEK 1,491 million
- Reduced climate emissions

↓

Reinvestment through increased experience, references, development and growth

Future sustainable engineering and design solutions create exciting opportunities for ÅF's clients – and are crucial to the development of their business models, services and products. Our unique collective experience enables us to guide our clients through the enormous technology shifts that are occurring in infrastructure, industry and energy. The strategy takes ÅF to a strengthened position as an international engineering and design company that adds value through sustainable solutions.

The power to change.

Our transformation
In recent years ÅF has performed well and enjoyed profitable growth. The market is becoming increasingly competitive, however, especially in traditional engineering and consulting company services.

From a traditional local engineering and consulting company...
By developing the current business model, ÅF will go from being a traditional local engineering and consulting company, undertaking projects and providing traditional consulting services, to a new competitive position.

...to an international engineering and design company
ÅF has a unique set of collective skills and experience in engineering and design that is in demand in the market. The business model is strengthened by our increased focus on undertaking projects and conceptual solutions where we combine cross-functional skills in engineering and design. Developing our working practices and how we do business takes ÅF to a new position as an engineering and design company providing sustainable solutions to clients in Europe and around the globe.

Solutions for the strongest trends
Our solutions measure up to some of today's strongest trends: smart cities and infrastructure, future mobility, industrial digitalization and a changing energy market. All of them are known as disruptive trends, trends that overturn traditional business models.

Our sustainable solutions for the infrastructure, industry and energy markets make ÅF an even more attractive business partner. We inspire and guide our clients to embrace new design and technology. We also have a proactive approach when it comes to building relationships and delivering long-term value.

WHO WE ARE

OUR VISION

Providing leading solutions for generations to come

ÅF – Making Future.

OUR CORE VALUES

We are

Brave
Devoted
Team players

OUR MISSION

We create sustainable engineering and design solutions

HOW WE WIN

GROWTH DRIVERS

Smart cities and infrastructure

Future mobility

Industrial digitalization

Changing energy markets

OUR STRATEGY

Growth
International expansion into leading positions

Value creation
Business model shift to deliver higher value

Operations
Operational excellence

People
Best in class people practices

Vision

What role is ÅF to play in the future? Our vision – "Providing leading solutions for generations to come. ÅF – Making Future" provides the answer. For decades we have seen the benefits of bringing together people, technology and design. We believe that the future is bright. It is all about seizing the right opportunities and entering strategic collaborations. Our ambition is to take the lead by providing solutions with a focus on sustainability.

Our brand promise – Making Future – describes our ambition and ability to create long-term sustainable solutions. It inspires and challenges our workforce to make progress and achieve even more. To lead and seize new opportunities, we must challenge old conventions, embrace new ways of thinking and see beyond today's challenges.

Our mission

Sustainability is at the heart of everything we do. This is where design and engineering create basic value and support us in our transition to becoming an international supplier of sustainable solutions. The mission "We create sustainable engineering and design solutions" increases the value of deliveries to our infrastructure, industry and energy clients. By combining the unique skills that we have drawn together in engineering and design, we support them in their efforts to seize new opportunities. Our skills and constant learning enable us to adapt very quickly to prevailing trends.

» The new strategy is to ensure that we utilise ÅF's full potential and that we are competitive and able to grow with profitability for many years to come. «

Closest to the camera, Amir Nazari, Diversity Coach

Strategy
ÅF's strategy is to ensure that we are competitive and that we utilise the company's full potential to grow with profitability. At the same time, we must continue to strengthen our appeal and to retain our best employees.

The strategy is based on four priorities: growth, value creation, operations and people:

Growth
International expansion must enable ÅF to take up leading positions in selected areas. We will continue to grow in our core markets of Sweden, Norway, Denmark, Finland, Switzerland and the Czech Republic. We also strive to be an international leader through several selected niches and segments, such as research and development in the automotive sector, food and pharmaceuticals, advanced manufacturing, the process industry and lighting design. The emphasis is on:
- Geographical expansion in core countries.
- International growth in selected niches.
- Expansion in international investment projects.

→ Read more on page 18.

Value creation
ÅF's business model is formed so that we can add value for our clients. This means that we develop our client offering and provide several conceptual solutions and concepts, together with selected products. The emphasis is on:
- Increase share of projects and solutions.
- Cross ÅF solutions to meet global growth drivers.
- Invest in and develop concepts and selected products.
- Optimisation of professional services.

→ Read more on page 24.

Operations
At ÅF we strive for Operational Excellence. The organisational structure has been simplified and financial control has been adjusted to create distinct responsibility for profitability, different client segments and international growth, and to increase the number of projects and end-to-end solutions. The emphasis is on:
- Simplified and focused organisation.
- Adjusted financial steering.
- Optimised pricing and sourcing.
- Ethical commitment.

→ Read more on page 30.

People
ÅF must be an attractive employer by continuing to attract and recruit new employees while focusing on developing and retaining the employees who already work for us today. The emphasis is on:
- Leadership development.
- People engagement and development.
- Employer branding.
- Recruitment and onboarding.
- Diversity and inclusion.

→ Read more on page 34.

New core values
Our core values help us to make the right decisions, to act sensibly and to treat one another with care and respect. They support us in our strategy for expansion into new markets and solutions. Our three core values are also appropriate for ÅF's ambition to have the very best employees and are as follows:

Brave
We think big and beyond convention to increase value and make an impact. Challenging each other and making bold decisions. Always taking a stand for what we believe in.

Devoted
We are a unique mix of competence and we are all passionate within our fields. Sharing our expertise to make a difference. Driven by our curiosity to grow and learn more.

Team players
We collaborate across borders to seize new opportunities. To challenge, support and bring out the best in each other. We believe in the power of differences.

An organisational structure that provides support
ÅF's organisational structure and governance are adapted to be able to carry out the new strategy in full. The new simplified organisational structure has been in place since 1 January 2018. It has four international divisions: Infrastructure, Industry, Energy and Digital Solutions. The divisions in turn consist of 21 business areas with full responsibility for their client accounts and profitability, and for implementing the strategy. This will produce clear results.

ÅF's governance and organisational structure in selected core markets is being strengthened to ensure that the strategic focus is followed, that the market develops and that there is co-ordination. In Norway, which is ÅF's second-largest market after Sweden, a country-based organisation was established with a country director who has been part of Group management since October 2017.

Sustainability constitutes the cohesive link in ÅF's new strategy: everything we do and deliver must be based on sustainability. We are currently improving the framework for putting that very concept into all our client assignments.

Choices that make a difference.

Michael Krarup, Architect, Gottlieb Paludan Architects
Stina Tang, Sustainability Consultant

Three focus areas

ÅF has already established three focus areas for its sustainability efforts. These are the areas that are most important to our maintaining a long-term, sustainable business:

Sustainable solutions
ÅF's operations provide unique opportunities to influence societal development in a more sustainable direction. In our assignments is where we make the biggest impact. The growth engine in ÅF's business is providing engineering and design solutions in areas where there are challenges to be met from the global trends: an increasing population, expanding cities, increased consumption, scarcity of resources and rising emissions. We offer solutions that lead to resource efficiency, sustainable cities, digitalized industries, as well as contributing to the energy transition.

Responsible business
Like all other companies, ÅF needs to have policies and procedures for how its business is run to contribute value to society in a positive way. This may involve fighting corruption or minimising environmental impact. As we continue to increase our activities in complex markets, there is a risk that we may come across more human rights abuses. This increases demands on ÅF to bolster efforts in this area so we do not maintain structures that violate the equal value of all people.

Attractive employer
Our workforce is ÅF's most important asset. We therefore need to constantly develop our efforts to be an attractive employer, so we can retain our existing employees and attract new talent. Our new strategy clarifies who we are, what we aim to achieve and what we have to offer current and future employees. It is our employees who make ÅF successful and we pass that on to our clients and owners.

63

ÅF's total sustainability performance index

Measure sustainability

If sustainability initiatives are to produce results, they need to be measured and monitored. At ÅF we have developed the digital tool Sustainable Business Performance Indicators (SBPI), which measures sustainability scientifically.

Sixty measuring points

The SBPI tool measures our sustainability performance and defines how sustainable we are based on measuring points from the three established sustainability focus areas: Sustainable solutions, Responsible business conduct and being an Attractive employer.

About 60 measuring points that are important for our business were analysed and the result showed our total sustainability performance on a scale of 0 to 100. The measured values are comparable from year to year with measurement starting in 2016. The result for 2017 was 63, an improvement from 2016's 59. Broken down by focus area, Sustainable solutions scored 55 (48), Responsible business 68 (67) and Attractive employer 65 (64).

It is possible to follow the sustainability performance both in overall terms and in detail. The model also highlights the connection between various activities and how they contribute to our sustainability performance.

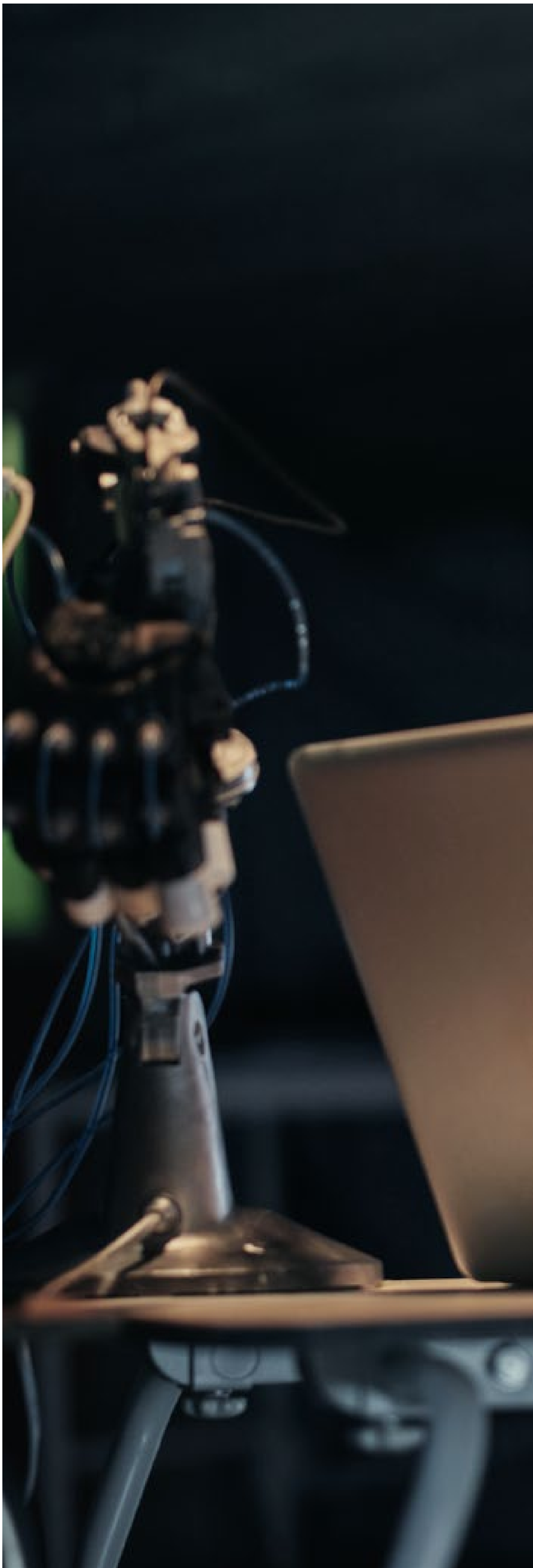
For the sustainable solutions focus area, our contribution to the UN's 17 Sustainable Development Goals is followed up by having all employees who were responsible for an assignment use the development goals to analyse and evaluate their biggest assignment in terms of annual sales. This year 15 percent of ÅF's total sales were included in the analysis.

Increases transparency

SBPI was developed by ÅF's specialists in sustainability, compliance and digitalization in close collaboration with RISE Research Institutes of Sweden. The aim has been to increase transparency within our own activities and to ensure that sustainability efforts measure up to the business strategy. SBPI is based on measurement methods from international research on human perception and traditional measuring techniques.

The tool can also be deployed in different industries and can be used to monitor entire operations as well as individual activities. ÅF is currently working actively to market and sell SBPI primarily to existing major clients so that they can also start to measure sustainability more scientifically. During the year we noticed an increased interest in this as more and more clients specifically asked after suitable measuring tools in this area.

Read more in our sustainability notes on page 94.



Highlights

- There has been a rise in employees' general awareness of how we contribute sustainable value through our assignments.
- There has also been a rise in the client's assessment of to which extent ÅF has contributed with sustainable value through our assignments.
- Our emissions associated with energy consumption and business travel are slowly moving in the right direction.
- Sustainable management of purchasing also shows a positive trend.
- The gap between men and women taking parental leave has been reduced.
- The New Immigrated Engineers initiative has been a success.

Helena Paulsson, Head of Urban Development

ÅF continues to grow in its current core markets with a combined offer in infrastructure, industry, energy and digitalization. We aim to become an international leader in several niches and segments such as research and development in the automotive sector, advanced manufacturing, food and pharmaceuticals, the process industry and lighting design.

Grow and lead.

Powerful drivers
Four disruptive trends – arising from increasing globalisation, urbanisation and a focus on increased sustainability – are powerful drivers for ÅF. Smart cities and infrastructure, future mobility, industrial digitalization and a changing energy market are all needed to help create a more sustainable society.

ÅF's unique expertise in design and digital solutions, combined with its in-depth specialist knowledge of infrastructure, industry and energy, enables us to respond to these trends with robust cross-functional solutions.

Smart cities and infrastructure
Today, more than half of the world's population lives in urban areas, and by 2050 this is expected to rise to 70 percent. It is a huge mass movement that is most evident in the emerging countries.

These rapidly 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, like better housing, effective public transport, cleaner air, less noise and improved lighting, are all key drivers towards a sustainable society.

Read about our offer on page 26.

Industrial digitalization
Industrial companies worldwide recognise the increasingly tougher competition. Operators from countries with emerging industries are changing conditions and putting pressure on prices in many sectors, which generates a need to streamline processes and production. It also motivates companies to move forward in the value chain, from manufacturing products to also delivering services. The availability of large amounts of data also creates new opportunities for sharper analyses and enhanced business intelligence. The prerequisite for all this is digitalization, which is crucial to industry's competitiveness.

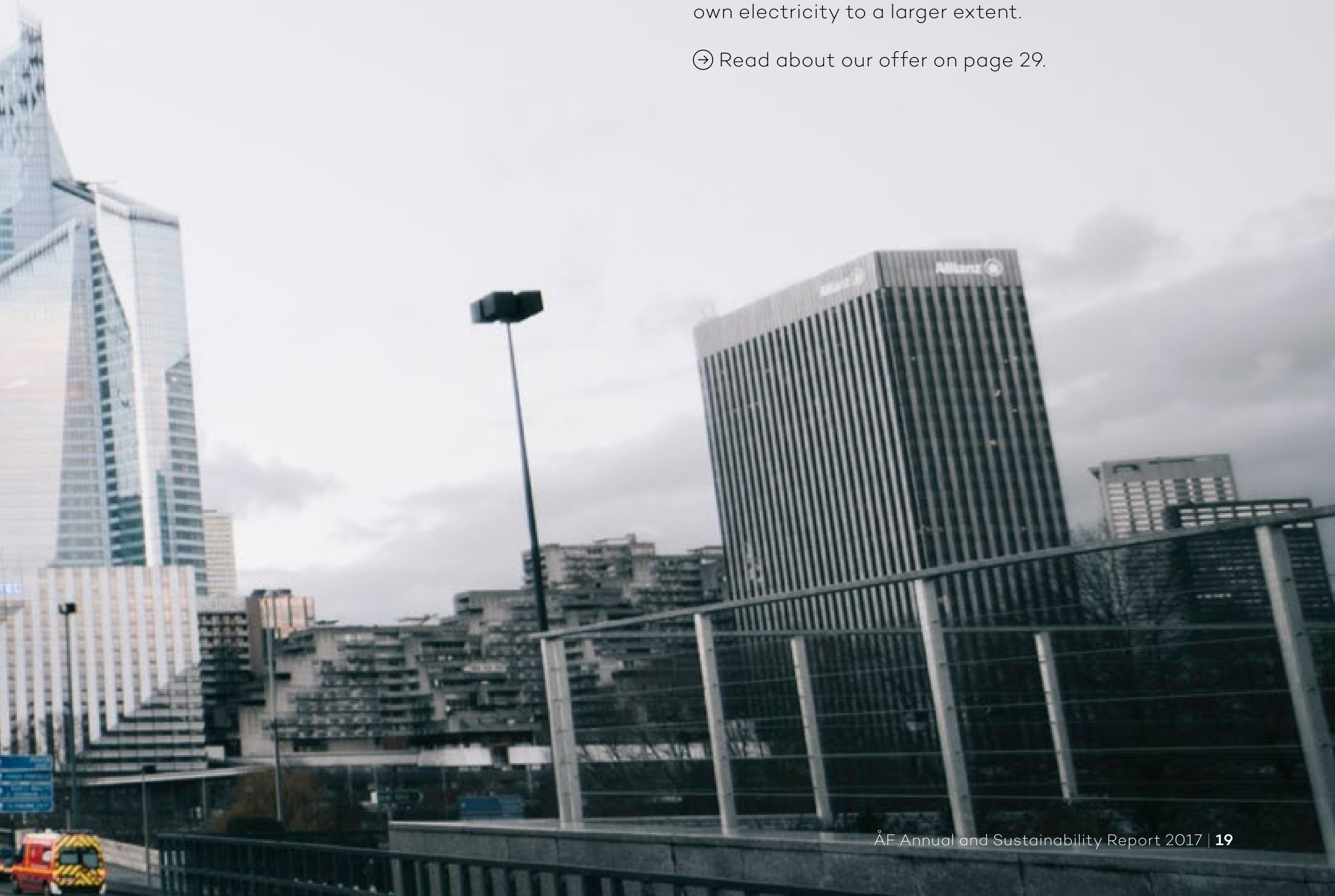
Read about our offer on page 27.

Future mobility
The way we transport and travel is changing. The digital revolution allows for completely new solutions that mean increased convenience, lower environmental impact and safer traffic. In the automotive industry, a rapid transformation is currently under way, with electrification and technology for autonomous vehicles being quickly developed for both individuals and logistics companies. The merging of the logistics sector and the automotive industry is increasingly evident. Technology development drives the growth of a sharing economy that changes the ownership and increases the capacity utilisation of the vehicles.

Read about our offer on page 28.

Changing energy markets
Global electricity production is expected to increase by around 70 percent by 2040 due to a growing population and emerging economies. A gradual shift away from fossil fuels to other power generation sources is being stimulated by global climate goals, smart cities and future mobility. Achieving the necessary change will require new and reliable transmission and distribution networks, energy storage systems and digital solutions. The energy supply is shifting from mostly large-scale power generation to a mixture of energy deliveries, such as small-scale solar and large-scale hydropower, to ensure a sustainable energy supply. Smart grids become a requirement and increasingly more participants move from being consumers to being prosumers, that is, consumers will produce their own electricity to a larger extent.

Read about our offer on page 29.



» The manufacturing industry of the future is autonomous smart factories. «

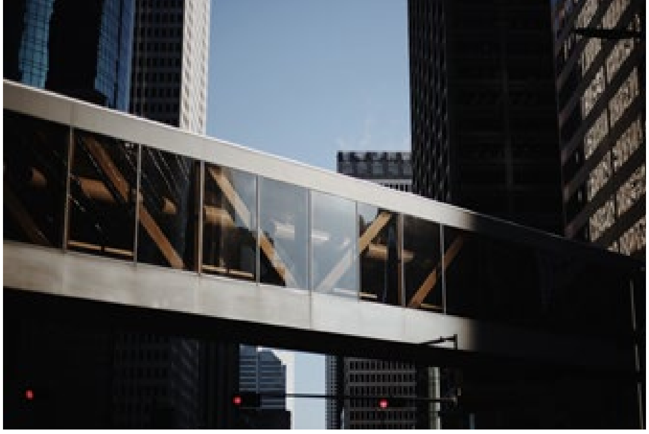
Market trends and business review
Our three sectors – infrastructure, industry and energy – vary in their prospects for growth, but they are all focussing on increased sustainability at all levels, the amazing opportunities presented by digitalization and the essential role of design in good performance.

Infrastructure
Although infrastructure projects are largely national, they are affected by global trends. The main drivers are rapid urbanisation, greater demand for a healthy living environment and increasing life expectancy. This all leads to a greater need for sustainable societies, smart buildings and efficient transport solutions. The sector is characterised by:

Sustainable urban development. The strong urbanisation trend that drives more and more people from rural areas to cities makes climate-friendly, safe environments combined with smart communication solutions essential. In cities experiencing major growth it is also vital to address the great shortage of healthy housing, clean water, sanitation, energy and waste management. Sustainable urban development requires cooperation between various sectors and multi-level governance as well as progressive forms of dialogue between residents and the business community.

Smart buildings. In the property area, demographic trends, including an ageing population, have led to the current structural changes in healthcare systems and other areas. For example, according to Statistics Sweden (SCB), one in four inhabitants in Sweden will be over 65 by 2060. Healthcare is experiencing major changes, with the new way of managing care being based on less contact with doctors and shorter hospital stays. Hospitals are instead making changes to become more highly specialised and provide safer care, with the patient in focus.

More efficient transport. The ongoing densification of cities and surrounding municipalities increases the need for effective transport solutions. Significant investments are being made in road and rail traffic, mainly in Sweden and Norway, including the high-speed East Link railway between Stockholm and Linköping, the Follobanen railway in Norway and the West Link in the Gothenburg region. The projects extend over several years and new, major investments are in the planning stage. Huge technological shifts are also emerging. For railways, developments are driven by the new cross-border traffic management systems that have been adopted in Europe. For road traffic, the rapid increase in IT and automation features in vehicles generates opportunities for effective interaction with infrastructure systems.



Industry

Most industrial companies today face increasingly tougher global competition, where the demand for innovative and profitable solutions is high. Processes and production are streamlined while new products are being developed. This is an essential approach if they are to retain market share and profitability. The sector is characterised by:

Complex reality. Clients' processes and products become increasingly complex and multifaceted as IT becomes an obvious part of them. Digitalization also enables companies to resolve challenges faster. The automotive industry is an example of this with its strong need for software expertise in active safety and driverless vehicles. The manufacturing industry is now facing its next phase of digitalization: the fourth industrial revolution or Industry 4.0. In Industry 4.0 the manufacturing companies of the future are autonomous smart factories with even more efficient production and logistics than during the IT era. It is a response from the European manufacturing industry to the hard-hitting competition of low-price countries. Another motivator is the Internet of Things (IoT), a collective term for the technology that supplies machines and products with embedded sensors and computers, enabling them to communicate with each other.

Broader expertise. Usually, industrial companies need to complement their staff with external expertise to cope with all the technical challenges and obligations required to stay on the front line. Therefore, they seek to collaborate with suppliers having specialist skills, often emphasising few but large and resource-rich ones with broad expertise to carry out end-to-end solutions. The suppliers help companies with the repositioning required to grow in the value chain and continue to be successful. Up to now, product development has often been linked to industrial companies' core business and was something they wanted to manage themselves – that is now changing. Today things are pointing to more and more demand for services that increasingly involve external suppliers.

Sustainable industry. Sustainable solutions are increasingly becoming a key issue throughout industry's value chain – from materials and design to suppliers, production, and product performance and usage. Resource efficiency and use of renewable materials are increasingly becoming a requirement in product development, where companies with leading expertise in sustainability have a clear competitive edge. Insightful industrial companies thus abandon the previously predominant linear economy for a circular economy, with circular material flows in which the products are used and consumed with the least possible raw material extraction and generated waste.

Energy

Investment levels in Europe are low, but the global energy market is growing. The growth is mainly being driven by increased capacity needs in Asia, particularly in South East Asia and China. Energy use per person in these areas is still only a fraction of the level in western countries. Here, an improved, reliable energy supply is an important strategic factor in the improvement of living standards. The sector is characterised by:

Increased energy needs. The number of megacities – metropolitan areas with over 10 million inhabitants – is steadily rising, particularly in Asia. This extensive process of urbanisation, in which growing populations combine with the subsequent rapid industrialisation of the countries concerned, requires increased capacity in terms of energy, transport and water supply. Thus, for the foreseeable future, there is potential for further investment in traditional forms of energy supply. Alongside this, existing installations need to be upgraded and made more efficient. Major global investment is needed to provide solutions for energy storage and the more efficient use of current electricity networks.

New business models. The energy market is largely dependent on national political decisions, which are implemented by local authorities. Poor levels of profitability for many energy companies, including those that are state-owned, have given rise to new models of ownership. There is also expected to be an increasing interest in investment in the industry from the private sector. 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. Today, over a billion people have no access to electricity. Meanwhile, according to UN projections, the global population is expected to rise to 8.5 billion in the next 20 years. Due to this, it is estimated that there will be a 50 percent rise in energy needs in the same period. This creates substantial pressure in terms of the need to reduce our impact on the climate. The various stakeholders in the energy industry need to tackle climate change. Substantial effort is required to achieve both national and global climate goals.

Renewable energy, including hydropower, currently accounts for around 20 percent of total production. On a positive note, this percentage is continuing to increase. However, the political commitment to phase out fossil fuels is being hampered by financial and technological barriers. Energy intensive industries and transports 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.

» With the new strategy, we can effectively compete in the international arena. «

Expansion and growth in selected niches
Using its strategy, ÅF wants to grow in existing core markets as well as internationally in selected niches. This will be done through organic growth and strategic acquisitions of companies in line with the new strategy. We therefore also need to strengthen our position outside Sweden by building the brand in selected countries where we are located.

Grow on core markets...
Our core markets are currently Sweden, Norway, Denmark, Finland, Switzerland and the Czech Republic. ÅF will continue to grow in these countries. We are based in Europe, but our business and our clients are located all over the world. Growth will occur on a stable market in Sweden and through efforts to increase today's low market share in other core markets with the aim of strengthening our position there.

...and in selected niches internationally
With the new strategy, we can effectively compete in the international arena. It supports us in working outside our core markets, which has already begun with the acquisition of the Spanish company Aries' solar division in 2016 and the buy-out of the renowned light design studio Light Bureau in the UK in 2017.

We want to supplement ÅF's broad and deep expertise – which is increasingly offered as package solutions – with new acquisitions that further enhance and strengthen the sustainable design and technology solutions we offer. We strive to become an international leader in selected niches and segments such as research and development in the automotive sector, food and pharmaceuticals, advanced manufacturing, the process industry and lighting design. In the future, we also aim to make a new platform acquisition that can generate long-term growth, like the powerful contribution the acquisition of Epsilon made five years ago.

ÅF's international expansion entails the need to deal with possible ethical risks in these new markets. We need to increase diversity at ÅF in terms of language skills, and cultural and regional awareness of the new markets, while taking care to not deviate from our current ethical guidelines. We will continue to conduct business responsibly.

Acquisitions for the year
ÅF's financial growth of around 12 percent over the past ten years is based on both organic growth and acquisitions. The many acquisitions of recent years have given us solid experience and resulted in an efficient process that facilitates smooth integration. The target now set for 2018 and beyond is an annual growth rate of 10 percent over a business cycle that includes add-on acquisitions, but where larger platform acquisitions are also made. The following strategic acquisitions were made during the year:

Midtconsult, Danmark. Strengthens ÅF's presence in Denmark and creates a robust platform for further expansion.

Quality Engineering Group, Sweden. Provides ÅF with a full range of quality assurance services for industrial clients in Scandinavia.

Vatten & Miljöbyrån, Sweden. ÅF can now establish a comprehensive offer in environment and water.

