

# Interim report

## Second quarter April 1 – June 30, 2017

- > Net sales totaled SEK 613 m (578)
- > Operating profit amounted to SEK 55 m (62)
- > The operating margin was 9.0% (10.7)
- > Profit after tax was SEK 41 m (62)
- > Earnings per share were SEK 0.40 (0.60)

## Accumulated January 1 – June 30, 2017

- > Net sales totaled SEK 1,234 m (1,104)
- > Operating profit amounted to SEK 130 m (96)
- > The operating margin was 10.5% (8.7)
- > Profit after tax was SEK 95 m (86)
- > Earnings per share were SEK 0.93 (0.83)
- > Cash and cash equivalents totaled SEK 56 m (64)

## Statement by Carl-Magnus Månsson, CEO

A continued healthy financial trend with strong growth and rising profits was posted for the first half of the year. Altogether, we grew our sales by 12 percent to SEK 1,234 m and increased profits 35 percent to SEK 130 m. At 10.5 percent, our operating margin is the highest ever for the first six months of the year. In the year's second quarter, we grew our sales to SEK 613 m, our highest second quarter sales to date, despite the negative effect of fewer working days compared with last year.

The positive financial trend is a result of our capacity to develop and thereby remain relevant for customers, partners and employees.

Acando's innovation survey was launched during the quarter, and clearly shows that many larger companies are focusing their innovation capacity on increasing their customer relevance in a world that is rapidly and continuously changing, not least due to all the possibilities opened by digitalization. Acando's strategy of combining technology, as the driver, together with behavioral insights is thus becoming increasingly relevant. The acquisitions of Transformator Design and Daytona strengthen our capabilities in terms of understanding the customer perspective and securing capacity to design a full omnichannel customer experience, digital and analog. Altogether, this gives us a unique position from which we can not only support definitions of strategies with a strong customer focus, but are also able to realize these through transformative projects ranging from the creation of in-house digital capabilities to the realization of technical solutions. Our compiled expertise makes us unique in the Nordic market.

Acando's strategy of providing customers with a unique possibility for capitalizing on our partner relationships is based on a portfolio of strong, relevant partners and long-standing partner relationships. During the quarter, we expanded our partner portfolio to strengthen our capabilities in the retail/fashion segment and in the cloud-based business systems solution area, both of which are experiencing vigorous growth. More importantly, we were presented with the Partner of the Year award for Sweden by Microsoft for our ability to create innovative and transformative solutions based on Microsoft's products and services. Moreover, Acando has once again been chosen as an Inner Circle Partner for Microsoft Dynamics, an exclusive global selection of Microsoft's most strategic partners.

Our success relies entirely on our employees' ambition and capacity to create relations of trust with our customers and their employees. These relationships engender the security to challenge one another and, through shared experiences, abilities and skills, to identify innovative solutions and approaches. We are growing and take pride in the increasing numbers that wish to join us and to continue this quest of creating the most challenging and developing environment for those that have the desire and the courage to match.

## Significant events during and after the quarter

Acando in Norway won a framework agreement for consulting services with the Brønnøysund Register Centre (Norwegian company registrations office). The agreement covers the development of a new electronic case management system for registry operations. The project's main concept is to develop a new digital registry platform. The aim is to replace outdated system solutions in time to ensure the continued ability of the Brønnøysund Register Centre to provide good registry services, adapted to new requirements and expectations as a result of the transition to digital administration. The contract is for three years with an option to extend for a maximum of four further years.

After the end of the period, Acando signed agreements to acquire the two companies Transformator Design and Daytona on September 1. The companies will together with Acando create offerings within strategy, design, tech, innovation, change management and communication. Acando gains 60 more employees, who will contribute by creating strategies and designing solutions based on customers' needs for all channels. The new operations will be consolidated into the Acando Group from September 1, 2017.

Acando has won the Microsoft Partner of the Year Award 2017 for Sweden. The Microsoft Partner of the Year awards are presented to those Microsoft partners who have developed and delivered exceptional Microsoft-based solutions over the last year. Acando was recognized for providing first-class solutions and services, and for representing a strong corporate partner in Sweden. The awards are presented for a number of categories, with the winners chosen from a base of more than 2,800 participants representing 115 countries around the world.