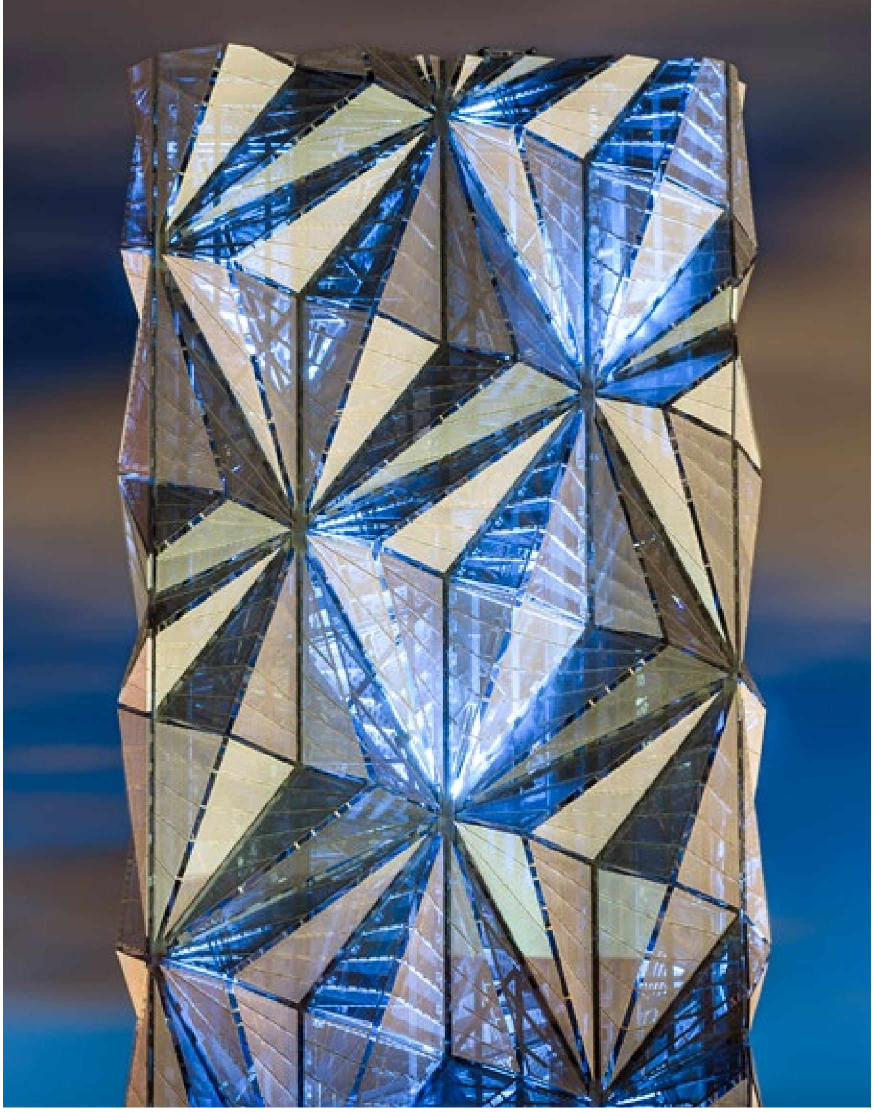
KIAB Konsult & Installationstjänst, Sweden. Strengthens ÅF's presence in Norrbotten County and investment in construction and properties.

Koncept Stockholm, Sweden. Sharpens ÅF's offer in architecture and civil infrastructure planning.

Eitech (automation business), Sweden. Improves ÅF's offer in automation to industrial clients.

Light Bureau, UK. Strengthens ÅF's offer in lighting design and creates a stronger platform for international assignments.

inUse, Sweden. Makes ÅF Sweden's largest provider of service design and user experience.

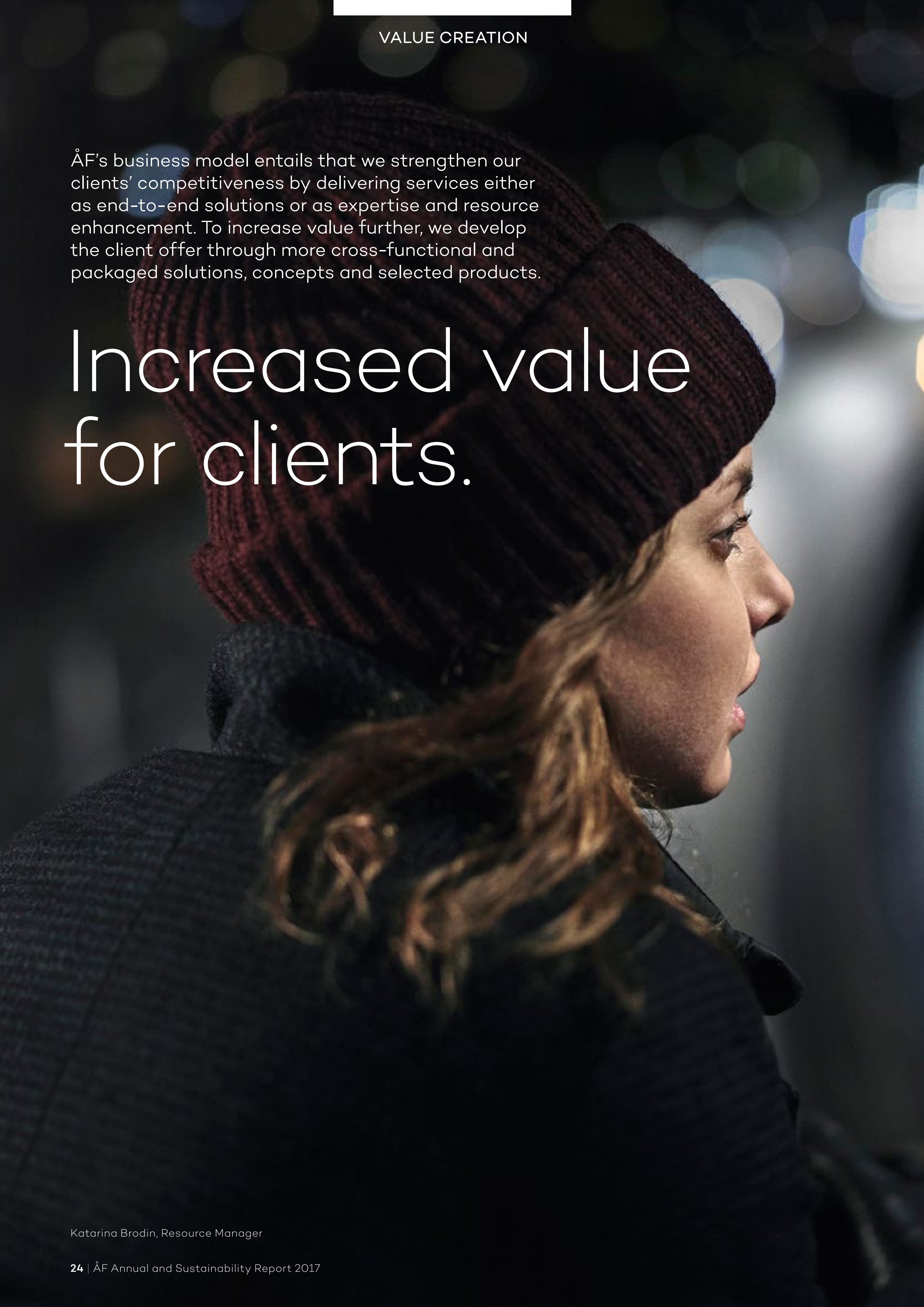


← Lighting design by Light Bureau, Greenwich Low Carbon Energy Center, London

↓ Interior design by Koncept Stockholm, Haymarket by Scandic, Stockholm

ÅF's business model entails that we strengthen our clients' competitiveness by delivering services either as end-to-end solutions or as expertise and resource enhancement. To increase value further, we develop the client offer through more cross-functional and packaged solutions, concepts and selected products.

Increased value for clients.



Katarina Brodin, Resource Manager

Developed business model
ÅF develops its business model to deliver even better value to our clients. We do this by climbing the value chain and developing our offerings within our service delivery and by increasing the number of projects and end-to-end solutions that intersect ÅF's various areas of expertise. This will enable us to meet global trends and fully exploit the potential of digitalization and our design thinking as well as effectively cultivate the aftermarket. To add further value for our clients, we will invest in developing concepts and selected products.

As we adapt the business model to offer more end-to-end solutions as well as concepts and solutions where we have overall responsibility, ÅF's opportunities to enter early in the process of actively helping the client choose solutions that create good economic, environmental and social values are also improved. It helps us generally become more offensive with inserting the sustainability aspect into the client assignment.

Projects
This 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 may be about reducing costs or increasing productivity, but also breaking into new areas or markets. ÅF now has a well-developed project model that is continuously being improved.

We take advantage of our size, broad skills and leverage created in the organisation through repeatable services. Our now well-functioning project model facilitates deliveries of the most complex projects. To capture new opportunities that emerge and offer end-to-end solutions, our partnerships and collaborations must be intensified and cultivated so we can solve the great challenges of the future together.

Service
A common situation for many clients is that they temporarily need human resources or skills in different areas or processes. Here it is the customer who leads and runs the project, and this usually happens when ÅF works in the client's development processes. ÅF's contribution is to bring the necessary skills to help the client's project run smoothly. The client pays for the time spent by ÅF. ÅF continuously develops our service delivery, for example by delivering complete teams that work towards a specific objective on-site with the client or by ÅF running a "satellite" operation tailored to our clients' needs. ÅF also sees good opportunities for generating aftermarket business in various areas.

Solutions, concepts and products
Our clients increasingly demand solutions that combine cross-functional skills, but also functional and conceptual solutions. ÅF is quite able to meet this demand and works to provide more conceptual solutions and concepts, along with selected products. This will add value for our clients as well as help ÅF advance its position as an international engineering and design company.

Unique spe cialist expertise
ÅF has unrivalled breadth in the specialist expertise it can offer to each client relationship and across all sectors. This comes courtesy of ÅF's own 10,000 qualified employees and its unique network of around 30,000 engineers and specialists – a huge resource that is constantly growing and comprises everything from small businesses, academics and alumni networks to independent engineers and researchers.

The combination of in-house employees and our network means we are well-placed to provide the most appropriate team for any assignment. Together, we can offer our clients sustainable technological and design solutions that respond to global trends, enabling them to stay ahead of developments and enhance their long-term competitiveness. Starting in 2018, our various areas of expertise are as follows:

WE CREATE SUSTAINABLE SOLUTIONS IN

INFRASTRUCTURE
Buildings
Road & rail
Project management
Water & environment
Architecture & design

ENERGY
Heat & power
Hydropower
Renewable energy
Nuclear power
Transmission & distribution

INDUSTRY
Manufacturing
Automotive development
Food & pharma
Process industry
Product development
Industrial technology
Technical services

DIGITAL SOLUTIONS
Experience design
IT solutions
Embedded systems
Systems management

World-class sustainable solutions
Combining ÅF's unique expertise in design with smart digital solutions and in-depth domain knowledge in infrastructure, industry and energy enables us to offer world-class end-to-end solutions in our four strong growth areas: smart cities and infrastructure, industrial digitalization, increased mobility and a changing energy market.

With our new strategy of creating sustainable technological and design solutions, sustainable development is a given in everything we offer our clients. As part of ÅF's multidisciplinary solutions, sustainability also underpins all our services and products in the context of a continuous mutual learning process.

Smart cities and infrastructure

ÅF shapes smarter cities where resources and space are optimised for people. Smart homes, self-driving vehicles and sustainable urban planning are examples of solutions that will define the future.

ÅF drives development of the cities of the future. Through expertise and innovative solutions, we are involved in and influence the development of many public urban development projects, both in Sweden and internationally – from designing roads and public transport to creating the hospitals, housing, lighting and acoustics of the future. We have a big competitive advantage here by being able to handle the comprehensive and complex technology shift that is now occurring. And growth is substantial. Through the acquisition of architectural firms Sandellsandberg and Koncept Stockholm, we can offer end-to-end solutions in infrastructure planning.

We contribute expertise from an environmental and social sustainability perspective, where municipal waste management, conservation of cultural heritage and development of safe and accessible green spaces are some of the areas. Through the acquisition of Vatten & Miljöbyrån we establish a comprehensive environment and water offer.

Our expertise in IT and automation is a prerequisite for increased efficiency, both in road systems and buildings. We are part of the expansion of the digital infrastructure of tomorrow. For example, ÅF is a key player in bringing all of Sweden on line by 2025, which will strengthen the country's position in innovative and sustainable industrial production of goods and services.

Here we support the UN's Sustainable Development Goals for sustainable cities and communities (SDG 11) in different ways. Our assignments establish values such as efficient and renewable energy, resource efficiency, secure workplaces, accessibility, and improved air and water quality. To up our influence on sustainability within the industry, ÅF became a member of the Gröna Städer (Green Cities) network during the year. In infrastructure planning, various conflict situations are common in association with building construction, especially with infrastructure projects or when virgin land is being built on. This can be avoided through early political processes such as joint consultations, something ÅF is good at.

CASE

Develop time-saving solution for motorways

When accidents occur on motorways, blockages often cause hours-long queues and wasted time for road users on alternate routes. The reason is that traffic signals and intersections are controlled by programs that fit specific traffic patterns and are not configured for increased traffic volumes.

The Danish Road Directorate was looking for a smooth and cost-effective solution for optimising these traffic flows in connection with motorway congestion. ÅF created a solution that can simultaneously handle several traffic signals – from different suppliers – centrally from a traffic management centre. Only two weeks after delivery, it was tested in connection with a truck accident with no serious personal injuries.

"The solution worked perfectly. The waiting time and chaos for the drivers decreased considerably and we are now working to introduce it all over the country. More than 300 intersections across the country will be included in the delivered solution, and many more alternate routes will be configured," said Jakob Berg, lead developer at ÅF's office in Denmark, where they have been involved in traffic management solutions for smart cities since the 1990s.

Industrial digitalization

ÅF facilitates digitalized industries where innovative solutions based on information technology generate profits along the value chain. Cloud data, big data, robotics and the Internet of Things are some of the technologies we work with that lead us to the next industrial revolution.

As a supplier, ÅF has a great advantage as industry is being digitalized; few other suppliers have such deep domain knowledge combined with IT expertise. We operate within a broad spectrum of industrial projects – from product development, process development and logistics solutions, to streamlining material flows. We help development-intensive industries cope with the transition to new production methods. By applying digitalization and smart technology, ÅF helps connect machines, systems and processes that lead to more efficient energy and resource utilisation. We participate in the development of many products used daily – from washing machines, mobile phones and packaging to smart, safe vehicles. This can be done quickly thanks to our end-to-end solutions, which are often multidisciplinary projects, for example combining expertise in automation and industrial IT to connect clients' business systems and production processes.

The world is moving towards increasing demands for circular business models with zero waste. Our goal is to promote sustainable industrialisation and innovation. Industrial process ideas can also be used advantageously as inspiration in urban planning for the smart city.

Here we support the UN's Sustainable Development Goals for industry, innovation and infrastructure (SDG 9) in various ways. Through our assignments, ÅF optimises logistics and process flows to increase productivity and minimise energy and resource consumption.

CASE

Support LKAB's development of a new sustainable industrial park

As LKAB's mine in Kiruna becomes deeper and deeper, things above ground are also affected. Besides town planning for the entire municipality, a completely new industrial park for LKAB must also be planned elsewhere in the municipality.

ÅF contributes many different skills to this transformative major project: urban planning of the new Kiruna and BIM modelling, 3D visualisation and long-term development of how LKAB's new industrial park will look over the next 30 years. Within the framework of the assignment, ÅF also digitalizes the planning and management of mining operations – a good example of how we are contributing to industrial digitalization.

» A transformative project that shows how we actively contribute to industrial digitalization. «

Examples of multidisciplinary ÅF solutions
At present, we offer many multidisciplinary ÅF solutions, that is, solutions where we combine expertise from several divisions.
- West Link, Gothenburg
- Follobanen, Oslo
- Tunnel automation/airport construction
- Wind power/nuclear power
- Smart industry
- Smart buildings

Future mobility

ÅF facilitates future mobility where real-time data makes it possible to move anywhere at any time. Improved traffic flow, better use of space, increased personal safety and less pollution are solutions that will be seen in the future.

Today, ÅF offers world-class automotive development, leads the development of smart cities, has in-depth expertise in digital solutions and has a recognised industrial process way of thinking. This gives ÅF unique opportunities to develop innovative and effective solutions for tomorrow's mobility. In these assignments, we fully utilise our multidisciplinary ÅF solutions.

For a long time, cities and roads were planned based only on the needs of the vehicles, resulting in barrier effects, unhealthy lifestyles and polluted air. Even today, the car is the first choice for many, and will remain so until there are alternative vehicles and means of transport, better roads and attractive walking and cycling lanes. The space that cars occupy, whether in use or parked, also means that much of a city's space is wasted.

Here we support the UN's Sustainable Development Goals for sustainable cities and communities (SDG 11) in different ways. ÅF's innovations in various tranport systems and vehicles connect systems, societies and people, which leads to more efficient energy and resource utilisation while creating safer environments.

» Unique opportunities to develop innovative and effective solutions for tomorrow's mobility. «

CASE

Give electric car upstart the power to challenge Tesla in China

The Chinese electric car manufacturer Nio plans to challenge the Tesla giant in the most lucrative market for battery-powered vehicles: China's own domestic market. To succeed with this, they got help from ÅF, which developed the complete chassis system for their new electrically-driven ES8 SUV, including virtual development and mechanical integration.

Launching in 2018, the new vehicle will improve air quality in China, where it will be sold. The project was implemented at the customer's facilities in Shanghai, as well as in Trollhättan, Sweden, and Hyderabad, India.

Examples of concepts and selected products
At present ÅF offers some concepts and selected products that will be added to in the future:
- Sustainable Business Performance Indicators, SBPI – Digital tool that measures sustainability scientifically. Read more on page 16.
- PaperLine – Production system for the pulp and paper industry
- SupportLine – After sales industrial service
- Product Regulatory Support, PRS – Web-based tool for efficient data acquisition of subcontractor information
- retrÅFit – Service that meets the needs of aging power generation
- Radox – System for documenting things geographically (GIS)
- Visito – Visiting system for increased security and control
- Easy – Support system for quality assurance and compliance monitoring of services
- Tiger – Research and development expertise that is put together for a specific occasion
- Balance+ – an intelligent adaptive solution to optimise control parameters for boilers in thermal power plants

A changing energy market

When it comes to how energy will be generated and used in the future, ÅF is taking a bold approach that envisions a future in which electricity generation has been decentralised and the energy storage problem has been solved. Over the coming years, this will require a robust, efficient energy infrastructure.

ÅF's engagement in the energy sector is global – we have a presence in more than 80 locations in Europe, Asia, Africa and Latin America. Our expertise ranges across all the different types of energy, from hydro-power, coal, gas, bio and waste fuels and nuclear power to renewable energy, as well as transmission and distribution. We are driven by our desire to ensure access for all to modern forms of affordable, reliable and sustainable energy. Our clients benefit from a wide range of expertise covering the whole spectrum of power generation as well as the entire investment life-cycle. By combining smart energy technology with digitalization, ÅF can also help to link energy systems with communities.

During the year, ÅF was commissioned to lead an important transmission and distribution project and power generation projects in Africa and South East Asia, while in Europe we were awarded CHP projects in Kaunas and Vilnius in Lithuania.

These projects are in support of UN Sustainable Development Goal 7 – Affordable and clean energy. Our services help to ensure access to affordable, reliable, sustainable and renewable energy for all, but also to reduce energy use, make more efficient use of resources and limit greenhouse gas emissions. Securing the energy supply and transforming energy generation into renewable energy is a major challenge.

Electricity is also crucial to sustainable social development in the fight against poverty. Sometimes, a lack of reliable alternative energy sources means it needs to be generated from non-renewable sources such as coal or gas.

CASE
Solar energy park in Dubai
ÅF has been commissioned by MASDAR, one of the largest renewable energy developers in the Middle East, to act as Lender Technical Advisor (LTA) for a solar energy project in Dubai. The power plant has a capacity of 800 MW and requires an investment of more than USD 1 billion. Our assignment includes planning, construction, commissioning and operation until 2022. Commercial operating dates are expected to develop in three stages: 2018, 2019 and 2020.

» We are involved in the planning, construction, deployment and operation of one of the largest solar power plants that will be built in this decade. «

ÅF has simplified its organisational structure and adjusted its financial control. The aim is to create distinct responsibility for profitability, client segments and international growth as well as increasing the number of projects and end-to-end solutions. Good ethics are a matter of course.

Operational Excellence.

Daniel Smenes Eika, Engineer, computional mechanics and bridge construction. Simen Sjøvold Skavang, Engineer, construction

Clearer organisational structure
We have reviewed the entire organisational structure to ensure that the strategy will be fully effective. The guidelines in this process were expertise, clarity and structure. Specifically, it is about creating an even more successful ÅF where every employee knows what drives the business. This is done by:

Introducing a client/segment-orientated structure
To ensure there is enough focus on our growth areas and key segments, ÅF is creating an organisational structure in which the client is central when we build up our offering.

Decentralising responsibility
Responsibility has been decentralised so that all employees take full responsibility for business deals and profitability in the divisions and their business areas.

Associating the main account with the divisions
Our biggest assignment accounts are connected to the greatest possible extent to the managers of the divisions and their business areas.

Developing an incentive model
ÅF is updating the model to create responsibility for profitability and facilitate the offering in multidisciplinary ÅF solutions.

Creating multidisciplinary ÅF solutions
To create powerful offerings, we are designing a structure and procedures to invest in clear-cut solutions and products that run straight through the divisions.

Accelerating acquisitions
ÅF is raising the pace of acquisitions in strategically important areas and increasing investment in digitalization.

Ensuring the best methods are used
We are ensuring that ÅF employs the very best working practices and methods.

Internationalising the divisions
All ÅF divisions operate internationally.

Financial control
To ensure satisfied clients and competitive prices, ÅF constantly strives to make its operations more efficient and cost-effective. This is done in each business area and is monitored through different performance indicators such as quality in project implementation, measurement of client satisfaction, capacity utilisation and cost trends.

To drive growth and profitability in the four divisions' 21 different business areas, they have been given full responsibility for profitability. This means international full responsibility for clients, sales and delivery in each area. The business areas are measured according to financial performance indicators and by other important strategic initiatives with the support of the Balanced Scorecard.

Pricing and purchase of consulting services
We strengthen our clients' competitiveness by creating cost-effective solutions and concepts. We strive for pricing that is based on the value we deliver to clients rather than on how many hours we have spent on the project. It should contribute both to higher perceived value for clients and increased value for shareholders.

To be able to provide our clients with the most appropriate team and solutions, ÅF has a large network of partners in addition to about 10,000 highly qualified employees. This partner network gives our clients access to a further 30,000 engineers and specialists.

ÅF also actively collaborates with engineering companies from other countries and regions, such as India and Eastern Europe, to be able to offer competitive prices.

Ethical undertakings and responsible business
One of ÅF's most important tasks is to ensure that assignments are carried out in a responsible manner regardless of where in the world they are carried out. We have developed a systematic process to ensure this, based on the Global Compact's ten principles on human rights, working conditions, the environment and anti-corruption. The sustainability risks that may arise in our assignments differ between the various business areas, projects and markets.

1. Follow Global Compact
At the tender stage, we always conduct a risk assessment of the assignment based on ÅF's code of conduct, which is grounded in the ten principles of the Global Compact. The aim is to catch possible risks associated with the project at an early stage. If necessary, we conduct a more detailed risk analysis to identify potential risks and give recommendations as to what measures can be taken to deal with them. If there are obvious risks and it is not possible for ÅF to have any influence on them, we refrain from taking on the project. During the year we conducted detailed analyses of eight projects and prepared two security reports. Two of the projects were abandoned. Discussions are ongoing in a further two cases. In other projects, measures have been taken in line with recommendations.

The Global Compact is also at the heart of the analysis of our relationships with our partners and suppliers. When ÅF engages a partner, an agreement must always be drawn up between ÅF and the partner company. A digitalized procedure is in place whereby partners are informed of ÅF's code of conduct for partners, known as the ÅF Partner Criteria Policy. The partner confirms by signing the agreement that they have received the information and intend to follow the requirements set out in it.

2. Zero tolerance of corruption
It is unfortunately a fact of life that corruption occurs in the countries where we operate. ÅF has a policy of zero tolerance of all forms of corruption, extortion and bribery. Our anti-corruption efforts are managed through our anticorruption framework, our code of conduct and our whistleblower policy, which specify what to do if corruption is uncovered. Internal audits of processes, projects and physical locations are also conducted through the operational management system. Read more about ÅF's anticorruption efforts in the sustainability notes on page 94.

Our 10 biggest clients

Trafikverket
AB Volvo
Scania
Volvo Cars
Ericsson
FMV
Vattenfall
AstraZeneca
GE
Avinor AS

ÅF's ten biggest clients account for 26 percent of sales

Sales by sector

● Private sector 67%
● Public sector 33%

Network of partners

30,000

Engineers and specialists in ÅF's network

» It is important to me to work for a company that has a clear intention to work toward a more sustainable future. «

Emma Andersson, Future talent at ÅF
and student at KTH Royal Institute of Technology

ÅF will be an attractive employer by offering our employees interesting career and development opportunities and continuing to attract and recruit new talent to ÅF. This is the foundation for a continuing high rate of growth.

Attractive employer.

Leadership development

Our new strategy includes an increased focus on leadership. We believe that leadership is about creating long-term sustainable profits by developing both our business and our employees. Good leadership is a foundation for strong client relationships and a committed workforce. All leadership development at ÅF is based on our leadership criteria – our own leadership philosophy – which describe our culture and what kind of leadership we believe we need to be successful with our strategy.

Structured executive recruitment

Good, clear leadership is everything for a knowledge-intensive business like ÅF's – both to attract new talent and to retain the employees who are currently working for us. We use a structured, long-term approach, identifying executive talent and planning for advancement and succession in various leadership roles. We also provide different forms of executive leadership training to advance our managers.
For instance, our own professional training programme – ÅF Academy – offers induction days for new managers and for several years we have also held an executive programme for senior managers.
At the end of 2016 the ÅF Academy was strengthened by the introduction of a new leadership programme for middle managers: the ÅF Leadership Programme.

Rickard Berglund, Engineer Industry
Thomas Lackman, Engineer risk management

Commitment and development

Given ÅF's size and breadth, with projects and assignments that cover many engineering disciplines and industries, we can offer our employees many interesting career and development opportunities. Examples of career paths are specialist, manager, project manager and business developer. An important part of our employees' skills development occurs in their daily activities where they can work and develop together with capable colleagues. In addition to the personal and professional development that occurs daily, we have our own academy that provides training courses: ÅF Academy. We also have various kinds of skills networks and mentoring programmes. An important aspect of ÅF's continuing professional development involves increasing knowledge and understanding of sustainability issues. It is particularly important for our managers and sales people, so they can be proactive with sustainability in our projects.

ÅF Academy

We provide all our employees training in several different areas through our own training platform, ÅF Academy. There are both basic training courses for new consultants and advanced training in areas such as business acumen, leadership and project management. In 2017 the training programme was digitalized to increase access and both the range and types of courses available. A consistent aspect of all training via ÅF Academy is that it is permeated with ÅF's values and an ethos of good leadership and business acumen.

ÅF Academy provides training on a continuous basis for certification complying with standards such as the European International Project Management Association (IPMA). ÅF Life Science Academy is an industry-oriented educational initiative aimed at ensuring ÅF's growth and development in a demanding global market in food and pharmaceuticals. The courses are primarily internal, but several of them are also offered to our clients. No other market player – competitor or partner – can offer such a broad training program targeted to professionals in the field.

Future ÅF Programme

Last autumn saw the launch of our strategy activation programme FUTURE ÅF Programme with the aim of involving and engaging all employees in the implementation of ÅF's new strategy and values. Employees are able to participate in individual exercises via a digital platform and all teams also carry out various group exercises. The aim of these exercises is to increase understanding of the driving forces in our business and create involvement and commitment regarding the new vision, strategy and values.

Managers' conference on the new strategy

At the end of the autumn, ÅF's 700 managers gathered together for two days to gain a deeper understanding of the new vision and strategy. The conference helped increase commitment, improve understanding and strengthen the network.

Facilitating international careers

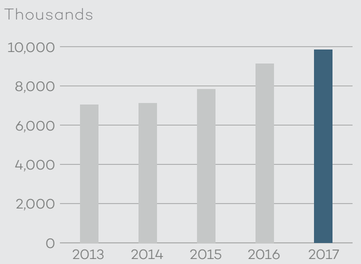
The new organisational structure that was established during the year and implemented on 1 January 2018 created increased clarity for the workforce from various perspectives:

- ÅF's offering of an end-to-end approach, solutions and projects has been clarified.
- The important roles of the leadership and teams has been highlighted, as has the unique breadth of skills.
- The organisational structure has been clarified and simplified. It also provides employees with better international career opportunities as every division is responsible for running its own business in ÅF's core markets and internationally.

1,800

new employees in 2017.

Trend in number of employees
2013–2017



Gender balance
2017

● Women ● Men

Consultants
Women 23.7%
Men 76.3%

Recruited
Women 26.6%
Men 73.4%

Managers
Women 18.6%
Men 81.4%

Employees total
Women 25.1%
Men 74.9%

Developing and monitoring commitment
We know that an important factor in motivation and commitment is ongoing discussions between employees and their line managers regarding performance and development. To facilitate this discussion, at the beginning of 2017 a simplified interactive support tool was introduced for performance reviews. The purpose of this tool is to assist with preparations and make it easy to document and monitor objectives and development. At ÅF, every employee must have a performance review with their manager at least once a year, but we encourage both employees and managers to take stock more often. Each year we measure commitment and leadership. The 2017 employee survey showed that ÅF's employees are highly motivated and think that we collaborate well in our teams. Other areas that score well are the working environment as well as respect from their line managers and between colleagues. One area where there was room for improvement was the need for more clarity as to where ÅF is going as a company and clearer objectives and feedback at an individual level. The results of the employee survey have provided an important basis for decisions such as the introduction of the strategy activation programme FUTURE ÅF, which is intended among other things to increase clarity.

Our employer brand
For many years ÅF has made a conscious effort to build a strong employer brand. This undertaking continues to rank high on our agenda, both from an internal and an external perspective. To strengthen ÅF's employer brand, the company is marketed in various ways, for example by means of digital campaigns, visits to universities and other schools, and by working with internal ambassadors and communication to increase internal commitment. On Universum's career barometer among young practising engineers, ÅF came in second in 2017 right after IKEA.

ÅF Future Talent – ÅF's programme for talented students
ÅF's student talent programme, which is targeted to prospective engineers, was conducted for the second year in a row. The programme starts during the participants' fourth year at university and continues for three terms. During the first term the students get to know ÅF through lectures, workshops, field trips and mentorships. In the second term the students learn how ÅF works with its brand and how to get involved as ÅF ambassadors at their respective universities. During the third and final term the students do their degree projects at ÅF.

Popular internship via Tekniksprånget (Technology Leap)
ÅF took part in Tekniksprånget for the fourth year in a row. It is a national initiative commissioned by the government and run by the Royal Swedish Academy of Engineering Sciences (IVA) to stimulate interest in engineering – particularly among women. Young people who are admitted are offered a four-month internship at the participating companies. Experience shows that ÅF is a popular employer that receives plenty of applications. During the year, 1,740 applied to Tekniksprånget, of whom 655 wanted to do their internship at ÅF, and 39 percent of them were women.

Recruitment and induction

ÅF is experiencing rapid growth, by about 1,800 employees just this year. Our rate of growth is dependent on an effective and well-functioning recruitment process. Each manager is responsible for their recruitment plan and those they recruit, with first-class professional support provided by HR. ÅF currently has about 30 recruiters who proactively search for and solicit candidates of interest and ensure that they have a good candidate experience in our recruitment processes.

When a new employee has started working at ÅF, it is essential that we treat the person in a professional and welcoming manner. Something new this year is an onboarding app where we collect useful, inspiring information and provide answers to frequently asked questions. All new employees are also offered an "ÅF day" at the head office to get to know their new ÅF colleagues, meet with company management and receive an induction into ÅF's company-wide procedures.

Diversity and inclusion

As a rapidly growing company, ÅF is always on the look-out for a diversity of talent who can contribute to the pool of innovative strength both for clients and for society at large. We are convinced that a more diversified workplace makes a company more competitive. ÅF actively pursues the promotion of diversity and inclusion. Partly, this involves developing our procedures to attract and recruit new managers and employees, to ensure fair and gender-neutral salaries and to educate and train managers in inclusive leadership. For example, issues relating to diversity and inclusion are integrated into all leadership training at ÅF.

More women are needed

ÅF has an overall objective of creating a better balance between the genders, both among consultants and managers. An interim target is that the proportion of female managers and employees should reach 30 percent by 2020. At the end of the year ÅF's employees were 25.1 percent female and the proportion of women recruited during the year was just under 27 percent. For several years there have been various initiatives under the umbrella term EVEN ODDS to improve the gender balance not only at ÅF but in the entire industry. Examples of activities that have been established are mentor programmes, recruitment campaigns and leadership development. At the end of the year work was begun to become certified in diversity.

Newcomers to Sweden bring skills

In 2016 an initiative was started to recruit more newly immigrated engineers as a way of bringing valuable skills into ÅF. The Trainee Programme for Newly Immigrated Engineers project progressed well in 2017. ÅF employs a full-time diversity coach to run this project who works together with the Swedish Public Employment Service to find the right candidates as well as provide support to trainees who have been taken on and managers who take on trainees. At the end of the year we had about 60 trainees who had done or were doing internships with us, most of whom were then employed by ÅF. Interest in the programme is growing steadily and generates internal pride and commitment as well as external attention and requests for collaboration and guidance.

Our core values

The new core values – brave, devoted and team player – support ÅF's strategy. They also express the fact that we are future-oriented, progressive and business-like, good at collaboration and passionate about everything we do. They are well suited to our ambition to have the market's best employees. For our core values to take root at ÅF, they have emerged from a process that began among the employees themselves.

Michael Krarup, Architect, Gottlieb Paludan Architects
Stina Tang, Sustainability Consultant

On being brave in my daily work:
It's about always feeling secure in both your technical skills and personal competence. Then, by challenging one another, we can dare to make difficult decisions and create progress. If you're interested in innovative engineering it gets better results and creates unexpected value for the client.

On being a team player:
It means I can count on many different colleagues at ÅF, with different backgrounds, ideas, competence and experience, so my mindset in my daily work is always in a state of evolution. If we can change our approach and how we look at things, then we can also help others around us progress.

Working with devoted colleagues means ...
...getting to wake up every morning feeling that you're going to get to learn something new, both at work and in your everyday life.

Alessandro D'Amario,
Project Engineer

On being brave in my work:
Being brave in your daily work means daring to question established truths and ways of doing things. That is where innovation is born.

On working together and having colleagues who are devoted to their area of work:
When we work together, something happens – each individual person's engagement contributes to our exceeding our expectations, which are already high to begin with, and we all grow as individuals. The client sees this. And we feel that. Which makes it really fun to go to work every day.

It's in an engineer's nature to know their area really well. It feels really good to have very knowledgeable and keen colleagues to develop the innovations of the future with.

Sara Lindstrand,
Engineer, Project Manager Sustainability & ÅF SBPI

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

Five reasons to invest in ÅF.

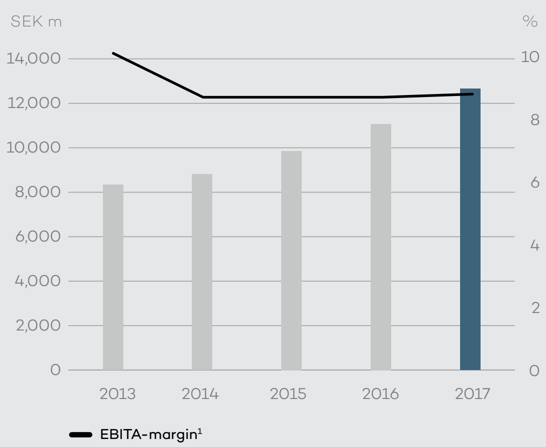
1

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

2

Successful agenda for growth
ÅF grows both organically and through acquisition and its objective is to achieve annual growth of 10 percent. Growth strengthens and broadens our client offering while, at the same time, we have been able to identify and realise cost synergies in the companies we have acquired. We have a clear agenda for growth and have shown that we can grow profitably. Our target is to achieve an EBITA margin of at least 10 percent over a business cycle.

NET SALES AND PROFITABILITY



[1] Excl. items affecting comparability

③

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

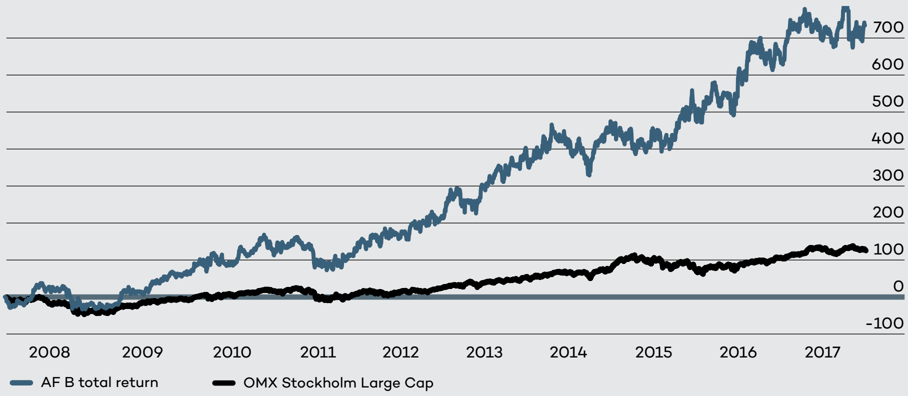
④

Strengthened brand
ÅF is a brand that is well-known, particularly in Sweden, as representing engineering expertise and sustainable solutions. With its new strategy, ÅF is taking a new position as an engineering and design company that will create leading solutions in industry, infrastructure, energy and digitalization in our core markets and internationally within selected niches. During the year the company completed several acquisitions both within and outside Sweden to further strengthen the brand in terms of architecture, design and digitalization.

⑤

Long-term value creation
In the last ten years, ÅF has had a total shareholder return of 685 percent compared with 125 percent for the OMX Stockholm Large Cap GI. ÅF represents long-term, sustainable development that adds value for shareholders, clients, employees and society at large.

TOTAL SHAREHOLDER RETURN 2008–2017, %



Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen).

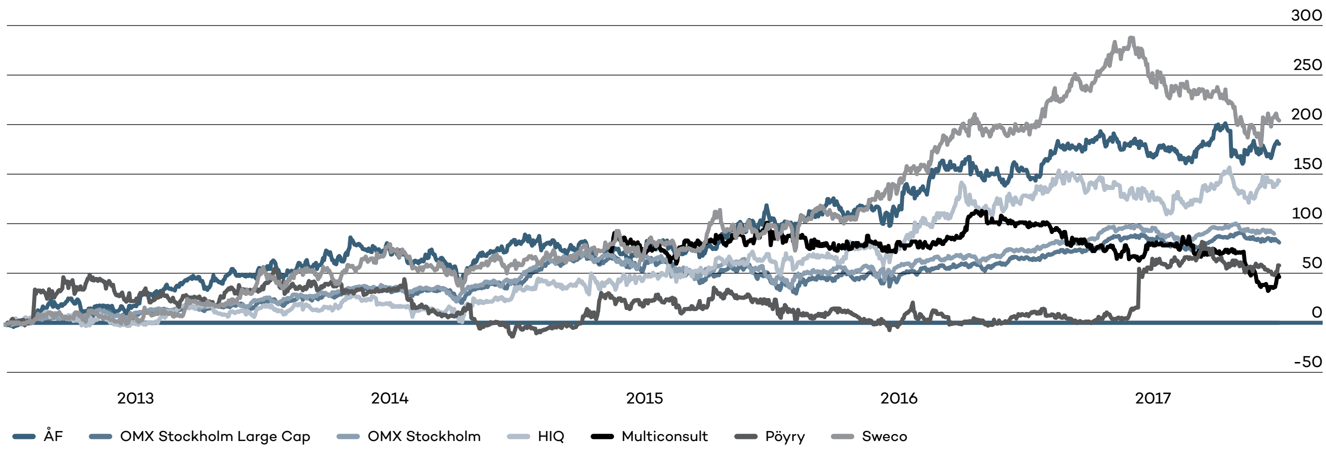
The price of ÅF's Class B share rose by 8 percent in 2017. The total shareholder return, including reinvested dividends, amounted to 11 percent, the ÅF share thereby continuing to give a better return than the index. The liquidity of the shares continued to be high during the year, exceeding the average for the last five years.

The share.

ÅF's B shares have been listed on Nasdaq Stockholm since January 1986. Since 2 January 2017, ÅF's shares have been trading on the Nasdaq Stockholm Large Cap, the exchange list for companies with a market capitalisation exceeding one billion euros. At year-end, the combined market value of ÅF's shares, including A shares, was SEK 13,987 million (12,978).

Price trend and sales
At the end of 2017, the AF B share price was SEK 180.90, an increase of 8.3 percent in 2017, which is better than OMX Stockholm and the OMX Stockholm Large Cap, which both rose by 6.4 percent in 2017. The total return on the AF B share, that is, price trend and reinvested dividend (SEK 4.50), was 11.0 percent during the year, while the OMX Stockholm GI rose by 9.8 percent. Over the last five-year period, 2013–2017, the AF B share's total return was 180 percent compared with 92 percent for the OMX Stockholm GI.

TOTAL SHAREHOLDER RETURN 2013–2017, %



Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen).

DEVELOPMENT OF THE SHARE CAPITAL

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

[1] Of which 939,285 own shares

The diagram on the previous page shows the total shareholder return for AF B shares compared with the index and the Nordic region's largest listed technology companies.

In 2017 a total of 21 million shares (19) were traded on Nasdaq Stockholm at a value of SEK 3,809 million (2,858). The average turnover per trading day was 84,778 shares (73,824), corresponding to SEK 15 million (11). The share was traded on all trading days.

Dividend policy and dividend

The Board of Directors has adopted a dividend policy according to which the dividend corresponds to approximately 50 percent of consolidated profit after tax excluding capital gains. For the 2017 financial year the Board of Directors proposes a dividend of SEK 5.00 per share (4.50), equivalent to a pay-out ratio of 52 percent and a dividend yield of 2.8 percent.

Share buy-backs, 2017

As of 31 December 2017, ÅF's holding of own shares amounted to 939,285 B shares (1,202,750). In 2017, 34,577 own shares were used to match the 2013 share savings programme and 41,816 own shares were used to match the 2014 share savings programme. Conversion of shares as per the 2013 staff convertible programme increased the number of B shares by 183,600. Shares were bought back for the 2017 convertible programme, increasing the number of own B shares by 648,416. Finally, the share cancellation implemented during the year reduced the number of B shares by 835,488.

Long-term communication with the stock market

The company has a long-term communication strategy towards the capital market, and interest in the ÅF share remained strong in 2017. The CEO and CFO have held many meetings with investors and analysts, primarily in Stockholm and London, and also given presentations at investment seminars. In addition, there are regular online conferences with investors, analysts and the media when interim reports are published.

A capital markets day was held at ÅF's head office in November 2017 to present the main features of the new strategy.

ÅF shares part of Carnegie's sustainability portfolio

In August 2017 Carnegie launched a sustainability portfolio that included seven Swedish shares, of which ÅF is one. According to Carnegie, the selected companies distinguish themselves by their sustainability efforts and stand out in a positive way in their respective sectors.

SHAREHOLDERS IN SWEDEN AND ABROAD

31 December 2017	Number of shareholders	Holding, %
Sweden	11,120	68.5
Other Nordic countries	138	5.4
Rest of Europe (excl. Sweden and the Nordics)	165	6.1
USA	80	19.7
Rest of world	25	0.3
Total	**11,528**	**100.0**

KEY RATIOS PER SHARE

SEK	2017	2016	2015	2014	2013
Share price 31 December	180.90	167.00	143.75	126.00	112.50
Basic earnings	9.58	9.32	7.81	7.16	6.70
Diluted earnings	9.39	9.14	7.63	7.03	6.60
Equity attributable to shareholders in the parent	64.30	60.19	54.46	51.17	47.33
Dividend yield, percent	2.80[1]	2.7	2.6	2.8	2.9
Dividend	5.00[2]	4.50	3.75	3.50	3.25
Market capitalisation, SEK million	13,988	12,978	11,153	9,734	8,703

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

ANALYSTS WHO MONITOR ÅF REGULARLY

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

SIZE OF SHAREHOLDINGS

31 December 2017	Number of shareholders	Holding, %
1 - 500	8,084	1.4
501 - 5,000	2,919	5.6
5,001 -	525	93.1
Total	**11,528**	**100.0**

THE TEN LARGEST SHAREHOLDERS AT 31 DECEMBER 2017

Owner	Holding, %	Votes, %	A shares	B shares
The ÅForsk Foundation	14.1	37.2	3,205,752	7,840,951
SEB Investment Management	9.9	7.3	0	7,782,559
Swedbank Robur Funds	7.7	5.6	0	6,039,954
Handelsbanken Funds	6.6	4.8	0	5,145,448
Zeres Public Market Fund	5.1	3.7	0	3,996,855
CBNY-Norges Bank	4.8	3.5	0	3,744,182
Didner & Gerge Funds	4.0	2.9	0	3,136,334
NTC Various Fiduciary Capacity	2.9	2.1	0	2,232,476
Afa Försäkring	2.0	1.4	0	1,527,190
Pareto Global	1.4	1.1	0	1,130,280
Total ten largest shareholders	**58.5**	**69.6**	**3,205,752**	**42,576,229**
Total other	41.5	30.4	12,000	32,467,884
Total shares	**100.0**	**100.0**	**3,217,752**	**75,044,113**

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 2017 financial year. ÅF AB is the parent of the Group. The registered office is in Stockholm.

Administration report

Net sales and profit

Net sales for the year totalled SEK 12,658 million (11,070). Growth was 14.3 percent (12.4). Organic growth was 3.3 percent (2.9). Underlying organic growth was 3.5 percent after adjusting for the period having one less working day than the previous year and currency effects.

Adjusted for items affecting comparability, EBITA totalled SEK 1,117 million (996) and the EBITA margin was 8.8 percent (9.0). EBITA and the EBITA margin were SEK 1,027 million (992) and 8.1 percent (9.0), respectively. Items affecting comparability amounted to SEK 90 million (4) and consisted of costs for the restructuring programme, which is expected to give an annual savings effect of SEK 100 million. Annual savings effects of SEK 40 million were realised in the latter part of 2017, thus contributing SEK 10 million to profit for the year. The cost of the programme is recognised under the Group-wide item.

Operating profit (EBIT) totalled SEK 1,033 million (965). The difference between EBIT and EBITA consists entirely of acquisition-related items that do not affect cash flow, namely, amortisation of acquisition-related assets amounting to SEK 38 million (33) and the change in assessments of future contingent considerations amounting to SEK -44 million (-6).

Profit after financial items amounted to SEK 957 million (923). Net financial items totalled SEK -76 million (-42). Interest expense increased due to increased borrowing. In addition, net financial items was charged with increased costs for discount rates related to contingent considerations, which do not affect cash flow, amounting to SEK 17 million (3). Profit after tax amounted to SEK 742 million (711). Basic earnings per share was SEK 9.58 (9.32). Tax for the year amounted to SEK 215 million (212), which corresponds to an effective tax rate of 22.4 percent (23.0).

President and CEO

Jonas Gustavsson took up his post as the new President and CEO on 1 April. Jonas Gustavsson headed 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.

New strategy, new organizational structure and revised financial targets

During the year ÅF's strategy was overhauled to help reposition the company as an engineering and design company, maintain strong growth and heighten profitability. The overhaul also meant that new organisational and divisional structures were established as of 1 January 2018 and that the financial targets were revised.

Acquisitions and divestments

Twelve businesses have been acquired since the beginning of the year, and they are expected to contribute sales of approximately SEK 600 million over a full year. See Note 3.

Cash flow and financial position

At the beginning of the year, consolidated net debt totalled SEK 2,298 million (1,486), generating an accumulated increase in net debt of SEK 333 million (812). Cash flow from operating activities reduced net debt by SEK 624 million. Net debt increased through dividends paid of SEK 350 million, share buy-backs of SEK 114 million and considerations paid, including contingent considerations, of SEK 433 million.

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

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

Parent company

Parent company operating income for the period January–December totalled SEK 764 million (658) and relates chiefly to internal services within the Group. Profit after net financial items was SEK 599 million (522). Cash and cash equivalents totalled SEK 21 million (62) and gross investment in non-current assets was SEK 34 million (49). During the year, as part of an internal restructuring programme, the parent company has sold all shares in the subsidiaries to ÅF Holding AB for a carrying amount corresponding to SEK 4 billion.

Statutory sustainability report
In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, ÅF has chosen to prepare the statutory sustainability report separately. The scope of the statutory sustainability report, which also refers to ÅF's Sustainability Report, is given on page 94. ÅF has no licensable operations.

Employees
The average number of FTEs was 9,292 (8,115). The total number of employees at the end of the period was 9,865 (9,133). ÅF adopts an active, long-term perspective to HR work to attract and retain skilled employees. This is done by strengthening ÅF's employer brand both externally and internally, working actively with management issues and ensuring that all employees are offered interesting tasks and good development opportunities. To strengthen ÅF's employer brand, the company is marketed in various ways, for example by means of digital campaigns and through internal ambassadors and communication to increase internal commitment. During the year several activities were also held at universities and the student talent program ÅF Future Talent Programme was held for the second consecutive year. On Universum's career barometer among young practising engineers, ÅF came in second in right after IKEA. ÅF works in a structured and long-term manner with leadership recruitment and retainment. Every year, management and succession planning is carried out with the aim of securing good replacements for key positions in the Group and developing managers at different levels. Within the framework of leadership development, a new leadership development programme for middle managers was introduced during the year. To retain employees at ÅF, career and continuing professional development are important areas within which several initiatives were taken in 2017. Among other things, a simplified support system for performance reviews was introduced at the beginning of the year, and ÅF's own competence development platform, ÅF Academy, was also digitalized and strengthened during the year with new courses. ÅF works actively with diversity and equality issues. For example, issues relating to diversity and inclusion are integrated into all leadership training at ÅF and in 2017 a programme for recruiting more immigrant engineers was conducted. ÅF has collective agreements with Sveriges Ingenjorer [the Swedish Association of Graduate Engineers] and Unionen, Sweden's largest private-sector trade union.

The share
The ÅF share is listed on Nasdaq Stockholm Large Cap. The quota value of the share is SEK 2.50 (2.50).

Class A shares have 10 votes per share and Class B shares have 1 vote per share. The number of shares at 31 December 2017 was 78,261,865, of which 939,285 class B shares were own shares. These amounted to 1.2 percent of the share capital. See Note 12 for changes in holdings of own shares in 2017. Own shares were purchased at a value of SEK 114 million in 2017.

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

Long-term incentive programmes
The 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 221.90 between 15 June 2020 and 15 March 2021. Convertibles with a nominal value of SEK 180 million were subscribed for, equivalent to 810,556 shares. The company bought back a corresponding number of shares, of which 648,416 shares were bought back in the current year to neutralise the dilutive effect a conversion would otherwise entail.

Guidelines for remuneration of senior executives
The guidelines adopted for 2017 by the AGM are set out in Note 6. The Board of Directors proposes that the 2018 AGM resolve that the policies for remuneration and other conditions of employment for Group management for 2018 are in line with the policies that applied in 2017.

Corporate governance
ÅF prepares its Corporate Governance Report as a separate document from the statutory annual report. Please see pages 107–111.

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

Expectations for 2018
ÅF's assessment is that the market outlook is good since the industrial climate is still good in Sweden and investments in infrastructure in Sweden and Norway remain at a high level. The energy market is expected to continue to be weak in Europe, but meanwhile, switching to more fossil-free energy production paves the way for higher demand. The ongoing digitalization is expected to lead to good demand for embedded systems and IT in the industrial, energy and infrastructure markets.

Proposed appropriation of profits
Non-restricted profits of SEK 4,441,978,368 are at the disposal of the AGM. The Board of Directors and CEO propose that these profits be appropriated as follows:

A dividend of SEK 5.00 per share paid to the shareholders	386,612,900
To be carried forward	4,055,365,468
Total	**4,441,978,368**

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.

Industry Division
Demand from industry was strong during the year.

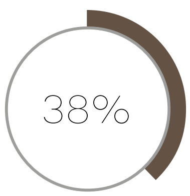
In the automotive sector, there continues to be demand from the leading Swedish companies for ÅF's expertise in all disciplines with an increasing interest in projects and end-to-end solutions. There is also a great deal of interest in ÅF's support for their international operations. For example, ÅF's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

Demand in food and pharma was high, and demand in the Swedish chemical and petrochemical industry was stable with clear signs of recovery towards the end of the year. After a long period of low activity, the need for investment in refineries and extraction is high. In the paper and pulp industry there continues to be a willingness to invest, but the average project size is somewhat smaller than it has been. International demand for ÅF's expertise is increasing and several feasibility studies were won in Russia, Brazil and Chile, which paves the way for future projects. The Swedish mining industry is still giving off positive signals with increased demand for premium iron ore and battery minerals. Positive signals from the mining industry outside Sweden are also observed during the period, and ÅF sees potential to grow mainly in Norway and Finland.

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

Growth was 10.2 percent, of which 4.9 percentage points were organic. Operating profit and operating margin amounted to SEK 433 million (403) and 8.9 percent (9.1), respectively.

SHARE OF NET SALES



KEY RATIOS

	2017	2016
Net sales, SEK m	**4,899**	4,437
EBITA, SEK m	**433**	403
EBITA margin, %	**8.9**	9.1
Average number of full-time employees (FTEs)	**3,367**	3,177

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

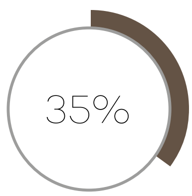
In the property segment, where ÅF is mainly active in commercial and public properties, the market continues to be very good. Demand in the architecture and design area, where ÅF operates with well-known brands throughout the Nordic region, is also strong.

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

During the year architectural firm Koncept Stockholm and its 70 plus employees were acquired. The company has a leading market position in the premium segment for commercial clients in the hotel-restaurant, retail and office sectors. Within the division there are now more than 350 employees working with design, architecture and configuration, and ÅF is ranked as one of Sweden's largest employers of architects.

The division continues to grow with good profitability. Growth was 14.4 percent, of which 3.0 percentage points were organic. Growth was adversely affected by the transition from several large to mostly small- and medium-sized projects, but was offset by strong developments in other areas, such as property, architecture and design. EBITA and the EBITA margin were SEK 461 million (421) and 10.0 percent (10.4), respectively. Weak performance in the acquired Norwegian company Reinertsen, now called ÅF Engineering AS, and the transition from several large projects to medium-sized projects had a negative impact on the margin.

SHARE OF NET SALES



KEY RATIOS

	2017	2016
Net sales, SEK m	**4,616**	4,037
EBITA, SEK m	**461**	421
EBITA margin, %	**10.0**	10.4
Average number of full-time employees (FTEs)	**3,499**	2,966

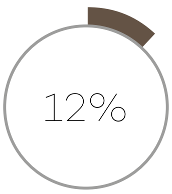
International Division
The energy market in Europe is still weak due to low electricity prices, which continues to limit investments in conventional power generation plants. However, the market for cogeneration plants based on renewable fuels is increasing, driven by the need for district heating and resulting from the trend towards adaptation to the circular economy. In South-east Asia and Africa, the market for conventional power plants is still strong, where population growth and urbanisation drive demand for power production and distribution. A rise in investments in upgrades and extensions of national transmission networks was noted in all markets.

The infrastructure market in Switzerland and the Czech Republic remains stable. The integration of the Swiss infrastructure company AF Toscano acquired at the end of 2016 has gone according to plan.