Acando was chosen to join Microsoft's Microsoft Dynamics Inner Circle. The Inner Circle comprises an exclusive, strategic selection of Microsoft partners, which have won acclaim through strong customer relationships and successful projects. This provides Acando with the possibility of providing its customers with even better support in close collaboration with Microsoft.

## Business activities

### Introduction

Acando is a consulting company that leverages an equal balance of specialist technical expertise and human behavioral insight to innovate, streamline and mobilize organizations for sustainable change. Our customers come from every sector and include a mix of major global organizations as well as medium-sized regional companies. We operate in a Northern European market with offices in Sweden, Finland, Norway, Germany and Latvia, and have a total of 1,700 employees.

**Acando's offering**

Acando's offering is focused on actual results and value for the customer. This value is achieved through a combination of all of Acando's skills and our long-term relationship with the customer. Well-established methods and tools are in place to be able to deliver Acando's high level of quality in each phase of the project.

The Nordic market is mainly built on numerous small to medium-sized local IT and management consulting companies as well as a few major global suppliers with a focus on outsourcing. Acando is the only Swedish company with a sufficiently broad skills base and size in business systems, management and digital solutions to be able to successfully compete with the major international companies in complex project implementations.

Acando's core offering is divided into four main categories:

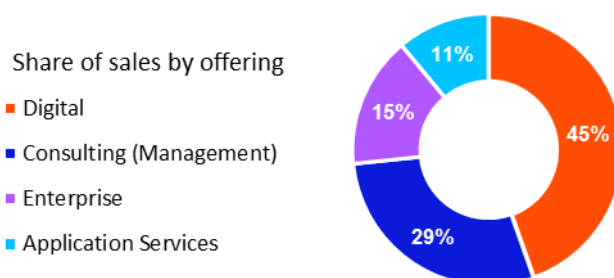
**Digital** guides customers and realizes solutions linked to digital innovation and transformation. Projects are driven by a combination of digital business understanding and deep technical know-how in solutions based on modern technology and platforms. The area has substantial growth potential and Acando is well-positioned in several of the most rapidly growing areas in terms of user-centric solutions and digital product innovation as well as industrial transformation through digitalization. We are entering a new era, when work processes are partially replaced or expanded with digital solutions, which means that IT is no longer just business support, but also functions as an expansion or integrated part of our customers' processes, products, services and entire business. Acando's digital innovation agency, Itch, is a key element in developing Acando's offering within digital services and product innovation.

**Consulting** is active in all major industries and offers in-depth expertise in Strategy, Operational Control, Sales & Marketing, Supply Chain and Operations. Acando's broad knowledge base and cross-functional business teams ensure a holistic perspective and good understanding of the customers, which means that we can offer innovative perspectives and solutions that generate unexpected added value. Acando's absolute strength is the transformation process and its high speed of implementation.

**Enterprise** is the leading Swedish supplier of platform-related services on selected platforms: SAP, Dynamics AX and Netsuite. Together with our customers, we ensure that maximum value is created from platform investments. We combine extensive operational expertise and well-tried methodology with functional and technical platform competence.

**Application Services** primarily includes longer commitments for administration and support services. Over time, Acando aims to grow the share of assignments primarily linked to the existing customer base and delivered projects.

Each business area's share of Group sales is shown below.



## Customers and segments

Acando's position with a healthy spread over different customer segments creates the preconditions for long-term, stable growth and provides the possibility of better balancing demand patterns between different segments.

Acando traditionally has a strong position in the manufacturing industry with both efficiency and business-development assignments. The segment also includes a strong position in the automotive industry in both Sweden and Germany, and with intelligent transport system assignments in Norway. A high level of innovation and efficiency enhancement in traditional industrial companies is enabled by digital capabilities in product content, such as business models and processes. Acando is well-positioned to create completely new possibilities in the segment, together with its customers, through a combination of transformative implementations and deep technical expertise.

The company's position in the retail segment is strong with an offering where digital customer interaction and e-commerce drive development. Changed customer interaction patterns also create the need for a more flexible and agile supply chain together with associated system and process changes. Acando has major full-service assignments with several Swedish retail chains and a growing customer base in Germany and Norway.