Growth was 39.5 percent, of which -3.7 percentage points were organic. Acquired growth amounted to 41.0 percent and relates to AF Toscano. EBITA amounted to SEK 111 million (58) and the EBITA margin was 7.2 percent (5.3). A positive contributing factor to the results was an adjustment to the pension liability in Switzerland of SEK 12 million due to changed conditions for a pension plan. The same period last year contributed a similar change to EBITA of SEK 8 million.

During the year, ÅF cancelled the contract for the Angra 3 nuclear power plant in Brazil since the client failed to retain financing for the project.

SHARE OF NET SALES



KEY RATIOS

	2017	2016
Net sales, SEK m	**1,532**	1,098
EBITA, SEK m	**111**	58
EBITA margin, %	**7.2**	5.3
Average number of full-time employees (FTEs)	**1,193**	844

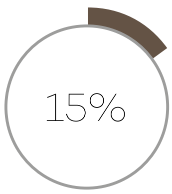
Technology Division
The market for digital solutions was strong during the year. Digitalization is increasing in all ÅF sectors and generates strong demand for embedded systems, systems development, user experience advisory and service design. Digitalization has led to increased demand for suppliers who can handle projects with multiple business and delivery models while providing key skills. ÅF's offer is strong in this area due to our extensive knowledge of the industry and our deep and broad expertise.

Demand in the defence sector has increased considerably in view of current national security situations and is expected to continue to be strong going forward. Sweden continued to build its fibre network, which created a strong market for the division's services during the year, with a slowdown during the winter from leading operators.

Generally, we see a continuing trend where clients in several industries who develop products increasingly seek partnerships with suppliers who can take on long-term end-to-end solutions. Growth was 8.4 percent, of which 5.4 percentage points were organic. EBITA and the EBITA margin were SEK 185 million (167) and 9.5 percent (9.3), respectively.

As part of the strategic focus on digitalization and design, ÅF acquired the company inUse, which has around 100 employees. This acquisition makes ÅF Sweden's largest provider in service design and user experience with sales of just over SEK 200 million.

SHARE OF NET SALES



KEY RATIOS

	2017	2016
Net sales, SEK m	**1,943**	1,793
EBITA, SEK m	**185**	167
EBITA margin, %	**9.5**	9.3
Average number of full-time employees (FTEs)	**1,093**	1,006

ÅF's risk management model has been implemented to meet the strategic, operational and financial risks linked to ÅF's operations. In 2017, ÅF continuously assessed and monitored risk trends, which helped ÅF to cope with both changes in the market and changes resulting from the company's strong growth.

Risks

Strategic and operational risks	Description	Risk management
Market	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 assessments 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. Risks associated with working conditions are described in the "Employee" risk area. **Corruption** ÅF operates in 30 countries and participates in projects in more than 100 countries. The risks of corruption are higher in some markets and within certain functions of ÅF. We use Transparency International's corruption index and have identified sales, purchases, gifts and client activities as ÅF's greatest risk areas. **Human rights** We estimate that the risk of human rights violations in the context of ÅF's own activities is relatively small. The question is more relevant in some client assignments such as hydroelectric projects and mining operations, where displacement of people or conflicts with indigenous peoples may occur. **Climate and environment** ÅF's operations are not considered to be exposed to effects of environmental damage and climate change, as we do not own properties or products.	ÅF reduces its exposure to risks related to sustainability through its internal Code of Conduct, and a clear and regulating sustainability policy. A whistleblowing channel enables every ÅF employee to report potential deviations with complete confidentiality. ÅF has ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (occupational health and safety) certification and has procedures to ensure compliance with legal requirements. **Corruption** To handle the issue of corruption, ÅF follows Transparency International's Corruption Index. Prior to the tender process, a risk assessment is made. When ÅF can identify a risk of corruption, all consultants who are expected to participate in the project are trained in anti-corruption issues, current legislation and ÅF's anti-corruption framework. **Human rights** Risks associated with human rights are identified in the context of the Sustainability Risk Assessment process. Prior to project launch, ÅF goes through the Environmental and Social Impact Assessment (ESIA) and ensures that international standards such as IFC Performance Standards are applied in the context of displacement.
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.

Strategic and operational risks	Description	Risk management
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 9001:2015 (quality), ISO 14001:2015 (environment) and OHSAS 18001:2007 (occupational health and safety) and is accessible to all employees via the intranet. This system's process descriptions for operations are tailored to suit each technical area, and contain detailed support for the planning, follow-up, control and delivery of the assignments ÅF is tasked with. The operational system's implementation is continually monitored through ÅF's internal audit program. ÅF has comprehensive insurance cover including public liability insurance, product liability insurance and consultant liability insurance.
Capacity utilisation and hourly rate	ÅF has a relatively high proportion of engineers working within its clients' organisations, providing expertise and detailed knowledge. Competition is fierce and it is essential to monitor the operation's financial performance continuously, since every percentage point change in capacity utilisation and price per hour has an appreciable impact on ÅF's annual profit. Every percentage point change in capacity utilisation affects ÅF's profit by about plus/minus SEK 120 million. An increase in the price per hour of one percent, with unchanged capacity utilisation, improves ÅF's annual profit by around SEK 90 million.	ÅF has effective systems for sales support and managing expertise to ensure sustainable business relationships and successful matching of expertise with the notified needs. Regular follow-up and analysis is done to catch trends early.
Project operations	Large assignments with great responsibility also increase risk exposure financially in the project result. A fixed-price contract may involve an increased risk if the time required to complete the assignment is not correctly estimated, which can lead to reduced margins.	The systems for sales support, managing expertise and internal training provide a basis for creating competent project organisations and achieving sustainable business relationships. ÅF's Project/Assignment process implements procedures that include calculation, inspection, tendering and contract reviews, risk analysis, 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 functions as intended.
Partners, subcontractors and subconsultants	ÅF's continued growth, both in respect of supplying professional engineers and complete project organisations, is leading to an increasing need for subcontractors with specialist expertise as well as subcontractors that can supply specific project planning services. ÅF is exposed to risk both when the company arranges an assignment and where partners are working in ÅF's name as subcontractors in a project assignment.	ÅF has a process and a support system for evaluating and qualifying partners and subcontractors in order to ensure the right skills and conditions are in place to safeguard quality deliveries. Business partner criteria is defined in line with the ÅF's sustainability policy.

Strategic and operational risks	Description	Risk management
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.	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 in relation to EBITDA shall be 2.5. 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 20 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 EUR/CHF. An unhedged currency fluctuation of 10 percent in these currencies would affect ÅF's operating profit by SEK 3.7 million, SEK 1.7 million and SEK 1.1 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.	The 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 26 percent of Group sales, are all large listed companies or publicly owned institutions and companies. The remaining 74 percent of net sales is spread over many clients.

Contents, financial statements

Consolidated income statement

1 January – 31 December (SEK million)	Note	2017	2016
Net sales	2	12,658	11,070
Purchases of services and materials		-3,192	-2,944
Other external costs	5, 23	-1,066	-917
Personnel costs	6	-7,269	-6,139
Other operating income	4	4	4
Other operating expenses	7	-3	-1
Profit attributable to participations in associates	16	0	0
EBITDA		**1,132**	**1,074**
Amortisation and impairment of intangible assets	14, 15	-105	-82
EBITA		**1,027**	**992**
Acquisition-related items	8	6	-27
Operating profit (EBIT)	2, 9	**1,033**	**965**
Profit/loss from financial items			
Financial income	10	16	16
Financial expenses	10	-92	-58
Net financial items		**-76**	**-42**
Profit after financial items		**957**	**923**
Tax	21	-215	-212
Profit for the period		**742**	**711**
Attributable to:			
Shareholders in the parent		744	726
Non-controlling interest		-2	-15
		742	**711**
Attributable to the parent's shareholders	12		
Basic earnings per share (SEK)		9.58	9.32
Diluted earnings per share (SEK)		9.39	9.14

Statement of consolidated comprehensive income

1 January – 31 December (SEK million)	2017	2016
Profit for the period	**742**	**711**
Items which will be classified to profit or loss		
This year's translation differences for foreign operations	-44	112
Changes in hedge reserve	5	-11
Tax	-1	2
Items which will not be classified to profit or loss		
Revaluation of defined-benefit pension plans	38	-5
Tax	-7	1
Other comprehensive income	**-9**	**99**
Comprehensive income for the period	**733**	**810**
Attributable to:		
Shareholders in the parent	735	818
Non-controlling interest	-2	-8
	733	**810**

Consolidated balance sheet

As at 31 December (SEK million)	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets	2, 14	6,542	5,955
Property, plant and equipment	2, 15	510	476
Participations in associates	16	0	0
Financial investments	13	3	5
Non-current receivables	13	1	1
Deferred tax asset	21	14	24
Total non-current assets		**7,070**	**6,462**
Current assets			
Accounts receivable	13	2,721	2,314
Revenue generated but not invoiced	13	1,042	944
Current tax assets	21	15	17
Other receivables		151	195
Prepaid expenses and accrued income	17	157	146
Cash and cash equivalents		223	329
Total current assets		**4,308**	**3,945**
Total assets		**11,378**	**10,407**

Balance sheet, cont.

As at 31 December (SEK million)	Note	2017	2016
EQUITY AND LIABILITIES			
Equity	18		
Share capital		196	197
Other contributed capital		1,015	1,104
Reserves		124	164
Profits brought forward including profit for the period		3,637	3,212
Equity attributable to shareholders in the parent		**4,972**	**4,677**
Non-controlling interest		17	19
Total equity		**4,989**	**4,697**
Liabilities			
Loans and credit facilities	13	1,559	2,197
Provisions for pensions	19	96	163
Other provisions	20	18	57
Deferred tax liabilities	21	180	140
Other liabilities	13	469	323
Total non-current liabilities		**2,323**	**2,880**
Loans and credit facilities	13	1,199	267
Other provisions	20	105	39
Work invoiced but not yet carried out		235	205
Accounts payable		716	644
Current tax liability	21	88	91
Accrued expenses and prepaid income	22	1,141	1,033
Other liabilities	13	583	552
Total current liabilities		**4,067**	**2,830**
Total liabilities		**6,390**	**5,710**
Total equity and liabilities		**11,378**	**10,407**

Net debt	2017	2016
Loans and credit facilities	2,758	2,464
Net pension liability	96	163
Cash and cash equivalents	-223	-329
	2,631	**2,298**

Statement of change in consolidated equity

SEK million	Equity attributable to shareholders in the parent						
	Share capital	Other contributed capital	Reserves	Retained profit incl. profit for the period	Total	Non-controlling interest	Total equity
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 plans		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**
Equity brought forward 1 Jan 2017	197	1,104	164	3,212	4,677	19	4,697
Profit for the period				744	744	-2	742
Other comprehensive income			-40	31	-9	0	-9
Comprehensive income for the period	**—**	**—**	**-40**	**775**	**735**	**-2**	**733**
Dividends				-350	-350	–	-350
Conversion of convertible bonds into shares (2014 programme)	0	18			18		18
Value of conversion option (2017 programme)		12			12		12
Tax on value of conversion option (2017 programme)		-3			-3		-3
Share buy-backs/sales		-114			-114		-114
Cancellation of shares	-2	2			—		—
Share plans		-5			-5		-5
Equity carried forward 31 Dec 2017	**196**	**1,015**	**124**	**3,637**	**4,972**	**17**	**4,989**

For supplementary information, see Note 18.

Statement of consolidated cash flows

1 January – 31 December (SEK million)	Note	2017	2016
Operating activities	28		
Profit after financial items		957	923
Adjustment for items not included in cash flow		114	95
Income tax paid		-211	-188
Cash flow from operating activities before changes in working capital		**861**	**830**
Cash flow from changes in working capital			
Change in operating receivables		-370	-356
Change in operating liabilities		133	148
Cash flow from operating activities		**624**	**622**
Investing activities			
Acquisition of property, plant and equipment		-85	-79
Disposal of property, plant and equipment		2	2
Acquisition of intangible assets		-9	-20
Acquisition of operations	3	-359	-649
Contingent considerations paid and step acquisitions		-74	-220
Acquisition/Disposal of financial assets		1	2
Cash flow from investing activities		**-525**	**-963**
Financing activities			
Borrowings		1,048	831
Amortisation of loans		-793	—
Dividend paid (including non-controlling interest)		-350	-292
Share buy-backs/sales		-114	-128
Payout, convertible programme		0	-2
Shareholders' contribution received		—	2
Cash flow from financing activities		**-209**	**411**
Cash flow for the period		**-109**	**70**
Opening cash and cash equivalents		329	264
Exchange difference in cash and cash equivalents		3	-5
Closing cash and cash equivalents		**223**	**329**

Change in consolidated net debt

SEK million	2017	2016
Opening balance	2,298	1,486
Cash flow from operating activities	-624	-622
Investments	92	97
Acquisitions and contingent considerations/options	433	917
Dividend	350	292
Share buy-backs/sales, own shares	114	128
Other	-32	0
Closing balance	**2,631**	**2,298**

Parent income statement

1 January – 31 December (SEK million)	Note	2017	2016
Operating income			
Net sales		561	456
Other operating income	4	202	202
		763	**658**
Operating expenses			
Other external costs	5, 23	-427	-320
Personnel costs	6	-168	-149
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	14, 15	-35	-31
Other operating expenses	7	-195	-197
Operating profit/loss		**-62**	**-39**
Profit/loss from financial items			
Profit from participations in Group companies	10	687	588
Interest income and similar profit/loss items	10	37	19
Interest expense and similar profit/loss items	10	-63	-45
		662	**561**
Profit after financial items		**600**	**522**
Appropriations	11	88	65
Pre-tax profit		**687**	**588**
Tax	21	-2	-1
Profit for the period		**685**	**587**

Parent statement of comprehensive income

1 January – 31 December (SEK million)	2017	2016
Profit for the period	**685**	**587**
Items which will be classified to profit or loss		
Changes in hedge reserve	5	-11
Tax	-1	2
Other comprehensive income	**4**	**-9**
Comprehensive income for the period	**689**	**579**

Parent balance sheet

As at 31 December (SEK million)	Note	2017	2016
Non-current assets			
Intangible assets	14	11	19
Property, plant and equipment	15	115	107
Financial assets			
Participations in Group companies	26	1,821	5,718
Receivables from Group companies	25	-	37
Non-current receivables		8	9
Total non-current assets		**1,955**	**5,890**
Current assets			
Current receivables			
Accounts receivable		0	0
Receivables from Group companies and associates	25	5,502	1,141
Other receivables		594	621
Prepaid expenses and accrued income	17	111	112
Total current receivables		**6,208**	**1,875**
Cash and bank balances		21	62
Total current assets		**6,229**	**1,937**
Total assets		**8,184**	**7,828**

Parent balance sheet, cont.

As at 31 December (SEK million)	Note	2017	2016
EQUITY AND LIABILITIES			
Equity	18		
Restricted equity			
Share capital		196	197
Statutory reserve		47	47
Non-restricted equity			
Share premium reserve		932	1,016
Fair value reserve		-7	-11
Profit brought forward		2,832	2,599
Profit for the period		685	587
Total equity		**4,685**	**4,436**
Untaxed reserves	27	**136**	**134**
Provisions			
Provisions for pensions and similar obligations	19	18	19
Deferred tax liability	21	5	4
Other provisions	20	133	63
Total provisions		**156**	**85**
Non-current liabilities			
Bond loan	13	1,200	1,200
Staff convertible	13	304	256
Liabilities to credit institutions	13	—	700
Liabilities to Group companies	25	0	0
Other liabilities	13	0	0
Total non-current liabilities		**1,505**	**2,157**
Current liabilities			
Staff convertible	13	126	18
Liabilities to credit institutions	13	1,003	190
Accounts payable		111	97
Liabilities to Group companies	25	365	632
Current tax liability	21	6	3
Other liabilities	13	23	22
Accrued expenses and prepaid income	22	69	53
Total current liabilities		**1,703**	**1,016**
Total equity and liabilities		**8,184**	**7,828**

Statement of change in parent equity

	Restricted equity		Non-restricted equity				
SEK million	**Share capital**	**Statutory reserve**	**Share premium reserve**	**Fair value reserve**	**Profit brought forward**	**Profit for the period**	**Total equity**
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
Cancellation of shares							0
Share plans					10		10
Equity carried forward 31 Dec 2016	**197**	**47**	**1,016**	**-11**	**2,599**	**587**	**4,436**
Equity brought forward 1 Jan 2017	197	47	1,016	-11	2,599	587	4,436
Profit for the period						685	685
Other comprehensive income				4			4
Comprehensive income for the period	**—**	**—**	**—**	**4**	**—**	**685**	**689**
Appropriations					587	-587	–
Dividends					-350		-350
Conversion of convertible bonds into shares (2014 programme)	0		18				18
Value of conversion option (2017 programme)			12				12
Tax on value of conversion option (2017 programme)			-3				-3
Share buy-backs/sales			-114				-114
Cancellation of shares	-2		2				–
Share plans					-5		-5
Equity carried forward 31 Dec 2017	**196**	**47**	**932**	**-7**	**2,832**	**685**	**4,685**

For supplementary information, see Note 18.

Statement of cash flows for parent

1 January – 31 December (SEK million)	Note	2017	2016
Operating activities	28		
Profit after financial items		599	522
Adjustment for items not included in cash flow		142	14
Income tax paid		-1	0
Cash flow from operating activities before changes in working capital		**741**	**536**
Cash flow from changes in working capital			
Change in operating receivables		-151	-539
Change in operating liabilities		-233	-39
Cash flow from operating activities		**357**	**-42**
Investing activities			
Acquisition of property, plant and equipment		-31	-37
Disposal of property, plant and equipment		1	—
Acquisition of intangible assets		-4	-15
Acquisition of financial assets		—	4
Acquisition of subsidiaries		-168	-18
Shareholders' contribution made		-6	-330
Contingent considerations/options paid		-17	-44
Cash flow from investing activities		**-226**	**-441**
Financing activities			
Borrowings		1,030	874
Amortisation of loans		-738	—
Dividend paid		-350	-292
Share buy-backs		-114	-128
Conversion proceeds		0	-2
Cash flow from financing activities		**-173**	**452**
Cash flow for the period		-41	-30
Opening cash and cash equivalents		62	92
Closing cash and cash equivalents		**21**	**62**

Amounts are in SEK millions
unless otherwise stated.

Notes

Note 1

Accounting policies

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

The parent applies the same accounting policies as the Group except in those cases specified below in the "Parent accounting policies" section. The differences between the accounting policies of the parent and the Group are due to limitations in the parent's scope to apply IFRS imposed by the Swedish Annual Accounts Act and the Pension Obligations Vesting Act (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, except for various investments and liabilities which are carried at fair value. The financial assets and liabilities which are carried at fair value are derivative instruments, contingent consideration and financial investments.

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

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

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

The annual report and consolidated financial statements were approved for release by the Board of Directors on 28 March 2018. 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 2018.

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 Financial Instruments will come into force on 1 January 2018, replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 classifies financial assets in three different categories. Classification is determined at initial recognition based on asset characteristics and the company's business model. The second part concerns hedge accounting. To a large extent, the new policies make it easier for a company to present a fair view of its management of financial risks with financial instruments. Finally, new policies have been introduced regarding impairment of financial assets, where the model is based on expected losses. One of the purposes of the new impairment model is to require that reserves for credit losses be made at an earlier stage. The standard is not expected to have any material impact on the consolidated or parent financial statements. The standard applies to the Group for the financial year beginning 1 January 2018.

IFRS 15 – Revenue from Contracts with Customers
IFRS 15 is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 is based on the principle that revenue be recognised when the customer takes control of the sold item or service. It replaces the previous principle that revenue be recognised when the risks and benefits of ownership have passed to the buyer. The standard applies to the Group from 1 January 2018. A company may choose between full retroactivity or forward-looking application with additional disclosures. ÅF intends to choose forward-looking application. To estimate the quantitative impact of the new rules on the financial statements, the Group evaluated the effect of the new standard in 2017. The standard is deemed to have no significant impact on the financial statements besides the expanded disclosure requirements so there will be no adjustment made to the opening balance.

IFRS 16 – Leases
In January 2016, the IASB published a new lease standard, IFRS 16 Leases, which will replace IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires lessees to recognise assets and liabilities in the balance sheet for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Accounting is based on the approach that the lessee has the right to control the use of an identified asset for a period and an obligation to pay for this right. Accounting for the lessor will essentially remain unchanged. The standard applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. ÅF is not planning to apply IFRS 16 early. At present, it is not possible to quantify the effects of introducing the standard, but it will have a significant effect on ÅF's financial statements, as the Group has operating leases, primarily for premises. The Group's leases, which are currently recognised as operating, can be found in Note 23. The detailed evaluation of the effects of IFRS 16 will continue in 2018.

Apart from the above, 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.

Note 1, cont.

1.5 Classification etc.

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

1.6 Basis of consolidation

1.6.1 Subsidiaries

Subsidiaries are companies over which ÅF 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 cost of participations or businesses, the fair value of acquired identifiable assets and assumed liabilities, contingent liabilities and equity instruments issued as consideration for the net assets acquired.

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

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

1.6.2 Associates and joint arrangements

Associates

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

Joint arrangements

There are two types of joint arrangement: joint operation and joint venture. A joint operation arises when one party in a joint operation has direct rights to the assets and obligations for the liabilities in that joint arrangement. In such an arrangement, assets, liabilities, income and expenses are recognised in proportion to the operator's interest in these. A joint venture is a joint arrangement whereby the parties that have joint control over the arrangement have rights to the net assets of the arrangement. Holdings in such an arrangement are recognised using the equity method.

The equity method

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

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

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

1.6.3 Transactions eliminated on consolidation

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

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

1.7 Foreign currencies

1.7.1 Transactions in foreign currency

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

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

1.7.2 Financial statements of foreign operations

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

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

1.8 Revenue

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. Most assignments are performed on a current account basis, according to which revenue is recognised when the work is performed, and clients are normally invoiced the following month. Where assignments are carried out on a fixed-price basis, revenue is recognised in profit or loss based on the stage of completion at the end of the reporting period. The stage of completion of an assignment is determined by comparing the expenditure at the end of the reporting period 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 recognised as part of the total lease cost in profit or loss. Contingent rents are expensed in the periods in which they arise.

Note 1, cont.

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

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

Interest income on receivables and interest expense on liabilities are calculated using the effective interest method. The effective 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 method. Interest income includes accrued transaction costs and any discounts, premiums or other differences between the original value of the receivable and the amount received at maturity.

Borrowing costs are charged 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 based on the recognised liability.

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

1.10 Financial instruments
Financial instruments recognised on the asset side of the balance sheet include cash and cash equivalents, accounts receivable, shares and other equity instruments, and derivatives. Included in equity and liabilities are accounts payable, issued debt and equity instruments, borrowings, contingent considerations and derivatives.

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the 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 a cost equal to the fair value of the instrument plus transaction costs for all financial instruments except those in the financial assets at fair value through profit or loss category, which are recognised at fair value excluding transaction costs. A financial instrument is classified on initial recognition based on the purpose for which the instrument was acquired. The classification determines how the financial instrument is 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. After 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 based on 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.

1.10.3 Financial assets and liabilities measured at fair value through 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 consideration. Assets and liabilities in this category are measured continuously at fair value with changes for the period recognised in profit or loss for the period.

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 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 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 (see Note 23). 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 on a straight-line basis.

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 several 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.

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 — except for assets held for sale recognised in accordance with IFRS 5 and deferred tax assets — are tested at the end of each reporting period to assess whether there is any indication of impairment. If there is 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 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 of 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.

Note 1, cont.

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

1.16.4 Convertible programme

The Group has issued convertible 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 based on an offer made to encourage voluntary redundancy. If the company is obliged to lay off members of staff, a detailed plan is drawn up specifying as a minimum the location, function and approximate number of employees involved, the benefits for each job classification or function, and the time at which the plan will be implemented.

1.17 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation from a past event, and when it is probable that an outflow of economic resources will be required to meet this obligation, and a reliable estimate of the amount of the obligation can be made. 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.

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 at the end of the reporting period, 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 measurement of deferred tax is based on how the carrying amounts of assets and liabilities are expected to be realised or settled. Deferred tax is calculated using the tax rates and tax rules enacted or substantively enacted at the end of the reporting period.

Deferred tax assets in respect of deductible temporary differences and loss carry-forwards 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 average number of shares are adjusted to take account of the effects of potential diluting ordinary shares, which derive during the reporting periods from matching shares in the share plan and the staff convertible programme.

Note 1, cont.

1.21 Parent accounting policies
The parent has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. RFR 2 requires that the parent's annual report apply all IFRS standards and interpretations approved by the EU as far as is possible within the constraints of the Annual Accounts Act and the Pension Obligations Vesting Act (Tryggandelagen), and while considering the relationship between reporting and taxation. The recommendation specifies which exceptions 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 cost method. Acquisition costs are recognised as shares in subsidiaries instead of being expensed. Dividends received are recognised as income.

1.21.2 Property, plant and equipment
Leased assets
The parent recognises all leases based on the rules for operating leases.

1.21.3 Financial guarantees
The parent's financial guarantee contracts consist mainly of guarantees in favour of subsidiaries and associates. Financial guarantees mean that the company has an obligation to 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 obligation.

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 based on current salary levels without assumptions on future salary increases and the recognition of all actuarial gains and losses in profit or loss when they arise.

1.21.5 Taxes
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.

Note 2

Segment reporting

	Industry		Infrastructure		International		Technology		Group-wide and eliminations		Group	
Income and expense	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Sales to external clients	4,770	4,301	4,536	3,964	1,511	1,080	1,859	1,725	-17	—	12,658	11,070
Sales between segments	119	136	81	73	21	19	84	68	-305	-295	—	—
Net sales	4,889	4,437	4,616	4,037	1,532	1,098	1,943	1,793	-322	-295	12,658	11,070
Operating expense	-4,447	-4,026	-4,131	-3,598	-1,401	-1,028	-1,757	-1,625	210	281	-11,526	-9,996
Amortisation and impairment of intangible assets	0	0	-2	-1	-2	-2	0	0	-11	-12	-16	-15
Depreciation and impairment of property, plant and equipment	-9	-8	-23	-16	-18	-10	-1	-1	-38	-32	-89	-67
EBITA	433	403	461	421	111	58	185	167	-162	-58	1,027	992
Acquisition-related items	—	—	—	—	-1	—	—	—	7	-27	6	-27
EBIT	433	403	461	421	110	58	185	167	-155	-58	1,033	965
EBITA margin, %	8.9	9.1	10.0	10.4	7.2	5.3	9.5	9.3	—	—	8.1	9.0
Total growth, %	10.2	7.0	14.4	29.7	39.5	-6.9	8.4	8.5	—	—	14.3	12.4
of which organic growth, %	4.9	2.1	3.0	7.6	-3.7	-7.4	5.4	6.9	—	—	3.3	2.9

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 based on their clients and their own expertise. Intra-group sales between segments are based on an internal market price, calculated on an arms-length basis, i.e. as between parties who are mutually independent, well-informed and with an interest in completing the transactions.

The Group-wide items 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.

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

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

Note 2, cont.

By geographical area	Net sales 2017	Net sales 2016	Non-current assets 2017	Non-current assets 2016
Sweden	9,504	8,658	4,597	4,175
Norway	1,189	1,147	966	1,024
Switzerland	891	443	783	827
Other countries	1,073	823	705	405
Total	**12,658**	**11,070**	**7,052**	**6,431**

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

Note 3

Acquisition of operations

Acquisitions 2017

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

Effects of acquisitions

The table below shows the effect of the 2017 acquisitions on consolidated assets and liabilities. The acquisition analyses are preliminary since fair value has not been determined for all items.

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

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

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

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 companies acquired during the year is a maximum of SEK 321 million (301). For further information on contingent consideration, see Note 13.

Acquisition-related expenditure

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

Acquired receivables

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

Revenue from acquired companies

During the year, acquired companies/operations contributed SEK 336 million (734) to consolidated revenue. If the above-mentioned acquisitions had been executed on 1 January 2017, they would have contributed net sales of SEK 601 million (1524).

Fixed acquisition analyses in 2017

In 2017, previously preliminary acquisition analyses were fixed for the acquisitions of Alteco AB, ÅF Reinertsen Deal Sverige AB, Erstad & Lekven Oslo AS, AF Reinertsen AS, Sandellsandberg AB, Optiman Proskektledelse AS, TrafficTeam A/S, Ingenjörsprojekt Sverige AB, Sjöland & Thyselius AB, Solid Engineering AS, AF-Aries SA, AF Toscano AG and two minor operations acquisitions. Consequently, previously recognised goodwill decreased by SEK 22 million.

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, Sandellsandberg AB, Optiman Projektledelse AS, Traffic Team A/S, Ingenjörsprojekt Sverige AB, Sjöland & Thysélius AB, Solid Engineering AS, AF-Aries SA, AF Toscano AG and net asset acquisition Reinertsen Oil & Gas along with two small operations in Sweden. The acquired companies added approximately 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 were prepared for them in 2017.

Note 3, cont.

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**

Note 4

Other operating income

Group	2017	2016
Exchange gains	0	2
Government grants	4	3
	4	**4**

Other operating income of SEK 201 million (202) in the parent largely relates to the re-invoicing of rental charges, chiefly to subsidiaries.

Note 5

Fees and reimbursement of auditors' expenses

	Group		Parent	
	2017	2016	2017	2016
Auditing firm KPMG				
Audit assignments	5	—	1	—
Tax advice	0	—	0	—
Other services	0	—	0	—
	6	**—**	**1**	**—**
Auditing firm EY				
Audit assignments	1	6	—	1
Tax advice	0	0	0	0
Other services	1	1	1	1
	2	**6**	**1**	**1**
Other auditors				
Audit assignments	0	0	—	—
Tax advice	0	0	—	—
Other services	1	0	—	—
	1	**1**	**0**	**—**

"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.

Note 6

Employees and personnel costs

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

	2017			2016		
Parent	Women	Men	Total	Women	Men	Total
Sweden	70	47	118	79	45	123
Subsidiaries						
Sweden	1,628	5,285	6,913	1,446	4,968	6,414
Norway	248	476	724	194	456	650
Switzerland	128	468	596	53	184	237
Denmark	86	293	380	27	119	146
Czech Republic	36	146	182	38	162	200
Finland	32	105	137	32	115	147
Spain	17	31	49	12	18	30
India	2	37	39	3	34	37
Brazil	6	31	37	1	8	9
Turkey	6	26	32	7	22	29
Estonia	4	24	27	7	30	38
Russia	6	15	21	7	14	20
Germany	1	9	10	1	7	8
Other	13	12	25	6	11	17
Group total	**2,284**	**7,008**	**9,292**	**1,918**	**6,197**	**8,115**

Gender distribution on the Board of Directors and in Group management

	Women, %	
Group	2017	2016
Board of Directors	30	30
Group management	20	36

Salaries, other remuneration and social security contributions

	2017		2016	
Group	Salaries and remuneration	Social security contributions	Salaries and remuneration	Social security contributions
Board of Directors and Group management	50	26	42	22
of which annual variable remuneration	11	3	11	3
of which pension costs[1]	—	12	—	9
Other employees	5,143	1,869	4,296	1,634
of which annual variable remuneration	146	49	141	44
of which pension costs[1]	—	607	—	503
	5,193	**1,895**	**4,338**	**1,656**

Note 6, cont.

Parent	2017 Salaries and remuneration	2017 Social security contributions	2016 Salaries and remuneration	2016 Social security contributions
Board of Directors and CEO	15	7	12	6
of which annual variable remuneration	5	1	3	1
of which pension costs[1]	—	3	—	3
Other employees	87	48	80	40
of which annual variable remuneration	8	3	10	3
of which pension costs[1]	—	20	—	15
	102	56	92	47

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 25 April 2017 approved remuneration, including remuneration for committee work, totalling SEK 3,285,000 for the work of the Board in 2017. The Chairman received SEK 725,000 and other members of the Board of Directors not employed by the Group received SEK 310,000 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 125,000 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 2016 for the first two quarters and at the rate determined by the AGM in 2017 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 2017		
Director	Board of Directors	Committee	Total
Gunilla Berg	155,000	25,000	180,000
Marika Fredriksson	137,500	22,500	160,000
Staffan Jufors	292,500	—	292,500
Anders Narvinger	687,500	75,000	762,500
Björn O. Nilsson	292,500	50,000	342,500
Maud Olofsson	292,500	—	292,500
Joakim Rubin	292,500	47,500	340,000
Kristina Schauman	292,500	112,500	405,000
Anders Snell	292,500	45,000	337,500
Total	**2,735,000**	**377,500**	**3,112,500**

	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**

Guidelines for remuneration of senior executives in accordance with the resolution of the 2017 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-based premiums. All pension benefits are vested, and are not, therefore, dependent on future employment. Remuneration in accordance with the long-term incentive programme does not qualify for pension entitlement.

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

The period of notice for other senior executives is normally 12

Note 6, cont.

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

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

	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**

[1] Including statutory charges.

[2] Including severance pay.

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 8 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 several pre-set targets, and may amount to a maximum of 60 percent of fixed basic salary. There is also a special incentive program for the CEO that is tied to the company's growth target up to 2020. The amount of remuneration depends on the share price development between the first quarter of 2017 and the first quarter of 2021.

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

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

Full salary continues to be payable during the period of notice. 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 9 (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.

Group management 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 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.

In 2017, ÅF AB issued convertibles directed to key staff members totalling SEK 180 million. The loan runs with an annual interest of Stibor 180 and a margin of 1.19 with effect from 17 August 2017. Conversion may be called during the period from 15 June 2020 to 15 March 2021. The conversion price is SEK 221.90. A commercial interest rate for the corresponding liability without conversion right has been estimated at Stibor 180 and a margin of 3.65. The convertible programmes are not conditional on continued employment during the terms of the convertible programmes.

Performance share plan

Employees who participate in the performance share plan (PSP) saved an amount equivalent to a maximum of five 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 must also have been employed during the entire three-year period from the beginning of the respective plan.

A condition for performance matching is that ÅF's average annual percentage increase in earnings per share meets certain targets. 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 plan. 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 Class B shares free of charge, equivalent to the number saved.

The expense is calculated and recognised as a period allocation of a straight-line estimated expense over three years for each plan. The cost includes social security contributions for the countries in which they arise. The last share plan expires in 2018.

Note 7

Other operating expenses

Group	2017	2016
Exchange losses	3	–
Capital loss on disposal of non-current assets	0	1
	3	**1**

Other operating expenses of SEK 195 million (197) in the parent relate primarily to rental charges.

Note 8

Acquisition-related items

Group	2017	2016
Amortisation and impairment of intangible non-current assets	-38	-33
Revaluation of contingent considerations/options	44	6
	6	**-27**

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

Note 9

Items affecting comparability

Group	2017	2016
Restructuring	-90	-25
Repayment of pensions	—	22
	-90	**-3**

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

Note 10

Financial items

Group	2017	2016
Interest income[1]	5	4
Exchange gains	11	12
Financial income	**16**	**16**
Interest expense[1]	-48	-35
Interest expense, discounting of contingent considerations	-17	-3
Other financial expenses	-11	-7
Exchange losses	-16	-13
Financial expense	**-92**	**-58**
Financial items	**-76**	**-42**

Parent	2017	2016
Dividends from Group companies	699	650
Impairment of shares in Group companies	-12	-63
Results from participations in Group companies	**687**	**588**
Interest income, Group companies	28	11
Interest income	0	0
Exchange gains	46	8
Interest income and similar profit/loss items	**74**	**19**
Interest expense, Group companies	-1	0
Interest expense, discounting of contingent considerations/options	-2	—
Interest expense[1]	-50	-36
Exchange losses	-47	-9
Interest expense and similar profit/loss items	**-100**	**-45**
Financial items	**662**	**561**

[1)] Includes interest on pension provisions.

Note 11

Appropriations

Parent	2017	2016
Difference between recognised depreciation and depreciation according to plan	-2	-5
Group contribution received	90	70
	88	**65**

Note 12

Earnings per share and number of shares

	Basic earnings per share		Diluted earnings per share	
	2017	2016	2017	2016
Earnings per share	9.58	9.32	9.39	9.14

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 2017 has been based on the profit for the period attributable to the parent's ordinary shareholders, amounting to SEK 744 million (726) and on a weighted average number of outstanding shares in 2017 amounting to 77,700,879 (77,937,176).

Diluted earnings per share

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

Profit attributable to the parent's diluted ordinary shares

	2017	2016
Profit attributable to the parent's ordinary shares	744	726
Reversal of interest expense for staff convertibles	8	7
	752	**733**

Weighted average number of diluted ordinary shares outstanding

	2017	2016
Weighted average number of basic ordinary shares during the year	77,700,879	77,937,176
Effect of outstanding PSPs	180,625	299,082
Effect of outstanding staff convertibles	2,288,377	1,984,108
Weighted average number of diluted ordinary shares during the year	**80,169,882**	**80,220,366**

Note 12, cont.

Total number of shares

	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 plans	—	—	—	-49,905	49,905
Closing balance 2016	**3,217,752**	**75,696,001**	**78,913,753**	**1,202,750**	**77,711,003**

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

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

Note 13

Financial assets and liabilities

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

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

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

Exchange rate risk

Exchange rate risk covers future business transactions, recognised assets and liabilities in foreign currency, and net investments in foreign operations. Exchange rate risk 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 facilities consist of bank loans, commercial papers, bond loans and staff convertibles at both fixed and floating interest rates. Interest swaps are used to convert floating interest to fixed.

Credit risk

Credit risk is a result of the company always having a substantial number of outstanding accounts receivables, as well as fees earned but not invoiced, that is, the credit granted to clients. This risk is limited through the Group's established policies for ensuring that sales are made to clients with an appropriate payment history, and through advance payments. ÅF's ten largest clients, who together account for 26 percent of consolidated sales, are all large listed companies with good credit ratings or government institutions and companies. The remaining 74 percent of net sales is spread over many clients. There is, therefore, not deemed to be any significant credit risk regarding any single major client. Counterparties 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 2,500 million, of which SEK 1,498 million was unutilised at the end of the reporting period. The company also finances itself in the capital market through commercial paper and bond loans.

Sensitivity analysis

Interest

Of the Group's borrowings at the end of the reporting period, loans at floating interest rates comprised 100 percent of all borrowings, but 44 percent of the loans were converted at a fixed interest rate through interest rate swaps. A change in the average annual interest rate on these loans of +/- 1 percent affects interest expense by +/- SEK 20 million.

Currency

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

Note 13, cont.

operating profit/loss by SEK 4 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 2017 against all other currencies would affect operating profit/loss by a net of SEK 21 million.

Closing day rate	2017	2016
CHF	8.43	8.91
CZK	0.38	0.35
DKK	1.32	1.29
EUR	9.85	9.57
NOK	1.00	1.05

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

	2016					
Group	Derivatives used in hedge accounting	Financial assets/liabilities measured at fair value through profit or loss	Loans and receivables	Financial liabilities	Total carrying amount	Fair value
Financial investments (level 3)		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**

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

Note 13, cont.

Parent	2016 Derivatives used in hedge accounting	Financial assets/liabilities measured at fair value through profit or loss	Loans and receivables	Financial liabilities	Total carrying amount	Fair value
Accounts receivable			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**

Measurement of fair value

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

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 based on quoted prices for the same instruments on active markets).

Non-current and current liabilities to credit institutions

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

Commercial paper

Outstanding commercial papers are classified as short-term loans with a fixed interest term of less than 12 months.

Bond loan

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

Contingent consideration

Contingent considerations are measured at market value in accordance with level 3. 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 (see Note 3)

Maximum payment of contingent considerations amounted to SEK 607 million (379) at the end of the reporting period..

Option

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

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

Maximum payout for the options totalled SEK 33 million (51) at the end of the reporting period.

Due date structure, financial liabilities

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

Group	2016 <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	—

Accounts receivable

Age analysis of accounts receivable which are due but not impaired	Group 2017	Group 2016	Parent 2017	Parent 2016
<30 days	225	83	—	—
30–90 days	85	32	—	—
91–180 days	41	58	—	0
>180 days	24	16	—	0
Total	**375**	**189**	**—**	**0**

Note 13, cont.

Provision for doubtful receivables	Group 2017	Group 2016	Parent 2017	Parent 2016
Provision at start of year	65	44	—	—
Provision for anticipated losses	31	34	—	—
Established losses	-14	-2	—	—
Recovered losses	-26	-14	—	—
Acquired operations	-2	2	—	—
Exchange differences	-1	2	—	—
Provision at end of year	**52**	**65**	**—**	**—**

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 26 percent of Group sales, are all large listed companies or publicly owned institutions and companies.

Loans and credit facilities

Group	2017	2016
Non-current liabilities		
Bank loans	22	711
Staff convertibles	304	256
Bond loan	1,200	1,200
Finance leasing liabilities	33	30
	1,559	**2,197**
Current liabilities		
Bank loans	199	238
Staff convertibles	126	18
Commercial paper	850	-
Finance leasing liabilities	23	11
	1,199	**267**

During the second quarter of 2017, ÅF established a commercial paper programme with an overall sum of SEK 1,000 million. In connection with the establishment of the commercial paper programme, ÅF entered into a new credit facility agreement of SEK 1,000 million to ensure underlying available credit facilities for the commercial paper programme. The facility has a term of two years with a possible extension. On 31 December 2017, ÅF issued commercial papers in the amount of SEK 850 million.

ÅF has two revolving credit facilities of SEK 1,000 million each with a remaining period of 1.5 years, along with a bank overdraft facility of SEK 500 million. The revolving facility also has a refinancing reserve component for issued commercial papers.

Of total credit facilities of SEK 2,500 million, SEK 1,002 million had been 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

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

Group	2016 Nom. amount in original currency	Carrying amount	Year due	Fair value
Non-current liabilities				
Sweden, SEK, floating 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, floating interest rate	182	182	2017	182
Sweden, SEK, floating interest rate	8	8	2017	8
Switzerland, CHF, floating interest rate	4	36	2017	36
Other		12		12
		238		**238**

Contingent considerations/options (level 3)

Change in contingent considerations/options	2017	2016
Opening balance	**385**	**188**
Estimated liabilities, acquisitions	293	307
Initial value put/call option	–	82
Payments[1]	-74	-230
Changes in value recognised in other operating income – other	-44	-6
Adjustment of preliminary acquisition analysis	-16	—
Changes in value recognised against equity – Reinertsen AS	—	35
Discounting	17	3
Exchange differences	-7	6
Closing balance	**554**	**385**

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

Note 14

Intangible assets

Group	Goodwill		Intangible assets related to acquired businesses		Other intangible assets		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Cost	6,190	5,584	559	526	114	113	6,862	6,224
Accumulated amortisation	—	—	-194	-158	-92	-75	-286	-237
Accumulated impairment	-33	-32	—	—	-1	-1	-34	-33
Carrying amount	**6,157**	**5,553**	**365**	**368**	**21**	**35**	**6,542**	**5,955**
Opening carrying amount	5,553	4,474	368	325	35	19	5,955	4,818
Purchases	—	—	—	—	9	20	9	20
Divestments and disposals	—	—	—	—	-6	—	-2	—
Acquired operations	684	974	37	72	—	10	717	1,057
Changes in contingent consideration	-16	—	—	—	—	—	-16	—
Amortisation for the period	—	—	-38	-33	-16	-15	-53	-48
Impairment for the period	-1	—	—	—	—	—	-1	—
Exchange differences	-64	104	-2	3	0	0	-67	108
Closing carrying amount	**6,157**	**5,553**	**365**	**368**	**21**	**35**	**6,542**	**5,955**

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 and AF Toscano AG, which was acquired in 2016 and is not yet fully integrated and therefore treated as a separate cash-generating entity.

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 on, the calculation is based on an annual growth rate of two percent.

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

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

Cash-generating unit	Discount rate before tax, %	
	2017	2016
Industry Division	9.2	8.6
Infrastructure Division	9.2	8.6
International Division excl. AF Toscano AG	9.2	8.4
AF Toscano AG	9.2	—
Technology Division	9.2	8.6

Cash-generating unit	Goodwill	
	2017	2016
Industry Division	2,265	2,162
Infrastructure Division	2,210	1,807
International Division excl. AF Toscano AG	674	895
AF Toscano AG	213	—
Technology Division	795	688
Total	**6,157**	**5,553**

Parent	Intangible assets	
	2017	2016
Cost	67	64
Accumulated amortisation	-56	-46
Carrying amount	**11**	**19**
Opening carrying amount	19	16
Purchases	4	15
Divestments and disposals	-1	—
Amortisation for the period	-11	-12
Closing carrying amount	**11**	**19**

Note 15

Property, plant and equipment

Group	Equipment, tools, fixtures and fittings 2017	2016	Land and buildings 2017	2016	Total 2017	2016
Cost	600	481	253	259	853	740
Accumulated depreciation	-283	-205	-61	-60	-344	-265
Carrying amount	**317**	**276**	**192**	**200**	**510**	**476**
Opening carrying amount	276	226	200	159	476	385
Purchases	123	103	0	—	123	103
Divestments and disposals	-10	-11	—	—	-10	-11
Acquired operations	15	19	8	35	24	54
Depreciation for the period	-85	-63	-5	-4	-89	-67
Exchange differences	-1	2	-11	10	-13	12
Closing carrying amount	**317**	**276**	**192**	**200**	**510**	**476**

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 13.

Parent	Equipment, tools, fixtures and fittings 2017	2016
Cost	254	223
Accumulated depreciation	-139	-115
Carrying amount	**115**	**107**
Opening carrying amount	107	89
Purchases	31	37
Depreciation for the period	-24	-19
Closing carrying amount	**115**	**107**

Note 16

Participations in associates and joint arrangements

	Group 2017	2016
Carrying amount at start of year	0	0
Dividend	0	0
Carrying amount at end of year	**0**	**0**

	Country	Category	Project
Project group akutcenter Viborg	Denmark	Associate	Hospital
FEM Consult I/S	Denmark	Joint venture	Tunnel
Ukraine District Heating Energy Efficiency Project	Switzerland	Joint venture	Thermal power
Sweco ÅF Healthcare AB	Sweden	Joint venture	Hospital
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
Verkis hf.	Switzerland	Joint operation	Thermal power

Note 17

Prepaid expenses and accrued income

	Group		Parent	
	2017	2016	2017	2016
Rent	64	57	58	51
Support and maintenance agreements	30	38	24	36
Insurance	2	2	1	1
Other	60	49	28	26
	157	**146**	**110**	**112**

Note 18

Equity

Group

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

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

Dividends	2018[1]	2017	2016
Dividend per share, SEK	5.00	4.50	3.75
Number of shares outstanding	77,322,580	77,711,003	77,588,322
Dividend	387	350	291

[1] Proposed dividend.

Reserves	Translation reserve	Hedge reserve	Total reserves
Opening balance, 2016	**66**	**-2**	**64**
Translation difference for the year	108	—	108
Cash flow hedges	—	3	3
Interest rate swap	—	-14	-14
Tax	—	2	2
Closing balance, 2016	**174**	**-11**	**164**
Opening balance, 2017	**174**	**-11**	**164**
Translation difference for the year	-44	-	-44
Cash flow hedges	—	0	0
Interest rate swap	—	5	5
Tax	—	-1	-1
Closing balance, 2017	**130**	**-6**	**124**

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 the financial target is 2.5.

As at 31 December 2017, net debt/EBITDA was 2.3 (2.1).

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

There were no changes in capital requirements during the year.

Proposed appropriation of profits

Non-restricted profits of SEK 4,441,978,368 are at the disposal of the AGM. The Board of Directors and CEO propose that these profits be appropriated as follows:

A dividend of SEK 5.00 per share paid to the shareholders	386,612,900
To be carried forward	4,055,365,468
Total	**4,441,978,368**

Note 19

Pension obligations

Of the Group's total number of employees at the end of the year, around 11 percent have pensions that are recognised as defined-benefit. Other employees within ÅF have pensions that are recognised as defined-contribution.

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

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

Alecta

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

Contributions during the year for retirement benefit insurance with Alecta amounted to SEK 332 million (280). 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 154 percent (149). The collective funding ratio is the market value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's actuarial calculation assumptions, which are not in conformity with IAS 19.

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

Group

Defined-benefit plans

	2017	2016
Present value of funded obligations	-839	-894[1]
Fair value of plan assets	808	795[1]
	-31	**-99**
Present value of unfunded obligations	-65	-64
Acquisitions[1]	—	—
Liability recognised in balance sheet	**-96**	**-163**
Of which Switzerland	-31	-99
Of which Sweden	-65	-64

[1] The present value of funded obligations and fair value of plan assets includes obligations and assets from 2016 acquisitions.

Note 19, cont.

Change in the defined-benefit net debt

Group	2017 Present value of plan assets	2017 Present value of obligations	2017 Total	2016 Present value of plan assets	2016 Present value of obligations	2016 Total
Opening balance	795	-958	-163	406	-513	-106
Current service costs	—	-30	-30	—	-20	-20
Past service costs	—	12	12	—	8	8
Change in special employers' contribution (Sweden)	—	-1	-1	—	-1	-1
Interest income/expense	3	-5	-2	2	-4	-2
Return on plan assets (excluding interest)	36	0	36	4	—	4
Actuarial gains/losses	—	2	2	—	-8	-8
Exchange difference	-43	47	3	23	-26	-3
Contributions by the employer	27	—	27	15	—	15
Contributions by plan participants	26	-26	0	13	-13	-
Benefits paid	-36	39	3	-37	40	4
Acquisitions[1]		15	15	368	-422	-54
Closing balance	**808**	**-905**	**-96**	**795**	**-958**	**-163**

[1] Adjustment in 2016 acquisition analysis

Actuarial gains and losses

	2017	2016
Financial assumptions	-18	-9
Demographic assumptions	21	1
Experience adjustments	-2	0
Total	**2**	**-8**

Allocation of plan assets

	2017	2016
Cash and cash equivalents	22	13
Equity instruments	225	144
Debt instruments	414	172
Property	133	83
Other	15	15
Total	**808**	**427**

All assets have a quoted market price.

Assumptions for defined-benefit obligations

Sweden	2017	2016
Discount rate, %	2.1	2.25
Inflation, %	1.8	1.5

Switzerland	2017	2016
Discount rate, %	0.4	0.4
Inflation	0.5	0.5
Future increase in pensions, %	0.0	0.0
Future increase in salaries, %	0.5	0.5

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

Sensitivity analysis of pension obligations

	Sweden Changes in assumptions	Sweden Increase/ decrease	Switzerland Changes in assumptions	Switzerland Increase/ decrease
Discount rate	+/-0.25%	+/-2	+/- 0.25%	+34/-31
Rate of salary increases	—	—	+/- 0.25%	+/-4

The sensitivity analysis is based on a change in one assumption while all other assumptions remain constant. It is unlikely that this will occur in practice, and changes in several of the assumptions may be correlated. Payments to plans are expected to total SEK 26 million (14) over the coming year. The average remaining term for the Swedish plan is 13 years (14) and for the Swiss plan, 15 years (16).

Defined-contribution plans

	Group 2017	Group 2016	Parent 2017	Parent 2016
Cost of defined-contribution plans (including Alecta)	609	500	23	18

Parent

Defined-benefit plans

	2017	2016
Present value of unfunded obligations	18	19
Net amount recognised for defined-benefit plans	**18**	**19**
Of this, covered by credit insurance via FPG/PRI	18	19

Changes in obligations during the year

	2017	2016
Net present value of pension obligations at start of year	19	21
Cost excluding interest expense charged to profit or loss	—	0
Interest expense	1	1
Payment of pensions	-2	-2
Net present value of pension obligations at end of year	**18**	**19**

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

Note 20

Other provisions

Change in non-current provisions

	2017	2016
Carrying amount at start of period	57	18
Provisions during the period	8	9
Amount utilised during the period	-2	-12
Releases during the period	-8	-1
Transfer from non-current to current	-5	—
Provisions from acquired operations	—	42
Adjustment regarding previously acquired operations	-31	—
Translation differences	0	1
Carrying amount at end of period	**18**	**57**

Change in current provisions

	Restructuring		Other		Total	
Group	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Carrying amount at start of period	17	25	21	4	39	29
Provisions during the period	82	28	63	20	145	48
Amount utilised during the period	-32	-36	-54	-3	-87	-38
Releases during the period	—	—	2	—	2	—
Transfer from non-current to current	—	—	5	—	5	—
Translation differences	0	0	0	0	0	0
Carrying amount at end of period	**67**	**17**	**37**	**21**	**104**	**39**

Parent
Other provisions

	2017	2016
Carrying amount at start of period	63	109
Provisions during the period	88	18
Amount utilised during the period	-17	-66
Releases during the period	0	—
Translation differences	—	2
Carrying amount at end of period	**133**	**63**

Of the recognised provisions, SEK 132 million (61) is for contingent considerations/option.

Note 21

Taxes

Recognised in profit or loss

Group	2017	2016
Current tax		
Tax expense for the period	210	206
Adjustment of tax attributable to previous years	1	3
Deferred tax		
Deferred tax expense	5	3
Total recognised consolidated tax expense	**215**	**212**

Parent	2017	2016
Current tax		
Tax expense for the period	3	3
Adjustment of tax attributable to previous years	0	—
Deferred tax		
Deferred tax expense	-2	-2
Total recognised parent tax expense	**2**	**1**

Reconciliation of effective tax

Group	2017 (%)	2017	2016 (%)	2016
Pre-tax profit		957		923
Tax per parent's applicable tax rate	22.0	211	22.0	203
Effect of other tax rates for foreign subsidiaries	-0.2	-2	0.2	2
Non-deductible costs	1.0	10	1.4	13
Non-taxable income	-1.0	-10	-0.3	-2
Tax for previous non-capitalised loss carry-forwards	-0.1	-1	-0.1	-1
Effects of loss carry-forward without corresponding capitalisation of deferred tax	0.3	2	0.3	2
Effect of changed tax rates	0.0	0	-0.1	-1
Tax attributable to previous years	0.1	1	-0.3	-3
Other	0.4	5	-0.1	-1
Recognised effective tax	**22.5**	**215**	**23.0**	**212**

Parent	2017 (%)	2017	2016 (%)	2016
Pre-tax profit		687		588
Tax per parent's applicable tax rate	22.0	151	22.0	129
Non-deductible costs	0.6	4	2.5	15
Non-taxable income	-22.4	-154	-24.4	-143
Tax attributable to previous years	0.0	0	0.0	0
Other	0.0	0	0.0	0
Recognised effective tax	**-0.2**	**2**	**0.1**	**1**

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Deferred tax asset		Deferred tax liability		Net	
Group	2017	2016	2017	2016	2017	2016
Non-current assets	2	1	-113	-111	-111	-109
Current receivables and liabilities	3	3	-69	-6	-67	-3
Provisions and non-current liabilities	36	50	-7	-6	28	44
Untaxed reserves		—	-56	-55	-56	-55
Loss carry-forward	39	8		—	39	8
Tax assets/liabilities	**79**	**63**	**-245**	**-178**	**-166**	**-115**
Set-off	-65	-39	65	39	0	—
Net tax assets/liabilities	**14**	**24**	**-180**	**-140**	**-166**	**-115**

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	2017	2016
Tax deficit	42	33
	42	**33**

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

Note 21, cont.