In the financial segment, particularly banking and insurance, a continued increase in demand has been noted as a result of the need for modernization in terms of technical platforms and digital relationships with customers. In combination with regulatory requirements, this gives rise to the need for structured transformation programs at many companies in the sector. In several cases, Acando runs assignments linked to leading the transformation and development of digital services, particularly in Sweden and Germany.

The energy segment is typified by a need for streamlining and change driven by electricity prices and external factors. In parallel, new distribution forms, advanced control and measurement systems, and more highly integrated services aimed at customers are increasing the need for more advanced digital platforms. Acando has extensive experience and a strong position with several of northern Europe's largest energy companies as well as a number of smaller local companies.

The public sector remains a key growth area and Acando's service portfolio and geographic spread make it well-suited to meet the needs of public authorities, agencies and municipalities. Growth is driven by demands for efficiency, increased transparency and digital interaction with citizens. Acando's strong position in Norway comprises the base for continued expansion in terms of content and geographical coverage.

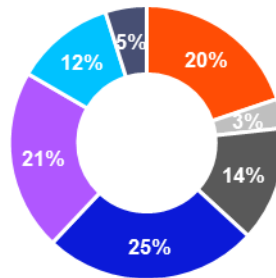
The health care segment remains at an early stage of implementing digitalization. Investments are focused on efficient information management, new methods with clear digital components and a greater degree of digital interaction. Acando aims to capture a leading role and has a number of key assignments in the segment in both Sweden and Norway.

The telecoms segment is characterized by clear efficiency enhancement and streamlining programs using standard platforms and simplified operating models in parallel with defining new services that add greater value. The media and entertainment segment is driven by expansive digital services and the need to interact with consumers and professional operators. Acando's main position is linked to the operator segment.

See below for the share of sales by customer segment.

Share of sales by customer segment

- Retail
- Energy
- Telecom, IT, media and entertainment
- Industry
- Public authorities and agencies
- Banking, finance and insurance
- Health and medical care



## Second quarter market trend

Demand remained healthy in Sweden through H1 2017. All regions in Sweden trended positively, primarily driven by the increasing need for digitalization. In Germany, demand remained normal during the period. The market in Norway was characterized by continued public sector investments in parallel with a gentle recovery in oil-related sectors. The weakest market is Finland, where the market remains cautious albeit with a slight positive trend.

Long-term demand is expected to remain favorable across Acando's markets, driven by accelerating digital transformation, digital content in products and services, and completely new application areas for technology in business processes. Accordingly, it will become crucial to create clear links between strategy, innovation, implementation, user behavior and technology.

## Net sales and earnings

### Second quarter April–June 2017

Net sales and operating profit before amortization and impairment of intangible assets (EBITA) for Q2 2017 are shown in the table below:

SEKm	Net sales		EBITA		EBITA margin.	
	2017	2016	2017	2016	2017	2016
Sweden	407.5	399.1	49.9	51.0	12.2%	12.8%
Norway	104.6	91.1	5.0	10.0	4.7%	11.1%
Germany	101.6	86.6	7.6	7.4	7.5%	8.6%
Discontinued operations	-	-	-	-	-	-
Group adjustments	-0.1	2.0	-6.9	-7.0	-	-
<b>Total</b>	<b>613.6</b>	<b>578.8</b>	<b>55.6</b>	<b>61.4</b>	<b>9.1%</b>	<b>10.7%</b>

Consolidated net sales for the quarter amounted to SEK 614 m (579). EBITA was SEK 56 m (61), corresponding to a margin of 9.1 percent (10.7).

Earnings were down slightly year-on-year, however, Easter was in the second quarter this year as compared with the first quarter in 2016. The decrease in working days during the quarter was assessed as impacting sales by 5 percent.

Consolidated profit after tax totaled SEK 41 m (62). Earnings per share after dilution amounted to SEK 0.39 (0.60) and SEK 0.40 (0.60) before dilution.