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

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

Group	Balance at 1 January 2016	Recognised in profit or loss	Recognised in other comprehen-sive income	Recognised in equity	Acquisition/ divestment of business	Reclassi-fication, translation differences etc.	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**	**-3**	**-3**	**—**	**-115**

Note 22

Accrued expenses and prepaid income

	Group		Parent	
	2017	2016	2017	2016
Personnel-related liabilities	868	781	35	26
Accrued expenses, subcontractors	165	169	1	0
Other	107	83	32	27
	1,141	**1,033**	**69**	**53**

Note 23

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	2017	2016	2017	2016
During the year	307	251	87	77
Within one year	310	264	83	78
Between one and five years	963	847	215	199
Longer than five years	424	417	3	—
Total	**2,005**	**1,778**	**388**	**354**

	Premises		Other	
Parent	2017	2016	2017	2016
During the year	231	197	4	6
Within one year	238	213	5	5
Between one and five years	801	748	20	19
Longer than five years	259	353	—	—
Total	**1,530**	**1,511**	**29**	**29**

Note 24

Pledged assets, contingent liabilities and contingent assets

	Group		Parent	
	2017	2016	2017	2016
Pledged assets				
In the form of pledged assets for own liabilities and provisions				
Property mortgages	34	36	—	—
Floating charges	1	1	—	—
Total pledged assets	**35**	**37**	**0**	**—**
Contingent liabilities				
Guarantee commitments, FPG/ PRI	1	1	0	0
Guarantee commitments in favour of subsidiaries	—	—	32	42
Guarantee commitments	269	232	98	70
Total contingent liabilities	**270**	**233**	**130**	**112**

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

Contingent assets
The Group has determined that no contingent assets exist.

Note 25

Related party transactions

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

Summary of transactions with related parties
This refers to the ÅForsk Foundation, which holds 37.2 percent of the votes in ÅF 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	2017	20	–	6	–
Joint venture	2016	16	–	4	–
Senior executives	2017	–	–	–	59
Senior executives	2016	–	–	–	30
The ÅForsk Foundation	2017	1	–	0	0
The ÅForsk Foundation	2016	1	–	0	–

In 2017, 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	2017	766	43	5,502	365
Subsidiaries	2016	661	39	1,178	632
Senior executives	2017	–	–	–	33
Senior executives	2016	–	–	–	30
The ÅForsk Foundation	2017	0	–	0	0
The ÅForsk Foundation	2016	0	–	0	–

Note 26

Group companies

Comprehensive list of all Group subsidiaries

			2017	
	Corp. ID number	Registered office	Participating interest, % [1]	Carrying amount in parent
ÅF Holding AB	556158-1249	Sweden	100	0
ÅF Digital Solutions AB	556866-4444	Sweden	100	–
ÅF Digital Experience AB	556967-8971	Sweden	100	–
AF Engineering & Design Inc	20061100908	USA	100	–
ÅF-Infrastructure AB	556185-2103	Sweden	100	–
AF-CityPlan spol. s.r.o.	473 07 218	Czech Republic	13	–
KIAB Konsult och Installationstjänst AB	556670-7476	Sweden	100	–
Koncept Stockholm AB	556496-2941	Sweden	100	–
ÅF Sandellsandberg arkitektur AB	556464-9308	Sweden	100	–
ÅF-Industry AB	556224-8012	Sweden	100	–
Robot Automation AB	559113-5776	Sweden	100	–
Digifex AB	556402-3173	Sweden	100	–
Aktiebolaget Teknoplan	556517-8463	Sweden	100	–
Alteco AB	556550-2209	Sweden	100	–
Cecon AB	556741-5954	Sweden	100	–
EQC Group AB	556821-1089	Sweden	100	–
EQC Karlstad AB	556816-6713	Sweden	100	–
EQC Management AB	556847-0988	Sweden	100	–
Ingenjörsprojekt i Sverige AB	556487-7164	Sweden	100	–
Ljusarkitektur Sweden AB	556568-9485	Sweden	100	–

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

Note 26, cont.

	Corp. ID number	Registered office	2017 Participating interest, % [1]	2017 Carrying amount in parent
PRC Engineering AB	556404-3221	Sweden	100	–
QE Quality Engineering Group AB	556826-9038	Sweden	100	–
Sjöland & Thyselius Datakonsulter AB	556361-3370	Sweden	100	–
Sjöland & Thyselius Communications AB	556593-3461	Sweden	100	–
Teamab VVS Konsult AB	556302-1145	Sweden	100	–
Vatten och Miljöbyrån i Sverige AB	556735-9434	Sweden	100	–
ÅF Innovative Engineering AB	556918-9771	Sweden	100	–
ÅF Reinertsen Sverige Deal AB	559034-2266	Sweden	100	–
ÅF Infrastructure Danmark Aps	20 24 66 93	Denmark	100	153
Midtconsult P/S	34 07 48 01	Denmark	100	–
Komplementaranpartsselskabet Midtconsult	33 58 46 36	Denmark	100	–
LK Consultants Ltd.	0191285	Gibraltar	100	–
Light Bureau Limited	5333484	UK	100	16
Light Bureau AS	914939771	Norway	100	–
ÅF-Consult AB	556101-7384	Sweden	100	8
AF-Consult GmbH	218 403 818	Germany	100	0
ÅF-Funktionspartner AB	556099-8071	Sweden	100	1
ÅF-Teknik & Miljö AB	556534-7423	Sweden	100	0
Epsilon Holding AB	556421-6884	Sweden	100	3
Epsilon Design AB	556314-1380	Sweden	100	–
Epsilon Polen Sp.z o.o.	9521980649	Poland	100	–
LeanNova Engineering AB	556880-7233	Sweden	100	0
AF Engineering (Shanghai) Co. Ltd.	310 000 400 718 401	China	100	–
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 Infrastructure Planning 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	420
AF-Consult Switzerland AG	CH-400.3.924.101-4	Switzerland	100	0
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	–

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

Note 26, cont.

	Corp. ID number	Registered office	2017 Participating interest, % [1]	2017 Carrying amount in parent
Power Design International Ltd	224 309	Uganda	100	—
AF Toscano AG	CHE 105.960.103	Switzerland	100	—
ET Holding AG	CHE 112.276.851	Switzerland	100	—
Galli Group Holding AG	CHE 114.656.176	Switzerland	100	—
AF Mercados Energy Markets International S.A.	A-82316902	Spain	100	37
Mercados Energy Markets International Europé 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	100	15
				1 821

[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	2017	2016
Opening carrying amount	5,718	5,438
Acquisitions	168	34
Changed estimated contingent consideration	—	-23
Internal share transfer[1]	-4,010	—
Impairment	-61	-63
Shareholders' contribution	6	331
Closing carrying amount	**1,821**	**5,718**

[1] Sale to ÅF Holding AB

Note 27

Untaxed reserves

Parent	2017	2016
Accumulated additional depreciation		
Opening balance 1 January	42	38
Depreciation for the year, equipment	2	5
Closing balance 31 December	**45**	**42**
Transfers to tax allocation reserve		
Opening balance 1 January	91	91
Closing balance 31 December	**91**	**91**
Total untaxed reserves	**136**	**134**

Note 28

Statement of cash flows

Interest paid and dividends received

	Group 2017	Group 2016	Parent 2017	Parent 2016
Dividends received	-	—	699	650
Group contribution received	-	—	90	70
Interest received	3	4	28	11
Interest paid	-48	-34	-42	-31
	-45	**-31**	**775**	**700**

Adjustment for items not included in cash flow

	Group 2017	Group 2016	Parent 2017	Parent 2016
Depreciation/amortisation	128	102	35	31
Changed estimated contingent consideration	-44	-6	—	—
Restructuring reserve	-4	-8	—	—
Anticipated dividend from subsidiaries	—	—	25	-75
Impairment of shares in subsidiaries	—	—	12	63
Other	34	6	70	-5
	114	**95**	**142**	**14**

Note 28, cont.

Reconciliation of liabilities arising from financing activities

Group	Opening balance	Cash flows		Changes that do not affect cash flow				Closing balance
		Cash receipts	Cash dis-bursements	Acquisition of subsidiaries	Conversion	Translation differences	Other	
Long-term bank loans	711	15	-704	—	—	—	—	22
Bond loan	1,200	—	—	—	—	—	—	1,200
Short-term bank loans	238	3	-84	44	—	-2	—	199
Commercial paper	–	850	—	—	—	—	—	850
Staff convertible	274	180	—	—	-18	—	-5	431
Lease liabilities	41	—	—	—	—	—	15	56
Other	13	—	-4	7	—	-1	—	15
Total liabilities arising from financing activities	**2,477**	**1,048**	**-793**	**51**	**-18**	**-3**	**10**	**2,773**

Parent	Opening balance	Cash flows		Changes that do not affect cash flow			Closing balance
		Cash receipts	Cash dis-bursements	Acquisition of subsidiaries	Conversion	Other	
Long-term bank loans	700	—	-700	—	—	—	—
Bond loan	1,200	—	—	—	—	—	1,200
Short-term bank loans	190	—	-38	—	—	—	153
Commercial paper	—	850	—	—	—	—	850
Staff convertible	274	180	—	—	-18	-5	431
Total liabilities arising from financing activities	**2,364**	**1,030**	**-738**	—	**-18**	**-5**	**2,633**

Note 29

Events after end of reporting period

Gottlieb Paludan Architects A/S was acquired after the end of the reporting period. As of December 31, 2017 an acquisition analysis has not yet been prepared for this acquisition.

Note 30

Critical estimates and judgements

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

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

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

A 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 retirement benefit obligations is based on several assumptions (see Note 19). Were a lower discount rate to be used, the obligations would increase and have a negative effect on consolidated equity. The reverse applies if a higher discount rate is used.

Judgement on forecast and stage of completion of contracts
The Group applies the percentage of completion method, which means that income is recognised based on the stage of completion. The stage of completion is determined by comparing the accrued expenditure at the end of the reporting period with total expenditure. This means that the Group must 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 while doing business, such as in customer assignments and in conjunction with acquisitions. At year-end, the Group recognised provisions based on a best judgement.

In 2015, Danir AB called for arbitration procedures regarding its claim for additional contingent consideration related to the acquisition of Epsilon Holding AB in 2012. We believe the claim is unfounded, so it has not led to any change in the judgement of the contingent consideration's size.

Note 31

Information on parent

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

The consolidated financial statements for 2017 comprise the parent and its subsidiaries, which together form the Group. The Group also includes participations in associates.

Signatures

The undersigned declare that the consolidated accounts and annual report were prepared in accordance with IFRS, as approved by the EU, and with generally accepted accounting practices, and give a fair presentation of the position and performance of the Group and the company, and that the Group administration report and the administration report give a fair review of the progress of the Group's and the company's operations, position and performance, as well as describing the material risks and uncertainty factors to which the companies that are members of the Group are exposed.

Stockholm Sweden — 28 March 2018

Anders Narvinger
Chairman of the Board

Jonas Gustavsson
President and CEO

Gunilla Berg
Director

Staffan Jufors
Director

Björn O. Nilsson
Director

Maud Olofsson
Director

Joakim Rubin
Director

Kristina Schauman
Director

Anders Snell
Director

Gunnar Parkefelt
Director,
employee representative

Anders Toll
Director,
employee representative

Our Audit Report was presented on 28 March 2018

KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of ÅF AB for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 44-89 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 2017 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 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

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

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

Other Matter

The audit of the annual accounts for year 2016 was performed by another auditor who submitted an auditor´s report dated 31 March 2017, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Key Audit Matters

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

Accounting for revenue and cost within fixed price projects

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

Description of key audit matter

Part of the Groups revenue are derived from projects where the Group has an obligation to perform the projects to a fixed price. Revenues and costs for fixed price contacts are recognized successively as the project progresses in accordance with the stage of completion, which is calculated on the basis of accumulated expenses in relation to estimated accumulated project expenses upon completion. Anticipated losses are immediately recognized as a cost. The accounting for revenues and profit are based on an estimation of total costs and revenues within each project. Changes in estimations throughout the project can have a significant effect on the Groups result and financial position. During each project the Group performs a regular review of the project forecasts to ensure that necessary changes are made. Change- and additional orders as well as claims are included in the forecast when the Group consider it probable that the amount will be received from the customer and when the amount can be reliably measured.

Response in the audit

We have received information and assessed the Groups process for project review including the routines for identifying loss projects and/or projects with a higher risk as well as the process for assessing revenue and costs (including assessment of change- and additional orders). We have for a random sample of projects assessed the most significant estimates. For these projects we have discussed and challenged managements estimations of total forecast, assessed if risks and possibilities in the projects has been reasonably reflected in the project valuations as well as assessed loss contracts and if provisions for losses reflects the risks in the projects. We have also evaluated information from the Groups internal and external legal counsel regarding claims and assessed if and how these has been reflected in the forecasts.

Vaulation of goodwill and parent company shares in subsidaries

See disclosure 14 as well as 26 and accounting principles on pages 65–66 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The carrying value of intangible assets in the form of goodwill in the consolidated accounts at December 31, 2016 amounted to SEK 6 157 million, which is approximately 55% of total assets. Intangible assets with an indefinite useful life should annually, or when there are indication of impairment, be subject to impairment test. Other intangible assets are tested where there is an impairment trigger. An impairment test comprise both complexity and are dependent on judgments.

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

The carrying value of shares in subsidiaries in the parent company at December 31, 2017 amounted to SEK 1,821 million. In case of an impairment trigger, if for example the value of the shares is higher than group value, an impairment test, with the same technique and judgments, as above is performed.

Response in the audit

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

Moreover, we have considered the reasonableness of the forecasted future cash flows as well as the discount rates used through evaluation of management's written documentation and forecasts. We have also met with management and evaluated the accuracy of previous years' cash flow forecasts in relation to actual outcome.

We have involved our internal valuation specialists in the audit team, in order to ensure experience and competence within the area, and in particular in relation to the used method and discount rates. An important part of our work has also been to examine the group's own sensitivity analysis to evaluate how reasonable changes in the assumptions may impact the valuation.

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

Valuation of contingent considerations from business combinations

See disclosure 3, 13, 30 and accounting principles on page 64 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit mattert

In certain business combinations the Group can agree with the seller to include a contingent consideration which normally imply that parts of the purchase price is contingent on the future financial development of the acquired business. The value is based on the terms in the agreement and include judgments about the discounted value of future revenue growth and profit margin. The calculation of the value is dependent of significant judgments. If actual outcome deviates from these assessments or if the assessments about the future financial development for an acquired business is changed this could result in a change in the value of the contingent considerations which is accounted for in the income statement as they occur.

Liabilities for contingent considerations are valued at fair value in the balance sheet and amounted to SEK 552 million as of December 31, 2017. Total maximal liability at the same date amounted to SEK 607 million.

Response in the audit

We have in our audit analyzed a sample of agreements from performed acquisitions and the terms that is the basis for the contingent considerations. We have also assessed management's estimations regarding future financial performance and, through this, the size of contingent considerations. Furthermore, we have considered the completeness of the disclosures in the annual accounts and assessed if they are in accordance with the assumptions used by management and that they, in all material aspects, are in accordance with the disclosures required by IFRS.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–43, 94–103, 105–110 and 112–121. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of ÅF AB for the year 2017 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

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

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

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of ÅF AB by the general meeting of the shareholders on the 25 April 2017. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2017.

Stockholm 28 March 2018

KPMG AB

Joakim Thilstedt
Authorized Public Accountant

Sustainability notes

About the sustainability report
Sustainability is an integral part of ÅF's vision, business concept and strategy. A crucial part of our sustainability efforts is to create sustainable solutions in our assignments, and ÅF's sustainability report for the 2017 calendar year is largely an integral part of the annual report. The following pages provide additional sustainability information, such as background information for the report, in-depth information about stakeholder dialogue, materiality analysis, sustainability data, and GRI index.

ÅF publishes a sustainability report annually, the latest being published in June 2017. As with previous years, ÅF's 2017 sustainability report was prepared in accordance with Global Reporting Initiative (GRI) G4, Core Level. The sustainability report covers the companies in the ÅF Group, in accordance with same principles applied to financial reporting. The reporting principles in GRI G4 were used to define the contents of the report. The sustainability report, which also covers ÅF's statutory sustainability report as required by Chapter 6 of the Swedish Annual Accounts Act, is found on pages 6–21, 26–31, 32 (Ethical undertakings)–39, 48, 50 (Sustainability risks) and 94–103. Also see contents on page 0.

Our sustainability report according to GRI G4 has for the first time been reviewed by an external party. See the auditor's Limited Assurance Report on the ÅF ABs Sustainability Report and statement regarding the Statutory Sustainability Report on page 104.

Changes compared to the previous year
The number of employees increased from 9,133 in 2016 to 9,865 in 2017. The three material aspects that were not prioritised in the sustainability report of 2016 are presented in this year's report. Otherwise, no major changes have been made to the report's frameworks or conversions.

Name of contact
Inquiries about the sustainability report should be directed to: Nyamko Sabuni, EVP and Head of Sustainability, tel: +46 10 505 00 00.

Responsibility and governance
Within ÅF there is a clearly stated responsibility for sustainability issues and the governance is rooted at the highest level. This gives us excellent opportunities to vigorously disseminate the new strategy's basic component – sustainability – in the organisation.

Integrated sustainability efforts
As CEO, Jonas Gustavsson has ultimate responsibility for ÅF's sustainability efforts. Strategic responsibility rests with Nyamko Sabuni, EVP and Head of Sustainability, who is on the Group's management team. This ensures a firm foundation for the company's proactive and integrated sustainability initiatives. It makes it possible for sustainability issues to be prioritised early in the business process. The sustainability director is supported by a team, which was strengthened by one further person from January 2018. ÅF's Board of Directors includes sustainability aspects in its overall decision-making process.

Sustainability initiatives are integrated into existing staff functions, ensuring their execution. The EVP and Head of divisions are responsible for pushing the sustainability perspective in all their assignments – and each division has a sustainability co-ordinator, who develops and carries out the company's sustainability initiatives within the division in discussions with the Head of Sustainability. The sustainability co-ordinators met on six occasions during the year.

Global Compact is the foundation
ÅF's sustainability approach is based on the 10 principles of the UN Global Compact in the areas of human rights, working conditions, the environment and anti-corruption initiatives, which we follow and report on annually to the UN regarding our efforts and progress. ÅF has also integrated the UN's 17 Sustainable Development Goals into its operations with the company's business and offering as the starting point. In particular, we have focused on the following three objectives: Affordable and clean energy (SDG 7), Sustainable industry, innovation and infrastructure (SDG 9) and Sustainable cities and communities (SDG 11).

Besides these frameworks, ÅF has its own code of conduct that guides our actions in practice and is the basis of our operations. The code defines how we handle business relationships with clients, business partners, employees and other stakeholders. It covers all employees in all countries as well as the Group's Board of Directors.

Management system
Sustainability activities are controlled and monitored through the management system and its processes that cover all of our operations. ÅF has for many years had a management system for our business operations that covers quality and environmental management in line with ISO 9001 and ISO 14001. In 2016 this system was complemented to include health and safety to comply with the requirements of

OHSAS 18001. The system is certified and at the end of the year, the certificates covered 83 percent of all employees.

During the year 101 internal audits of the system were conducted to monitor the implementation of the management system. This year's external audits identified five minor deviations. An action plan to correct the deviation was developed and submitted to Intertek.

Strengthened training

Our sustainability efforts require all employees to know about the sustainability issues, as well as their risks and opportunities in our operations. Therefore, ÅF has produced a range of training courses, including web-based sustainability training for all employees in which anti-corruption is an essential part. Sustainability issues are also included in induction training as well as in management training. Specific areas such as human rights, gender equality and diversity are also included in the talent programme EVEN ODDS. All new employees are required to take the web-based sustainability training within three months of employment, which is ensured by our onboarding app. At year-end, half of all new employees had completed the induction training Welcome to ÅF and 65 percent of all managers had completed the Leadership in Our Time management programme. By the end of the year, 38 percent of employees had taken the web-based sustainability training. In future, training specifically for senior executives and salespeople will be crucial to having a real impact on ÅF's new business strategy.

Dialogues with stakeholders

An important point of departure in ÅF's sustainability work is a close dialogue with our stakeholders. The dialogue is ongoing in all projects, meetings and other contacts we have with our most important stakeholders. Sustainability issues are often part of the discussion, not least in connection to assignments. In addition to the ongoing dialogues, ÅF conducted a general stakeholder dialogue in 2017, which will provide a basis for the development of ÅF's sustainability work.

Stakeholder dialogue sets the frameworks

In 2017, surveys and interviews were conducted to get a picture of ÅF's current sustainability work and the priorities that should be made going forward. The survey was answered by 5,819 people, of whom 4,899 were employees. In addition to ÅF's own employees, the survey was also answered by clients, suppliers, students, shareholders, analysts and associations. In connection with the survey, supplementary interviews were also conducted with members of the Board of Directors as well as a workshop with Group management.

The sustainability aspects raised as the most important in the 2017 stakeholder dialogue were:

- Good business ethics
- Retaining talent
- Equality, inclusion and diversity
- Sustainable solutions
- Choice of clients and projects
- Partner responsibility
- Positive working environment

The result of the stakeholder dialogue largely reflects the outcome of the previous stakeholder dialogue from 2015. These areas are therefore still prioritised and will be the basis for our development efforts in 2018. Our clients, and the rest of the world, are making greater demands on us to act ethically and responsibly. This is also evidenced by things such as the increased demands that clients place on us when procuring services. At the same time, ÅF can go far beyond the pure responsibility issues by creating,

Stakeholders	How we engage in dialogue	Important issues
Clients	Client meetings, project meetings, follow-up interviews after the end of the project, website, participation in client event	Satisfaction, perceived quality, prices, contracts, procurement, deliveries, sustainability where environmental impact is of major importance
Employees	Development talks, intranets, workplace meetings, conferences, internal training, leadership programmes, newsletters	Well-being, salary, work environment and skills development, type of assignment
Partner	Planning meetings, project meetings, website	Prices, contracts, ethical issues
Owner	Investment events, such as in connection with quarterly reports, capital market days, annual general meeting, interviews, website, newsletters	Growth, profitability, business ethics
Suppliers	Supplier meetings, follow-up meetings, requests for quotes and procurement, interviews and surveys	Contract negotiations and compliance with our code of conduct
Media, students, authorities and organisations, universities and colleges	Website, mail, attendance at conferences, counselling on specific issues	Questions about how sustainability is developing

developing and implementing solutions that build a more sustainable society.

The table on the previous page lists ÅF's most important stakeholders, how we conduct an ongoing dialogue and what issues the various stakeholders regard as most important. These stakeholders are important for ÅF because they have a major impact on the company or are affected by the company's operations. In this integrated annual and sustainability report, we describe how we meet the demands and expectations of our stakeholders.

Focus on the essential

Implemented stakeholder dialogue and weighting in the management team form the basis for the sustainability aspects that ÅF defined as essential for the coming years.

All identified aspects are relevant to all ÅF internal operations. The following aspects are also essential outside the organisation:

- Gender equality. By working on gender issues, for example through campaigns like Ladies' Month, more women are attracted to seeking employment at ÅF. It also inspires other companies to raise the issue.
- Anti-corruption. The anti-corruption work controls ÅF's choice of assignments, clients, partners and suppliers. This can have an impact on corporate cultures in countries where corruption is widespread.
- Future skills supply. Through various targeted projects and initiatives meant to increase the status of the engineering profession, primary and secondary school students in general and girls in particular are induced to train as engineers.
- Development of ÅF's offering with respect to sustainability. By developing and offering more sustainable services, both ÅF's clients and society at large are progressing towards more sustainable development.

ÅF works systematically with its prioritised sustainability aspects. This sustainability report reflects the aspects that our stakeholders considered most important in the 2015 stakeholder dialogue, as indicated in the GRI Index on pages 102-103. The aspects are divided into three focus areas:

1. Sustainable solutions

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

- Develop ÅF's service offering in terms of sustainability
- Impact on local communities

2. Responsible business

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

- Anti-corruption
- Human rights
- CO_2 emissions
- Long-term profitability

3. Attractive employer

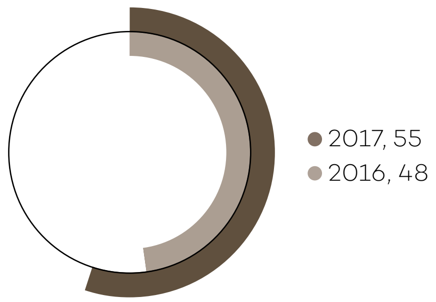
ÅF's most significant success factor is human capital. ÅF attracts outstanding, motivated employees. Teamwork is important to enabling development of innovative, multi-sectoral solutions. Prioritised sustainability aspects:

- Psychosocial working environment
- Physical work environment
- Gender equality
- Skills development

ÅF follows up on how well we perform within our focus areas through the Sustainable Business Performance Indicators (SBPI), a tool developed by ÅF's specialists in collaboration with RISE Research Institutes of Sweden.

Sustainable solutions

ÅF's assignments establish values such as efficient and renewable energy, resource efficiency, safe workplaces, increased accessibility, and improved air and water quality. Our analysis shows that we contribute to all of the UN's 17 Sustainable Development Goals. Based on our business and our offer, we have the greatest potential to contribute to SDGs 7, 9 and 11. Read more about our work on sustainable solutions on pages 26-29.



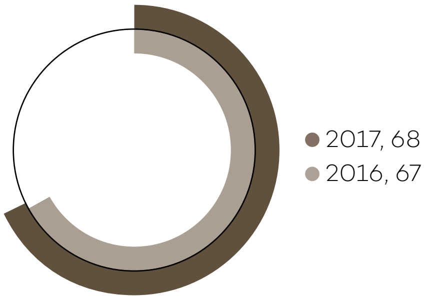
The sustainability performance for focus area Sustainable solutions is measured in SBPI by weighing the results from the extent to which we contributed to the UN's 17 Sustainable Development Goals through our assignments, in combination with measurement areas that affect things such as collaboration, sponsorship and CSR. The result for 2017 was 55 (48).

Responsible business

The sustainability performance for focus area Responsible business is measured with SBPI by weighing the results for financial stability, good business ethics, quality in our deliveries, responsiveness and close client dialogue, sustainable purchasing, and sustainable resource utilisation. The result for 2017 was 68 (67).

Sustainable purchasing

In procurements and purchasing, suppliers must comply with ÅF's criteria for business partners based on the UN Global Compact. Evaluation and selection of suppliers is based on a balanced assessment of the environment and climate impact as well as quality and costs. As a service provider of engineering and design



PROFITABILITY 2017

Direct economic value generated, (in millions of SEK)	2017	2016	2015
Net sales	12,658	11,070	9,851
Operating costs, incl. depreciation/amortisation	-4,432	-4,008	-3,584
Employees' wages and benefits	-5,992	-4,995	-4,456
Income tax and employer's contributions	-1,491	-1,356	-1,201
Economic value retained	**742**	**711**	**609**

solutions, most of our purchases are office equipment, IT equipment, licences and travel. We receive deliveries from about 30 prioritised framework agreement suppliers of such things as energy, travel, hotel rooms, occupational healthcare, work clothes and more. In 2017, these purchases totalled SEK 1,200 million. ÅF's largest suppliers are in Sweden and include Microsoft, Tieto, Telia and Dell. Together they account for nearly 80 percent of our global annual IT expenditures.

Climate and environment
ÅF has a certified environmental management system certified to ISO 14001 that ensures systematic environmental efforts. Management of environmental work is covered by our sustainability policy. Our climate impact is mainly due to business travel and energy use in office premises. There is also some impact from consumables used, but because they account for a marginal part of our overall impact and data collection requires considerable resources, the decision was made to prioritise the two most significant sources of emissions: business travel and energy use. In 2017, ÅF's total emissions amounted to 11,878 tonnes of CO_2e. Of these, 5,407 tonnes of CO_2e were direct emissions from business travel by car, while 2,151 tonnes of CO_2e were indirect emissions from energy consumption and 4,320 tonnes of CO_2e from business travel by air and train. Recalculated per employee, emissions amounted to 1,284 kg CO_2e, which is 4.7 percent lower than last year. The goal is to halve ÅF's carbon dioxide emissions per employee by 2030 compared to the base year 2009.