### Accumulated January–June 2017

Net sales and operating profit before amortization and impairment of intangible assets (EBITA) for Q2 2017 are shown in the table below:

SEKm	Net sales		EBITA		EBITA margin.	
	2017	2016	2017	2016	2017	2016
Sweden	809.0	765.5	104.3	79.7	12.9%	10.4%
Norway	221.5	176.6	17.2	18.4	7.7%	10.4%
Germany	204.4	168.8	22.6	13.7	11.0%	8.1%
Discontinued operations	-	3.1	-	-3.9	neg.	neg.
Group adjustments	-0.4	-9.6	-13.5	-12.5	-	-
<b>Total</b>	<b>1,234.4</b>	<b>1,104.4</b>	<b>130.5</b>	<b>95.4</b>	<b>10.6%</b>	<b>8.6%</b>

Consolidated net sales for H1 amounted to SEK 1,234 m (1,104). EBITA was SEK 131 m (95), corresponding to a margin of 10.6 percent (8.6).

Earnings were up year-on-year, partly due to the year starting with significantly improved utilization rates in all Sweden and in Germany compared with the start of 2016. The strong growth of the Norwegian operations has affected the utilization negative during H1. Growth in local currency for the Acando Group was 10.1 percent.

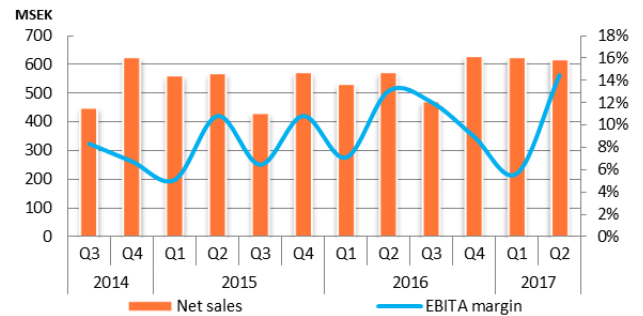
Consolidated profit after tax totaled SEK 95 m (86). Earnings per share after dilution amounted to SEK 0.91 (0.83) and SEK 0.93 (0.83) before dilution.

## Seasonal variations

The graph on the right shows net sales and operating profit for the past three years.

In terms of work, the fourth quarter is the most work-intensive with the highest number of working days. The third quarter is always lower due to vacation. The calendar effect from Easter results in a shift in working days between the first and second quarters, with Easter taking place in Q2 2017.

The industry in which Acando operates is late-cyclical and a weak market impacts with a delay of about one quarter. The same applies when the market turns.



## Development of operations by geographic market

### Sweden

Demand remained unchanged in Sweden with healthy market conditions in all skills areas. The geographic areas of Gothenburg and Stockholm continued to trend extremely favorably with healthy profitability and continued growth. The Malmö region and Västerås also continued to trend positively during the quarter.

Demand was mainly driven by digitalization and innovation, but also by efficiency enhancements and the creation of sustainable foundations for continued development through more highly scalable and modern platforms. Both major established customers and new customers in both traditional industries and new segments have a notable need to understand and realize digital opportunities.

In June, Acando published a new survey covering innovation in large traditional companies. To obtain a detailed picture of innovation and digitalization, Acando has interviewed innovation managers, strategy managers and leaders at several of Sweden's largest companies to identify how they work with and approach innovation. The findings have now been published in the Acando Innovation Study 2017. Essentially, every company included in Acando's survey indicated that their innovation efforts were driven by the need to retain relevance for their customers — and the focus is always on understanding customers' desires rather than any threat from new competitors. Traditional companies often have a hierarchical structure with complex governance models — models that almost never support innovation. Success requires identifying models that give the organization mandates. Acando's survey also found that the greatest challenge with innovation is to scale up the idea, productize it and then industrialize the service, and sell it on a large scale. Companies often underestimate the time and energy that is actually required to launch a new service. Additional resources can be allocated to market surveys and market testing to better understand customers' desires and willingness to pay.