Emission of carbon dioxide from business travel
Carbon dioxide emissions from business travel are an important environmental issue, as ÅF is a large organisation with around 10,000 employees with assignments all over the world. To reduce the emissions from business travel there is also a travel policy and a vehicle policy. Carbon dioxide emissions from business travel are measured and reported annually in the ÅF Climate Report. CERO, a system developed by researchers at KTH, is used as a planning tool for the projects. CERO charts travel patterns, calculates emissions, plans activities and suggests behavioural changes. One challenge is that the more ÅF expands operations, the more travel increases. We are therefore planning to expand the use of technical communication solutions instead of physically traveling to meetings wherever possible. ÅF is also part of the Nollzon initiative, which means that electric cars take priority when traveling by taxi.

In 2017, emissions from business travel per employee decreased by 1.8 percent for the Swedish part of the business. For the international part of the business, emissions from business travel per employee decreased by 1.7 percent. The reduction per employee can be explained by lower emission limits on company and personnel cars, more journeys by train and technical communication solutions. For the whole group, emissions per employee rose by 0.6 percent, which is explained by the fact that a larger proportion of the employees are based internationally in comparison to previous year.

Energy use in offices
The second major environmental issue is energy use in ÅF's offices in over 30 countries. In cases where ÅF controls the choice of electricity supplier, a centrally negotiated energy contract with entirely renewable energy sources has been in use for the last three years, as defined in EU Directive 2009/28/EC. The energy contract now cover 48 percent of ÅF's office space in Sweden. We monitor and measure energy use in six other countries, that is, the data covers the seven countries where the majority of ÅF's employees work. Actual energy use for office space in other countries is not measured at this time. These are assumed to account for a marginal part of ÅF's total energy use in office space, as approximately three percent of ÅF's employees are located outside the seven largest countries. Energy use for that part of the business is accounted for as a standard amount based on data for other countries outside Sweden.

EMISSIONS PER PERSON, KG/PERSON

	Total	Energy use, office	Business travel, car	Business travel, other
Sweden	1,002	123	613	266
International*	2,144	566	498	1,081
Total*	**1,284**	**233**	**585**	**467**

*) These numbers should be read with caution due to uncertain data quality.

TOTAL CLIMATE EMISSIONS, TOAL TONNES CO_2 equiv. – 2017

	Total	Energy use, office	Business travel, car	Business travel, other
Sweden	6,980	858	4,270	1,852
International*	4,898	1,293	1,137	2,468
Total*	**11,878**	**2,151**	**5,407**	**4,320**

*) These numbers should be read with caution due to uncertain data quality.

For the Swedish part of the business, energy emissions per employee decreased by 41 percent and in the international part of the business, energy emissions per employee decreased by 12 percent. For the entire Group, energy emissions per employee decreased by 23 percent.

Calculation methods
ÅF's estimates of climate emissions are calculated according to the GHG protocol guidelines. The emissions under Scope 1 refer to direct emissions of greenhouse gases generated from our business travel with cars operated by employees, namely privately-owned cars, personnel cars, on-demand cars, service vehicles, rental cars and pool cars. For travel emissions from the company's personnel, on-demand and service vehicles, the calculations were based on detailed emission data per vehicle from ÅF's supplier of vehicle administrative services. For rental and pool cars, emissions data is supplied from travel providers supplemented with data from ÅF's accounting system for rental and pool car outlays. For privately-owned cars, we use emission factors from the Swedish Environmental Protection Agency (gCO_2/km). Data is collected from the seven countries with the most employees: Sweden, Norway, Switzerland, Czech Republic, Denmark, Finland and Brazil. Data from the foreign offices are obtained as driven kilometers through questionnaires from each country. For the foreign offices, Swedish standard values are used to calculate greenhouse gas emissions. The aggregated data is used as a basis for estimating ÅF's total emissions, including those offices and countries from which data have not been collected.

ÅF's emissions under Scope 2 refer to indirect emissions of greenhouse gases generated from energy consumption, including electricity purchased for our businesses and properties as well as heating and cooling. Energy data is collected from the seven largest countries, based on the number of employees. The aggregated data is used as a basis for estimating ÅF's total emissions, including those offices and countries from which data have not been collected. For energy-related emissions in Sweden, the estimates consider whether the purchased electricity was origin-labelled. For electricity use in Sweden, the emission factor for origin guarantees is used where such is purchased (0 g CO_2/kWh), otherwise residual mix is used (351 g CO_2/kWh). For other Nordic countries, Nordic electricity mix is used (125 g CO_2/kWh). For countries outside the Nordic region, European electricity mix is assumed (432 g CO_2/kWh). In cases where district heating is used in Sweden, emissions are calculated from the local production mix. Offices outside Sweden are assumed to be heated with electricity. For offices in Norway and Denmark using district heating, the same emission is assumed as from average Swedish district heating production.

ÅF's emissions according to Scope 3 relate to other indirect greenhouse gas emissions. These are mainly generated from business travel by air and train. There is also some impact from consumables, but because they account for a marginal part of our overall impact and data collection requires considerable resources, we prioritise the most significant source of Scope 3 emissions: business travel by air. Emissions data relating to air transport are obtained from the travel agency, supplemented with data from ÅF's accounting system for airline ticket outlays. For foreign offices, emissions for air travel are calculated based on kilometres travelled where data for this exists, otherwise the same emission per SEK spent is assumed as the average for travel booked through travel agencies. Energy data is collected from the seven largest countries, based on the number of employees. The aggregated data is used as a basis for estimating ÅF's total emissions, including those offices and countries from which data have not been collected.

Existing systems make the quality of information from international operations unreliable. The results are therefore divided into the Swedish and the international parts of the business.

Anti-corruption
ÅF operates in more than 30 countries and participates in projects in more than 100 countries. To handle the issue of corruption, we follow Transparency International's Corruption Index. At ÅF there is zero tolerance for corruption and other forms of anti-competitive activities. Prior to the tender process, a sustainability risk assessment checklist is used. If there is thought to be a risk of corruption, all consultants who are expected to participate in the project are trained in current legislation and ÅF's anti-corruption framework. In 2017, no further project groups were identified as relevant for the enhanced anti-corruption training. All new employees must find out what applies in this area through our onboarding app. Information on sustainability and whistleblowing policies is available at www.afconsult.com.

ÅF has a whistleblower function that reports to the Audit Committee. No cases related to corruption that were reported through this channel have shown any wrongdoing. During the year, one case of incorrect information about an employee's education was noted by a third party in a tender process. The case was followed up and one employee was fired and two were warned.

Human rights
ÅF will act in accordance with the human rights governed by our sustainability policy. We estimate that the risk of human rights violations in the context of our activities is relatively small. The issue is more relevant for certain types of projects. There is a primary risk of violations of human rights in hydropower projects, which often cause the displacement of people. For ÅF it is important that international guidelines for displacement are followed. To the extent that we can influence, we propose the Equator Principles and the IFC Performance Standards. In 2017 there were no displacements within the framework of projects in which ÅF participates.

Human rights training is ongoing. It takes place within the framework of training new employees and new managers and through a web-based course as part of the onboarding process. ÅF has zero tolerance for discrimination and other human rights violations. The issue is followed up through ÅF's employee survey and measures are taken where necessary. In 2017, 195 employees reported that they felt discriminated against, which constitutes 2.78 percent of respondents (7,023). This is in line with the results of the 2015 employee survey (2.67 percent of 5,656 respondents). This will be followed up annually going forward. No reports of discrimination or violations of human rights were made to HR or through the whistleblower channel.

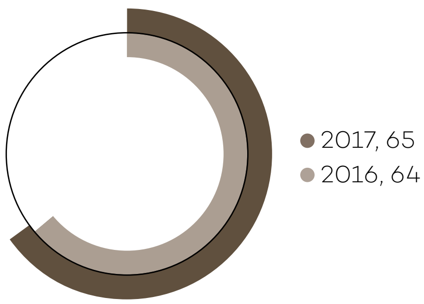
At ÅF, diversity and inclusion are the basis of our personnel policy. An increasingly international ÅF increases the risk of, for example, violating the rights of women and HBTQ persons. It is therefore extra important that ÅF's managers are clear about the equal value of all people.

A risk assessment survey is completed at the tender stage. According to the 2017 internal audits, risk assessments linked to the Global Compact's ten principles were conducted in half the tenders. During the year, we further developed the process to make it more user-friendly for better compliance.

Attractive employer

Being an attractive employer is a priority area of ÅF's strategy and a focus area for its sustainability efforts. Sustainability performance in this area is measured through SBPI, where the results consist of indicators in good working environment, skills development, teamwork and support among colleagues, diversity, gender equality and leadership. The result for 2017 was 65 (64).

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. To retain and stimulate co-workers of the right calibre, ÅF invests (for example via the ÅF Academy) in continual professional development, skills development and management training. ÅF's systematic occupational health and safety efforts are conducted according to OHSAS 18001 to provide a safe and healthy working environment for all employees, partners and others. Adhering to the working environment rules is important for management, employees and clients, who often require ÅF to demonstrate how they are followed. Every year, an employee survey is conducted to get an idea of how employees experience their physical and psychosocial work environment. The response rate was high in 2017 at 82 percent. The results show a high level of motivation among employees, pride in the company and a great willingness to recommend ÅF as an employer. Key issues related to ÅF's efforts to be an attractive employer are leadership, clarity in goal breakdown and career and skills development.

Working environment and health

The ÅF Group strives for a good, healthy, safe working environment for all employees. The ÅF Group is certified to OHSAS 18001:2007 – a management system for the working environment. Annual audits are carried out according to the Group's procedures and pro-

COUNTRIES WITH ÅF-OFFICES IN 2017

1	Albania	18	Lithuania
2	Bosnia Herzegovina	19	Macedonia
3	Brazil	20	Nepal
4	China	21	Nigeria
5	Croatia	22	Norway
6	Czech Republic	23	Philippines
7	Denmark	24	Saudi Arabia
8	Estonia	25	Serbia
9	Finland	26	Sweden
10	Germany	27	Switzerland
11	India	28	Tanzania
12	Indonesia	29	Thailand
13	Iran	30	Turkey
14	Italy	31	Uganda
15	Kenya	32	UK
16	Kosovo	33	Vietnam
17	Latvia		

43

Languages spoken at ÅF
(fluent or as a native language)

NUMBER OF EMPLOYEES PER TYPE OF EMPLOYMENT AND GENDER

	Women	Men
Probationary employees	116	231
Permanent employees	2,209	6,693
Other fixed-term forms of employment	133	483

EQUALITY AND DIVERSITY[1]

Distribution 2017 in %	Women	Men	Age<30	30–50	>50
Board of Directors	25.0	75.0	0.0	16.7	83.3
Group management	20.0	80.0	0.0	56.0	44.0
Managers	18.6	81.4	19.7	47.2	33.2
Consultants	23.4	76.3	21.6	53.9	24.6
Admin	76.7	23.3	1.2	66.4	32.4
Total*	**25.1**	**74.9**	**19.2**	**55.0**	**25.8**

* The goal is to have 30 percent women at all levels by 2020.

PERCENTAGE OF WOMEN PER DIVISION[2]

	2017		2016	
Distribution in %	Consultants	Managers	Consultants	Managers
ÅF Group	23.4	18.2	23.2	16.3
Industry	20.0	14.9	20.4	14.4
Infrastructure	29.1	19.7	28.1	16.9
International	19.6	11.1	19.9	9.3
Technology	16.7	23.1	17.4	23.1
ÅF AB	46.0	47.5	33.3	50.0

SICKNESS ABSENCE[2]

Sickness absence in %	2017	2016
Sickness absence, Sweden	2.64	2.82
Sickness absence, total	2.60	2.70

SKILLS DEVELOPMENT[4]

Number of hours of training per average FTE, total	2017	2016	2015
Hours of training	291,638	253,744	212,754
Average number of FTEs	9,292	8,115	7,453
Hours of training/employee	**31.3**	**31.3**	**28.5**

AGE DISTRIBUTION[2]

Age distribution in %	2017 men	2017 women	2016 men	2016 women
-29	12.2	5.6	13.0	5.9
30–39	23.7	9.2	22.4	8.8
40–49	18.6	6.1	18.3	5.8
50–59	14.7	3.3	13.6	3.2
60–	5.5	0.9	8.0	0.9
Total	**74.9**	**25.1**	**75.3**	**24.7**

1) Probationary and permanent employees
2) All forms of employment
3) Permanent employees in Sweden
4) Probationary and permanent employees excluding acquisitions

EMPLOYEES BY EMPLOYMENT RATE AND GENDER[3]

	Women	Men
Full-time employees	1,541	5,081
Part-time employees	191	155
Total	**1,732**	**5,236**

TOTAL NUMBER OF WHITE-COLLAR EMPLOYEES PER GENDER[2]

	Women	Men
White-collar employees	2,458	7,407

NUMBER OF EMPLOYEES PER GENDER IN OUR LARGEST MARKETS[2]

	Women	Men
Sweden	1,831	5,625
Norway	234	542
Switzerland	114	384
Denmark	103	331

cesses in the area of occupational health and safety to ensure that we avoid working environment risks in the best possible manner.

Total sick leave fell slightly in 2017 to 2.60 percent compared with 2.70 percent in 2016. Statistics on sickness absence are analysed monthly at management level, and if necessary, action plans are developed that are carefully followed up.

There are employees who work in risky workplaces within the framework of client assignments. Everyone is trained in safety and occupational health requirements based on the requirements of the various workplaces where a given ÅF consultant works. In 2017, 56 accidents and incidents were reported from operations in Sweden, of which 14 were women. In 2018, we will work to improve the reporting procedures for incidents throughout the Group.

Psychosocial working environment

No forms of harassment are accepted at ÅF. During the year, procedures and guidelines were introduced for dealing with harassment. The guidelines were distributed through internal news articles and other sources. The ambition is that all employees should know that no forms of harassment are acceptable. Those affected should know where to turn for investigation and help. Late autumn's Metoo debate led us to intensify our efforts to develop ÅF's code of conduct. In 2017, two incidents of inappropriate behaviour were handled by HR. In the context of the employee survey, 267 employees stated that they had been subjected to bullying, discrimination or sexual harassment within the last 12 months.

ÅF'S SUSTAINABILITY GOALS AND HOW THEY MAP AGAINST THE THREE SUSTAINABILITY PERSPECTIVES

	SUSTAINABILITY PERSPECTIVES		
	Social	Ecological	Economical
Sustainable solutions			
Engineering and design solutions that help achieve the UN's 17 Sustainable Development Goals	✓	✓	✓
Responsible business			
Long-term profitability			✓
Increased client satisfaction			✓
Halve carbon dioxide emissions by 2030 using 2016 as base year		✓	
ÅF's risk assessment checklist must always be filled in for new clients, deals and markets before a tender is issued	✓	✓	✓
Attractive employer			
Increased employee satisfaction	✓		✓
Leadership must feature a high degree of confidence in line managers	✓		✓
Increased proportion of women in the workforce: 30 percent at all levels by 2020	✓		✓
Zero tolerance of discrimination	✓		✓

Diversity

At ÅF there is an equal treatment policy that is intended to increase diversity and create even gender distribution to get the best talent. A target was set of at least 30 percent women in all positions by 2030. At the end of the year the figure for ÅF as a whole was 25.1 percent. Read more about what is being done to increase diversity in the "Attractive Employer" section on page 34.

Working conditions

The Equal Treatment Policy states that ÅF will promote equal treatment at work by applying the terms of employment equally to all employees. ÅF strives to be perceived as a good employer with attractive employment conditions, to attract the best talent and retain committed employees. In the Swedish part of the business all employees are covered by collective agreements. These agreements cover 76 percent of all employees. The entire business has employment conditions that are competitive in the local market and comply with local regulations. Performance reviews with individual development plans were held with 79 percent of employees according to the employee survey.

Strategic partnerships

ÅF is active and is a member of several initiatives and strategic partnerships to empower, influence and drive sustainable development. These choices will be reviewed in 2018 to fit the new strategy and optimise the impact of our commitment. ÅF's most important commitments in 2017 were as follows:

- Four Olympic Committees. ÅF sponsors Olympic committees in Sweden, Norway, Finland and Switzerland. Sponsorship means that ÅF acts as Green Advisor to the committees, sponsors development of new athletes and educates athletes in sustainability to turn them into sustainability ambassadors.
- Göteborgsvarvet. Traditional sponsor of the half marathon race. An important part is to encourage exercise among our own employees. About 50,000 attended, of which 430 were ÅF employees.
- Childhood Cancer Fund. Traditional sponsor combined with sustainability activities such as cycling for health.
- The ÅForsk Foundation. Collaboration on the Green Advisor Report.
- Royal Swedish Academy of Engineering Sciences (IVA). Collaboration on future energy solutions, Tekniksprånget, which involves preparing internships for young secondary school students, and Jobbsprånget, which involves mediating internships for newcomers to Sweden who have an engineering degree.
- Vinnova. Collaboration to develop key ratios with the aim of increasing efficiency, measurability and management of production, and using the correct key ratios to properly integrate sustainability work at the ground level.
- NIR, International Business Council. Works to strengthen Swedish companies' long-term interests in complex environments.
- Green Cities. Operates in three areas: interest and impact, meeting place for new opportunities as well as advice and support.
- Nollzon. By joining nollzon, we help increase demand for electric taxis.

GRI Index

GENERAL DISCLOSURES

INDICATOR	DESCRIPTION	PAGE REFERENCE	COMMENTS
STRATEGY AND ANALYSIS			
G4–1	Comments from the CEO	p. 4-5	
ORGANISATIONAL PROFILE			
G4-3	Name of the organisation	p. 44	
G4-4	Important brands, products and services	p. 25	
G4-5	Location of headquarters		Solna, Frösundaleden 2
G4-6	Countries where the organisation is active	p. 99	
G4-7	Ownership structure and legal form	p. 43 and 107	
G4-8	Markets where the organisation is active	p. 25, 32	
G4-9	Size of the company	p. 3	
G4-10	Workforce	p. 99-101	
G4-11	Number of employees covered by collective agreement	p. 45, 101	
G4-12	Supply chain	p. 32 and 96-97	
G4-13	Significant changes in the organisation during the accounting period	p. 2	
G4-14	The precautionary principle	p. 48	
G4-15	Statutes, principles and initiatives that the organisation follows	p. 37, 94 and 96	
G4-16	Membership in organisations	p. 26 and 96	
IDENTIFIED SIGNIFICANT ASPECTS AND DELIMITATIONS			
G4-1 7	Entities covered by the report	p. 84-86 and 94	
G4-18	Process to identify content and delimitations for the report	p. 94-96	
G4-19	List of identified essential aspects	p. 95-96	
G4-20	Delimitations within the organisation for each aspect	p. 96	
G4-21	Delimitations outside the organisation for each aspect	p. 96	
G4-22	Explanation of corrections from previous reports	p. 94	
G4-23	Significant changes in scope, delimitations or measurement methods compared to previous years' reports	p. 94	
STAKEHOLDER DIALOGUE			
G4-24	Stakeholders	p. 95	
G4-25	Identification and selection of stakeholders	p. 95	
G4-26	Stakeholder dialogue	p. 95	
G4-27	Important issues for stakeholders	p. 95	
REPORT PROFILE			
G4-28	Reporting period	p. 94	
G4-29	Most recent report	p. 94	
G4-30	Reporting cycle	p. 94	
G4-31	Contact person for the report	p. 94	
G4-32	GRI Index	p. 94 and 102–103	
G4-33	External certification	p. 104	
GOVERNANCE			
G4-34	Governance structure	p. 94 and 107	
ETHICS AND INTEGRITY			
G4-56	Organisation's values, principles, standards and code of conduct	p. 97-101	

SPECIFIC STANDARD INFORMATION

ESSENTIAL ASPECTS	INDICATOR AND DESCRIPTION	PAGE REFERENCE	COMMENTS/ OMISSIONS
Long-term profitability	G4-DMA Control of essential aspects	p. 8-9 and 20-21	
	G4-EC1 Direct economic value generated and distributed	p. 97	
Future skills supply	G4-DMA Control of essential aspects	p. 34-39	
	G4-EC8 Significant indirect economic impact	p. 49	
Physical working environment	G4-DMA Control of essential aspects	p. 99-101	
	G4-LA6 Work injuries, absence and accidents	p. 99-100	Reported figures only for the Swedish part of the operations
Skills development	G4-DMA Control of essential aspects	p. 34-38 and 99-101	
	G4-LA9 Average number of training hours per year and employee	p. 100	Distribution by gender and personnel category not reported
	G4-LA11 Percentage of employees who receive regular evaluation and follow-up of their performance and career development	p. 101	
Gender equality	G4-DMA Control of essential aspects	p. 38 and 99-101	
	G4-LA12 Composition of governance bodies and breakdown of employees per personnel category by gender, age group, minority group and other indicators of diversity	p. 99-100	
Anti-corruption	G4-DMA Control of essential aspects	p. 32, 48 and 96-99	
	G4-SO3 Percentage of operations reviewed regarding corruption risks	p. 99	
	G4-SO4 Communication and training on anti-corruption	p. 94-95 and 98	
	G4-SO5 Confirmed cases of corruption and measures taken	p. 98	
Human rights	G4-DMA Control of essential aspects	p. 32, 48, 98-99	
	G4-HR9 Total number and percentage of operations that have been subject to review or impact of human rights	p. 99	
CO_2 emissions	G4-DMA Control of essential aspects	p. 21, 29 and 97-98	
	G4-EN15 Direct emissions of greenhouse gases from business travel by car (Scope 1)	p. 97	
	G4-EN16 Energy related to indirect emissions of greenhouse gases from energy use in offices (Scope 2)	p. 97	
	G4-EN17 Other indirect emissions of greenhouse gases from other business travel (Scope 3)	p. 97	
	G4-EN18 Intensity of greenhouse gas emissions	p. 97	
Impact on local communities	G4-DMA Control of essential aspects	p. 96 and 98	
	G4-SO1 Percentage of activities with consequence analyses performed	p. 99	Local engagement and local development programmes not reported since not applicable to ÅF's business
Psychosocial working environment	G4-DMA Control of essential aspects	p. 38 and 99-101	
	G4-HR3 Number of cases of discrimination	p. 98	
Develop ÅF's service offering in terms of sustainability	G4-DMA Control of essential aspects	p. 16 and 20-21	
	Company-specific indicator – ÅF's contribution to the SDGs trough our assignments	p. 16	

Auditor's Limited Assurance Report

Auditor's Limited Assurance Report on ÅF ABs Sustainability Report and statement regarding the Statutory Sustainability Report

To ÅF AB, Corp. Id. 556120-6474

Introduction
We have been engaged by the Board of Directors and the Managing Director of ÅF AB to undertake a limited assurance engagement of ÅF ABs Sustainability Report for the year 2017. ÅF AB has defined the scope of the Sustainability Report that also is the Statutory Sustainability Report on page 94.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 94 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR:s accounting standard RevR12 The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of ÅF AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Managing Director as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions
Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 28 March 2018

KPMG AB

Joakim Thilstedt
Authorized Public Accountant

Karin Sivertsson
Expert Member of FAR

ÅF helps researchers understand how drone technology can be used to study climate change in polar environments. Read more in ÅF's Green Advisor Report 2017.

New strategy for continued profitability and growth

During the past year, our priorities have centred around setting the stage for a new platform for ÅF's future profitability and growth. As for many of ÅF's customers, the rapid developments in society mean that business models and strategies must be redefined. The objective is to ensure added value for the company's stakeholders.

The Board of Directors is responsible, through sound corporate governance, for creating conditions for growth, and thus also value for shareholders, for whom we ultimately work. The work of the Board of Directors should therefore be to maintain continuity, while focusing on long-term strategic objectives, namely, growth and profitability.

In April 2017, Jonas Gustavsson took over the role of President and CEO. During the year, ÅF launched a new strategy, called Future ÅF, together with reformulated financial targets and a new organisation that is adapted to deliver according to the new direction. The strategy has a clarified international focus and entails that ÅF will offer customers a more comprehensive package of solutions and concepts. The new strategy strengthens ÅF's position as an engineering and design company.

In 2017, a total of 12 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 acquisitions made during the year have developed well and in line with the company's ambition to strengthen its position as an international engineering and design company that delivers sustainable solutions to the industrial, infrastructure and energy sectors. Combined with organic growth, these acquisitions will also provide a solid platform for continued growth in 2018.

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. 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.

Overall, we have established a stable platform from which to develop ÅF's business. We are now leaving a successful year behind us and look forward to an eventful 2018.

Stockholm, March 2018

Anders Narvinger
Chairman of the Board

Corporate governance report

This corporate governance report, prepared by the company's Board of Directors, covers the corporate governance of ÅF during the 2017 financial year. The corporate governance report is submitted in accordance with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code. The corporate governance report has been reviewed by KPMG, whose opinion follows immediately after the report.

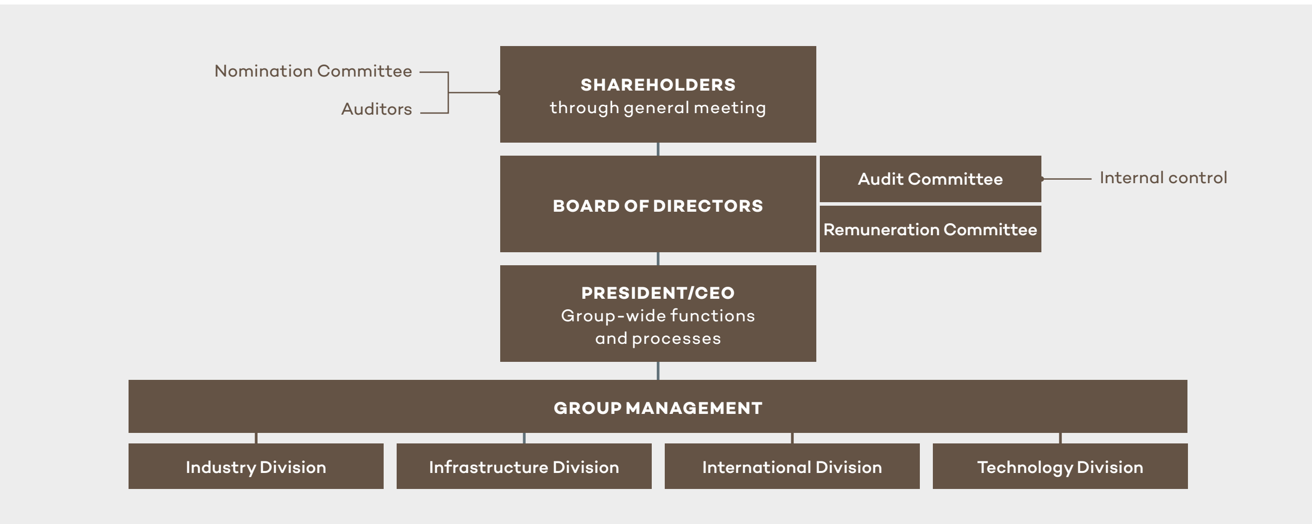
Corporate governance within ÅF
ÅF AB is a Swedish public limited company domiciled in Stockholm. The company's class B shares are listed on Nasdaq Stockholm. Governance, management and control are divided between the shareholders, the Board of Directors, the CEO and the company's Group management in 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 2017. 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 shares: class A shares and class B shares. Each class A share is entitled to 10 votes, and each class B share to 1 vote.

Number of shareholders:	11,528
Class A shares:	3,217,752
Class B shares:	75,044,113
Total number of shares:	78,261,865
of which own class B shares:	939,285
Votes:	107,221,633

The largest shareholder at the end of 2017 was the ÅForsk Foundation, with 37.2 percent of the votes. SEB Investment Management had 7.3 percent and Swedbank Robur Funds had 5.3 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 2017 AGM was held at ÅF's head office in Solna, Sweden, on 25 April 2017. In total, 189 shareholders participated, representing 62.4 percent of the share capital and 72.4 percent of the votes. In addition to the election of the



Board of Directors, the AGM resolved to introduce the 2017 Staff Convertible Programme and authorised the Board of Directors to acquire and transfer own shares and to issue new class B shares. The minutes of the 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 2017 AGM, the members of the Nomination Committee are appointed by at least three and at most five of the shareholders with the most votes. In addition, the 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 2018 AGM comprises: Magnus Olofsson (Chair), appointed by the ÅForsk Foundation; Monica Åsmyr, 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 Rickard Wilson, 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 7 February 2018, the committee held five 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. As a basis for the committee's work for the 2018 AGM, the Chairman of the Board has informed the committee about the work of the Board of Directors during the year and of the work undertaken by the Audit Committee and the Remuneration Committee. The Nomination Committee has evaluated the Board of Directors and its work in 2017 by interviewing individual members of the Board. The Nomination Committee has also evaluated the levels of fees for the Board of Directors. 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 2018 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 2018 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 at the 2017 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 2017 as proposed by the Nomination Committee: Staffan Jufors, Anders Narvinger, Björn O. Nilsson, Maud Olofsson, Joakim Rubin, Kristina Schauman and Anders Snell. Gunilla Berg was elected as a new member. Anders Narvinger was elected by the AGM to serve as Chairman of the Board up until the close of the next AGM. The CEO, Jonas Gustavsson, participates in meetings of the Board of Directors to present reports. The Group's CFO, Stefan Johansson, also participates to present reports, and Jacob Landén, ÅF's senior legal adviser, acts as Secretary to the Board of Directors. For more information on the Board of Directors, please refer to pages 112–113 of the annual report. The Nomination Committee's proposed fees to be paid to the Board of Directors were approved by the AGM.

Diversity policy for the Board of Directors

Rule 4.1 of the Swedish Corporate Governance Code is applied as a diversity policy for the Board of Directors. The aim is for the Board of Directors to have an appropriate and versatile composition regarding experience and background, and that there should be even gender distribution on the Board. As stated above regarding the Nomination Committee's work, it has applied these criteria in formulating its proposal to the Board of Directors, which resulted in compliance with the diversity policy.

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 ÅF's shareholders with the most voting rights but are independent of the company and 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 11 meetings in addition to the inaugural meeting: seven were held at ÅF's offices in Solna, one in another location and three by telephone for which the relevant documentation was sent out in advance. 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 direction, business plans, budgeting, annual accounts and acquisitions, and other decisions which must be dealt with by the Board of Directors under the resolutions procedures. On one occasion per year, the Board of Directors meets with the company's auditors without the presence of management. On one occasion each year, the Board of Directors discusses issues related to succession planning for senior executives in the company. Jonas Gustavsson was appointed as President and CEO in 2017, entering his position on 1 April 2017. A new strategy was developed and launched in 2017. The Board of Directors participated in the strategy work, which was discussed at several meetings from spring until the Board's strategy meeting in October.

Remuneration Committee

The task of the Remuneration Committee is to prepare the guidelines for the remuneration of senior executives which is then decided by the AGM, and to submit proposals to the Board of Directors for the salary and terms and conditions for the CEO. 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 2017, the Remuneration Committee has consisted of Anders Narvinger (Chair), Joakim Rubin and Anders Snell. The CEO and the HR Manager participate as co-opted members. The committee held three minuted meetings during the year.

Audit Committee

The Audit Committee is a vital communication link between the Board of Directors and the company's auditors. The Board's Audit Committee is responsible for the auditor selection procedure, which is detailed in the Auditors Ordinance, and for submitting its auditor recommendation to the Nomination Committee at the general meeting of shareholders. The Audit Committee supports the 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 2017, the Remuneration Committee has consisted of Kristina Schauman (Chair), Gunilla Berg and Björn O. Nilsson. KPMG, the company's audit firm, has been represented by chief accountant Joakim Thilstedt. The CFO and the manager of the Group Accounting and Reporting Department have attended to present reports. The company's internal auditor has also attended to present reports as required. The committee held four minuted meetings during the year.

Evaluation of the Board of Directors and the CEO

The Nomination Committee conducted an evaluation of the Board of Directors and its work in 2017 by interviewing individual members of the Board. The evaluation covers areas such as the climate of co-operation, 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.

Attendance at Board and Committee meetings, 2017

	Attendance at Board meetings[1]	Attendance at Audit Committee meetings[2]	Attendance at Remuneration Committee meetings[3]
Total number of meetings	11	4	3
Anders Narvinger	11		3
Gunilla Berg	5	3	
Marika Fredriksson	2		1
Staffan Jufors	10		
Björn O. Nilsson	9	4	
Maud Olofsson	10		
Joakim Rubin	11	1	2
Kristina Schauman	11	4	
Anders Snell	11		3
Employee representatives [4]			
Gunnar Parkefelt	6		
Fredrik Sundin	3		
Anders Toll	10		
Tomas Ekvall (deputy)	1		
Anders Forslund (deputy)			

1) Gunilla Berg was appointed as a new board member at the 2017 AGM, replacing Marika Fredriksson who resigned.
2) At the inaugural meeting, Gunilla Berg was appointed as a new member of the Audit Committee. Joakim Rubin left the Audit Committee.
3) Joakim Rubin was elected as a new member of the Remuneration Committee, replacing Marika Fredriksson.
4) Gunnar Parkefelt replaced Fredrik Sundin as regular employee representative on 25 April. Anders Forslund joined as a deputy.

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 review the nine-month interim report for the period up to September each year and attend the meetings of the Audit Committee. A review is also carried out of the Group's corporate governance report, sustainability report and of compliance with the guidelines approved by the AGM relating to remuneration of senior executives. The 2017 AGM elected the auditing firm KPMG, represented by Joakim Thilstedt as the auditor in charge, to serve until the end of the 2018 AGM. The Audit Committee concluded that it will recommend that the Nomination Committee propose the appointment of KPMG as auditor to the 2018 AGM for the period extending up until the 2019 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 operational aspects of the business. 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 2017, Group management held nine full-day meetings, as well as a two-day meeting with additional Group managers. In between, Group management held shorter reviews of the new strategy and organisation that were launched in 2017.

Once a month the CEO and the CFO discuss each of the divisions' income statements, balance sheets, key ratios and major projects with the relevant president and controller. Three times a year a whole-day review is held with each division to examine more long-term issues, including HR, strategy and budget. At the end of 2017, ÅF's management team consisted of: Jonas Gustavsson, CEO; Roberto Gerosa, President, International Division; Jonas Larsson, Acting President, Industry Division; Mats Påhlsson, President, Infrastructure Division; Lennart Waldenström, President, Technology Division; Rune Hardersen, Country Manager, Norway; Stefan Johansson, CFO; Emma Claesson, Vice President, HR and Communications; Lars-Eric Aaro, Sales Director; and Nyamko Sabuni, Sustainability Manager. For further information about the members of Group management, please see pages 114–115 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 and evaluate the internal control system regularly. 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 and 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 several 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 regarding 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 paves the way 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.

Sustainability
ÅF focuses on long-term strategic work aimed at ensuring the company becomes a more sustainable business. The ten principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the Global Objectives for Sustainable Development form a foundation for the work. The company's 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. The statutory sustainability report, whose content is stated on page 94 in ÅF AB's annual report, has been approved for issue by the Board of Directors.

Stockholm, 7 February 2018
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 556120-6474

Engagement and responsibility
The Board of Directors is responsible for the corporate governance statement for the 2017 financial year on pages 107–111 and for preparing it in accordance with the Annual Accounts Act.

The scope of the audit
Our review has been conducted in accordance with FAR's auditing standard RevU 16 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 this examination provides sufficient grounds for our opinion.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6, Section 6, Paragraph 2, Points 2-6 of the Swedish Annual Accounts Act and Chapter 7, Section 31, Paragraph 2 of the same law are consistent with the annual report and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 28 March 2018
KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Board of Directors

① Anders Narvinger
Chairman of the Board and Chairman of the Remuneration Committee

Elected: 2011,
Chairman of the Board 2014
Born: 1948
Education: M.Sc. Engineering, Faculty of Engineering, Lund University, and graduate in economics, Uppsala University
Current position and other significant duties outside ÅF: Chairman of the Board of Alfa Laval AB.
Professional experience: CEO of the Association of Swedish Engineering Industries (Teknikföretagen), former President and CEO of ABB Sverige.
Shareholding: 20,000 class B shares

② Gunilla Berg
Director and member of the Audit Committee

Elected: 2017
Born: 1960
Education: MBA School of Economics, Stockholm
Current position and other significant duties outside ÅF: CFO, PostNord. Director of Atlas Copco AB.
Professional experience: Vice President and CFO of the SAS Group, Vice President and CFO of the KF Group.
Shareholding: –

③ Staffan Jufors
Director

Elected: 2014
Born: 1951
Education: Graduate business administrator, Gothenburg School of Business, Economics and Law
Current position and other significant duties outside ÅF: Chairman of the Board of Ferronordic Machines AB. Board member of Uniflex AB and Nordens Ark.
Professional experience: President of Volvo Trucks and Volvo Penta, Chairman of the Board of Volvo Buses.
Shareholding: 2,000 class B shares

④ Björn O. Nilsson
Director and member of the Audit Committee

Elected: 2010
Born: 1956
Education: Doctor of Technology, M.Sc., Royal Institute of Technology (KTH), Stockholm.
Current position and other significant duties outside ÅF: Professor, member of the Royal Swedish Academy of Engineering Sciences (IVA), senior lecturer at Royal Institute of Technology, Stockholm. Chairman of the Board of BioInvent International AB and the ÅForsk Foundation. Director of SwedNano Tech AB.
Professional experience: Vice President, Biovitrum AB; President KaroBio AB, Director of Research, Amersham Pharmacia Biotech AB.
Shareholding: –

⑤ Maud Olofsson
Director

Elected: 2013
Born: 1955
Education: Secondary education
Current position and other significant duties outside ÅF: Chairman of the Board of Visita. Director of Arise AB, Diös Fastigheter AB, Envac AB, Confederation of Swedish Enterprise. Member of Macquarie Advisory Board.
Professional experience: Party Chair of the Centre Party, Sweden's Minister of Enterprise, Energy and Communications 2006–2011, Sweden's Deputy Prime Minister 2006–2010.
Shareholding: 4,000 class B shares

Shareholding 31 Dec 2017

6 Joakim Rubin
Director and member of the Remuneration Committee

Elected: 2012
Born: 1960
Education: Master of Engineering, Institute of Technology, Linkoping University
Current position and other significant duties outside ÅF: Funding Partner at Zeres Capital Partners. Board member of Cramo plc, Hoist Finance AB and Capio AB.
Professional experience: Senior Partner at Finnish venture capital company CapMan. Head of Corporate Finance and Debt, Handelsbanken Capital Markets.
Shareholding: –

7 Kristina Schauman
Director and Chair of the Audit Committee

Elected: 2012
Born: 1965
Education: MBA, Stockholm School of Economics
Current position and other significant duties outside ÅF: Director and Chairman of the Audit Committee of 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.
Professional experience: CFO of OMX, Carnegie and Apoteket AB, CEO of Apoteket AB and CFO of Investor AB.
Shareholding: 2,500 class B shares

8 Anders Snell
Director and member of the Remuneration Committee

Elected: 2009
Born: 1950
Education: M.Sc. Engineering, Royal Institute of Technology (KTH), Stockholm
Current position and other significant duties outside ÅF: Chairman of the Board of Wibax AB and executive member of the ÅForsk Foundation.
Professional experience: Senior Vice President BillerudKorsnäs, Senior Vice President AssiDomän, CEO Grycksbo, CEO Norrsundet Bruks AB, Chairman of the Board of the ÅForsk Foundation.
Shareholding: 3,000 class B shares

9 Gunnar Parkefelt
Director, employee representative

Elected: 2017
Born: 1953
Education: M.Sc. Electrical Engineering Chalmers University of Technology
Current position: Employed in ÅF's Digital Solutions Division.
Professional experience: Senior consultant in telecommunication, automotive, management and purchasing/procurement for major projects, Digital Solutions Division.
Shareholding: –

10 Anders Toll
Director, employee representative

Elected: 2009
Born: 1955
Education: Engineer
Current position: Employed in ÅF's Industry Division.
Professional experience: Inspection Engineer, Project Engineer in Industry Division.
Shareholding: 254 class B shares

DEPUTIES

Tomas Ekvall
Deputy employee representative

Elected: 2017
Born: 1981
Education: Engineer, IT & Automation
Current position: Employed in ÅF's Industry Division.
Shareholding: 258 class B shares

Anders Forslund
Deputy employee representative

Elected: 2012
Born: 1974
Education: Graduate Engineer, Faculty of Engineering, Lund University
Current position: Employed in ÅF's Industry Division.
Shareholding: 600 class B shares

Auditors
KPMG AB
Auditor in charge
Joakim Thilstedt

Group management

① Jonas Gustavsson
President and CEO

Employed: 2017
Born: 1967
Education: M.Sc. Engineering, Luleå University of Technology
Professional experience: Business Area Manager Sandvik Machining Solutions 2013-2017 and Sandvik Materials Technology 2011-2013. Prior to that, several leading positions at Sandvik and Vice President of Operations at BRP-Rotax (Austria). Leading positions at Bombardier and ABB.
Shareholding: 7,500 class B shares
2017 Staff Convertible Programme: nominal amount SEK 6,000,000

② Lars-Eric Aaro
EVP and Head of 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
Shareholding: 0 class B shares
2016 Staff Convertible Programme: nominal amount SEK 3,000,000
2017 Staff Convertible Programme: nominal amount SEK 3,000,000

③ Emma Claesson
EVP and Head of 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
Shareholding: 345 class B shares
2015 Staff Convertible Programme: nominal amount SEK 3,000,000
2016 Staff Convertible Programme: nominal amount SEK 3,000,000
2017 Staff Convertible Programme: nominal amount SEK 3,000,000

④ Roberto Gerosa
EVP and Head of Energy Division

Employed: 2007
Born: 1965
Education: M.Sc., Swiss Federal Institute of Technology, Zurich
Professional experience: CEO AF-Colenco Ltd, Switzerland, CEO Colenco Power Engineering Ltd, Switzerland
Shareholding: 47,158 class B shares
2015 Staff Convertible Programme: nominal amount SEK 3,000,000
2016 Staff Convertible Programme: nominal amount SEK 3,000,000
2017 Staff Convertible Programme: nominal amount SEK 3,000,000

⑤ Rune Hardersen
EVP and Managing Director ÅF-Norway

Employed: 2012
Born: 1975
Education: MSc, NTNU, Master of Technology Management, NTNU/Norwegian School of Economics.
Professional experience: CEO Advansia, Project Director Advansia
Shareholding: 0 B shares
2015 Staff Convertible Programme: nominal amount SEK 900,000
2016 Staff Convertible Programme: nominal amount SEK 900,000
2017 Staff Convertible Programme: nominal amount SEK 900,000

⑥

⑨

⑦

⑩

⑧

⑥ Stefan Johansson
CFO

Employed: 2011
Born: 1958
Education: MBA, Linköping University
Professional experience: CFO Haldex och Duni, various positions in the ABB Group
Shareholding: 28,848 class B shares
2015 Staff Convertible Programme: nominal amount SEK 3,000,000
2016 Staff Convertible Programme: nominal amount SEK 3,000,000
2017 Staff Convertible Programme: nominal amount SEK 3,000,000

⑦ Jonas Larsson
Acting EVP and Head of Industry Division

Employed: 1997
Born: 1970
Education: M.Sc.Technology
Professional experience: Consultant, Project Manager at ÅF, various leading positions at ÅF since 2001
Shareholding: 2,372 class B shares
2015 Staff Convertible Programme: nominal amount SEK 600,000
2016 Staff Convertible Programme: nominal amount SEK 900,000
2017 Staff Convertible Programme: nominal amount SEK 900,000

⑧ Mats Påhlsson
EVP and Head of Infrastructure Division

Employed: 2009
Born: 1954
Education: M.Sc. Engineering, Lulea University of Technology
Professional experience: Site Engineer Skanska, CEO SWECO VBB Viak and SWECO VBB, Business Area Manager ÅF Infrastructure Planning
Shareholding: 31,536 class B shares
2015 Staff Convertible Programme: nominal amount SEK 3,000,000
2016 Staff Convertible Programme: nominal amount SEK 3,000,000
2017 Staff Convertible Programme: nominal amount SEK 3,000,000

⑨ Nyamko Sabuni
EVP and Head of Sustainability

Employed: 2013
Born: 1969
Education: Law, Uppsala University; Information and Communication, Berghs School of Communication; Migration Policy, Mälardalens University
Professional experience: Minister in Swedish government, Member of Swedish Parliament and its Committee on Industry and Trade, Communications Advisor Geelmyuden Kiese, Project Manager Folksam Social Council
Shareholding: 668 class B shares
2016 Staff Convertible Programme: nominal amount SEK 3,000,000

⑩ Lennart Waldenström
EVP and Head of Digital Solutions Division

Employed: 2006
Born: 1972
Education: M.Sc. Technology
Professional experience: CEO Combra Industriteknik, CEO ÅF-Combra, Business Area Manager ÅF, Sales Manager ÅF Technology
Shareholding: 970 class B shares
2015 Staff Convertible Programme: nominal amount SEK 900,000
2016 Staff Convertible Programme: nominal amount SEK 900,000
2017 Staff Convertible Programme: nominal amount SEK 900,000

Five-year financial summary, SEK

SEK million, unless otherwise stated	2017	2016	2015	2014	2013
Net sales and profit					
Net sales	12,658	11,070	9,851	8,805	8,337
EBITA excluding items affecting comparability	1,117	996	861	770	843
EBITA	1,027	992	817	756	843
Operating profit (EBIT)	1,033	965	839	756	722
Profit after financial items	957	923	799	720	677
Profit for the period	742	711	609	553	525
Capital structure					
Non-current assets	7,070	6,462	5,224	4,638	4,499
Current assets	4,308	3,945	3,093	2,666	2,575
Equity including non-controlling interest	4,989	4,697	4,230	3,955	3,674
Non-current liabilities	2,323	2,880	1,527	1,021	1,170
Current liabilities	4,067	2,830	2,559	2,328	2,230
Balance sheet total	11,378	10,407	8,316	7,304	7,074
Equity (average)	4,813	4,473	4,115	3,805	3,498
Total capital (average)	10,835	9,166	8,016	7,317	7,237
Capital employed (average)	7,565	6,581	5,694	5,005	4,736
Net debt	2,631	2,298	1,486	870	853
Key ratios					
EBITA margin excluding items affecting comparability	8.8	9.0	8.7	8.7	10.1
EBITA margin, %	8.1	9.0	8.3	8.6	10.1
Operating margin, percent	8.2	8.7	8.5	8.6	8.7
Profit margin, percent	7.6	8.3	8.1	8.2	8.1
Equity ratio, percent	43.8	45.1	50.9	54.1	51.9
Net debt/EBITDA, times	2.3	2.1	1.6	1.0	1.0
Net debt-equity ratio, percent	52.7	48.9	35.1	22.0	-23.2
Current ratio, times	1.1	1.4	1.2	1.1	1.2
Return on equity, percent	15.4	15.9	14.8	14.5	15.0
Return on total capital, percent	9.4	10.5	10.5	10.4	10.1
Return on capital employed, percent	13.5	14.7	14.8	15.2	15.4
Interest cover, times	20.0	22.6	20.0	19.3	14.4
The ÅF share					
Basic earnings per share, SEK	9.58	9.32	7.81	7.16	6.71
Diluted earnings per share, SEK	9.39	9.14	7.63	7.03	6.60
Dividend yield, percent	2.8	2.7	2.6	2.8	2.9
Equity per share, SEK	64.30	60.19	54.46	51.17	47.33
Diluted equity per share, SEK	62.01	58.50	52.85	49.74	45.86
Cash flow from operating activities per basic share, SEK	8.03	7.98	6.75	7.78	5.45
Cash flow from operating activities per diluted share, SEK	7.78	7.75	6.54	7.55	5.31
Share price 31 December, SEK	180.90	167.00	143.75	126.00	112.50
Market capitalisation	13,988	12,978	11,153	9,734	8,703
Ordinary dividend per share, SEK	5.00[1]	4.50	3.75	3.50	3.25
Other					
Cash flow from operating activities	624	622	523	601	425
Cash flow from investing activities	-525	-963	-807	-238	-199
Cash flow from financing activities	-209	411	370	-367	-529
Capacity utilisation rate, percent	77.6	77.6	76.9	76.1	75.1
Average number of FTEs excluding associates	9,292	8,115	7,453	6,887	6,666

[1] Proposed dividend

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

Five-year financial summary, EUR

EUR million, unless otherwise stated	2017	2016	2015	2014	2013
Closing day exchange rate	9.85	9.57	9.14	9.52	8.94
Average exchange rate	9.63	9.47	9.36	9.10	8.65
Net sales and profit					
Net sales	1,314	1,169	1,053	968	964
EBITA excluding items affecting comparability	116	105	92	85	97
EBITA	107	105	87	83	97
Operating profit (EBIT)	107	102	90	83	83
Profit after financial items	99	97	85	79	78
Profit for the period	77	75	65	61	61
Capital structure					
Non-current assets	718	675	572	487	503
Current assets	437	412	339	280	288
Equity including non-controlling interest	507	491	463	416	411
Non-current liabilities	236	301	167	107	131
Current liabilities	413	296	280	245	249
Balance sheet total	1,155	1088	910	768	791
Equity (average)	500	472	440	418	404
Total capital (average)	1,125	968	857	804	837
Capital employed (average)	785	695	609	550	548
Net debt	267	240	163	91	95
Key ratios					
EBITA margin excluding items affecting comparability	8.8	9.0	8.7	8.7	10.1
EBITA margin	8.1	9.0	8.3	8.6	10.1
Operating margin, percent	8.2	8.7	8.5	8.6	8.7
Profit margin, percent	7.6	8.3	8.1	8.2	8.1
Equity ratio, percent	43.8	45.1	50.9	54.1	51.9
Net debt/EBITDA, times	2.3	2.1	1.6	1.0	1.0
Net debt-equity ratio, percent	52.7	48.9	35.1	22.0	-23.2
Current ratio, times	1.1	1.4	1.2	1.1	1.2
Return on equity, percent	15.4	15.9	14.8	14.5	15.0
Return on total capital, percent	9.4	10.5	10.5	10.4	10.1
Return on capital employed, percent	13.5	14.7	14.8	15.2	15.4
Interest cover, times	20	22.6	20.0	19.3	14.4
The ÅF share					
Basic earnings per share, EUR	0.99	0.98	0.83	0.79	0.78
Diluted earnings per share, EUR	0.97	0.97	0.82	0.77	0.76
Dividend yield, percent	2.8	2.7	2.6	2.8	2.9
Equity per share, EUR	6.53	6.29	5.96	5.38	5.29
Diluted equity per share, EUR	6.31	6.11	5.79	5.23	5.13
Cash flow from operating activities per basic share, EUR	0.83	0.84	0.72	0.85	0.63
Cash flow from operating activities per diluted share, EUR	0.81	0.82	0.70	0.83	0.61
Share price 31 December, EUR	18.37	17.46	15.74	13.24	12.58
Market capitalisation	1,420	1,357	1,221	1,023	973
Ordinary dividend per share, EUR	0.51[1]	0.47	0.41	0.37	0.36
Other					
Cash flow from operating activities	65	66	56	66	49
Cash flow from investing activities	-55	-102	-86	-26	-23
Cash flow from financing activities	-22	43	40	-40	-61
Capacity utilisation rate, percent	77.6	77.6	76.9	76.1	75.1
Average number of FTEs excluding associates	9,292	8,115	7,453	6,887	6,666

1) Proposed dividend

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

Alternative performance measures

Organic growth

%	2017 Industry	Infrastructure	International	Technology	Group-wide and eliminations	Group
Growth	10.2	14.4	39.5	8.4	-	14.3
Acquired	5.3	11.4	43.2	3.0	-	11.0
Organic growth	**4.9**	**3.0**	**-3.7**	**5.4**	**-**	**3.3**
of which currency	-0.1	-0.4	-0.8	0.0	-	0.4
of which calendar, difference in number of working days	0.4	0.4	0.7	0.4	-	-0.3
Adjusted/underlying organic growth	5.2	3.0	-3.8	5.7	-	3.5

EBITA/Adjusted EBITA

SEK m	2017 Industry	Infrastructure	International	Technology	Group-wide and eliminations	Group
Operating profit (EBIT)	433	461	110	185	-155	1,033
Acquisition-related items						
Amortisation and impairment of intangible assets	-	-	1	-	38	38
Revaluation of contingent considerations/option	-	-	-	-	-44	-44
Profit/loss (EBITA)	**433**	**461**	**111**	**185**	**-162**	**1,027**
Items affecting comparability						
Restructuring costs	-	-	-	-	90	90
Adjusted EBITA	**433**	**461**	**111**	**185**	**-72**	**1,117**

EBITA margin/Adjusted EBITA margin

%	2017 Industry	Infrastructure	International	Technology	Group-wide and eliminations	Group
EBIT margin	8.9	10.0	7,2	9,5	-	8.2
Acquisition-related items						
Amortisation and impairment of intangible assets	-	-	-	-	-	0.3
Revaluation of contingent considerations/option	-	-	-	-	-	-0.4
EBITA margin	**8.9**	**10.0**	**7,2**	**9,5**	**-**	**8.1**
Items affecting comparability						
Restructuring costs	-				-	0.7
Adjusted EBITA margin	**8.9**	**10.0**	**7,2**	**9,5**	**-**	**8.8**

Definitions

Acquisition-related items – Depreciation/amortisation and impairment of goodwill and acquisition-related intangible assets, revaluation of contingent considerations and gains/losses on disposal of companies and operations.

Average number of FTEs – Average number of FTEs during the year converted to the equivalent number of year-long, full-time positions. The actual number of employees is higher, owing to part-time employment and the fact that some employees work for only part of the year.

Capacity utilisation – Time invoiced to clients in relation to total time all employees are present at work.

Cash flow per share – Cash flow from operating activities in relation to average number of outstanding shares.

Current ratio – Current assets in relation to current liabilities.

Dividend yield – Dividend per share in relation to share price at end of reporting period.

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

EBITA – Earnings before interest, taxes and amortisation. Operating profit/loss with restoration of acquisition-related items.

EBITA margin – EBITA in relation to net sales.

EBITDA – Earnings before interest, taxes, depreciation and amortisation. Operating profit/loss before interest, taxes, impairment and depreciation/amortisation.

Equity ratio – Equity including non-controlling interests in relation to balance sheet total.

Equity per share – Equity attributable to the parent's shareholders relative to total number of outstanding shares.

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

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

Net debt/equity ratio – Net debt in relation to equity including non-controlling interests.

Number of employees – Total number of employees at end of reporting period.

Operating margin – Operating profit in relation to net sales.

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

Operating profit (EBIT) – Profit/loss before net financial items and tax (earnings before interest and taxes).

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

Organic growth – Total growth in relation to net sales less acquired growth.

Profit margin – Profit/loss after financial items, in relation to net sales.

Return on capital employed – Profit/loss after financial items and restoration of financial expenses in relation to average balance sheet total, less non-interest-bearing liabilities and net deferred tax.

Return on equity – Profit/loss after tax in relation to average shareholders' equity including non-controlling interests.

Return on total capital – Profit/loss after financial items and restoration of financial expenses, in relation to average balance sheet total.

Rolling twelve-month sales and operating profit – Net sales and operating profit for the most recent twelve-month period.

Calendar 2018

25 April
Annual General Meeting

25 April
Interim report January–March 2018

13 July
Interim report January–June 2018

24 October
Interim report January–September 2018

Group Head Office:
ÅF AB
169 99 Stockholm

Visitors' address:
Frösundaleden 2, Solna
Tel: +46 10 505 00 00
www.afconsult.com
info@afconsult.com
Corp. ID 556120-6474

Production: Narva in cooperation with ÅF.
Photographer: Daniel Ohlsson, Robin Nilssen and Fredrik Hvass.
Printing: Elanders, Mölnlycke, 2018.

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

MIX
Paper from responsible sources
FSC® C011209
www.fsc.org

NORDIC ECOLABEL
3041 0242
PRINTED MATTERS

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

ÅF – Making Future.

Making Future.