In segments that focus on consumers and users, such as the service sector, banking/finance, retailing and the public sector, there is a clear focus on user experience across all channels, both digital and physical. Following the end of the quarter, Acando acquired Transformator Design and Daytona to complement and strengthen its positions in customer-driven strategy, service design and user experience. Combining the capabilities of Transformator Design and Daytona with Acando's units specialized in strategy, transformation and digital development as well as Acando's innovation agency itch, will create a strong range of offerings within customer experiences. The new business will combine empathy and deep understanding for human needs with innovative and technical solutions. The merged business, of which Acando's innovation agency is also a part, will have 160 employees in total and together create Sweden's largest Business Design Studio with offerings within strategy, design, tech, innovation, change management and communication.

In September this year, the rules governing the duration of the home rents negotiation process will change. Together with one of Sweden's largest tenant organizations, Acando is developing a digital negotiation portal to streamline the process. The main task of the tenant organization is negotiating rent for more than 500,000 members. Previously, this has been an analog process and has largely been conducted manually. Acando will prepare a digital solution in the form of a negotiation portal that streamlines the work and which is adapted to users' specific desires and requirements.

Acando has completed an in-depth study of Swedish loyalty programs. The study included interviews with 20 leading companies in various segments of the retail sector. The study's findings question whether all the discounts and points distributed are really necessary, or whether they just undermine profitability. Increased competition in the retail market is making it increasingly difficult to create customer loyalty. Discounts and points no longer suffice to make customers appreciate loyalty programs. Instead, new ways to avail oneself of benefits and new types of non-monetary benefits are more highly valued. The study's main findings revolved around strategic maturity, program structures, tools and processes as well as the ability to measure profitability. Many participants lack a clear loyalty strategy to base their actions on, which means that loyalty programs are instead used as marketing channels which can irritate members. The key is the ability to utilize existing and new data in a manner that is relevant for customers. Through improving at the analysis and processing of data, companies can become better at understanding their customers' desires and behavior, and based on this understanding, create relevant and personal offers.

Projects and studies on data-driven processes are continuously on the rise. Several smaller assignments covering the basic requirements for organizations to become more data-driven in their decision-making and best practices for implementing processes were initiated during the quarter. Interest and volumes are increasing in the entire Acando Analytics area, where we have concentrated traditional information management, analysis and more advanced services in machine learning and artificial intelligence. Typical projects in this area cover how customer data can be better utilized to create an optimal experience, how maintenance processes can be enhanced, and how structured and unstructured data can be used in shared models.

Dynamics 365, which is part of the Enterprise offering, has continued to trend strongly in both CRM and AX-related assignments. Acando's ability to combine solution and implementation expertise has proved decisive in a number of successful projects, which also included advising on business models and processes as part of Acando's integrated offering. The utilization rate is high and continued recruitment will be decisive in defending our position as the leading Swedish Dynamics partner. During the quarter, Acando was rewarded with several prestigious awards including, Microsoft Partner of the Year for Sweden and was chosen to join the Microsoft Inner Circle, an exclusive group comprising Microsoft's key strategic partners. Several new projects were initiated in the quarter and, at the same time, the base of customers for which



Acando is responsible for their further development is growing. New customers came mainly from the retail and industry segments.

## Norway

Acando's operations in Norway are continuing to develop favorably, in terms of growth and the nature of assignments. Several of the Group's investment areas are based in Norway, which negatively impacted utilization rates during H1 in parallel with a continued high rate of recruitment. In the Intelligent Transportation System, Machine Learning and Industrial IoT areas, Acando Norway is building cutting-edge skills with several interesting projects that position Acando with customers as well as positioning Acando as a natural and innovative workplace for the most talented employees.

The market remains healthy and demand is expected to stay unchanged throughout the year. A slight increase in the willingness to invest was noted in the offshore and oil industry. Acando holds a strong position in the public sector with a broad framework agreement portfolio that allows expertise-driven business and project assignments. The framework agreement with the Brønnøysund Register Centre (Norwegian company registrations office), whereby Acando will develop a new platform for a fully digitalized administration, is evidence of Acando's position.

Acando Norway has signed an agreement with Nordbohus for the digitalization of work flows. The construction industry has a general need for digitalization and simplification of processes. The Digital Site project is a collective name for the entire solution, which in addition to work-related processes also encompasses quality, sales support, project hotels and integrations with e-mail and other professional systems.

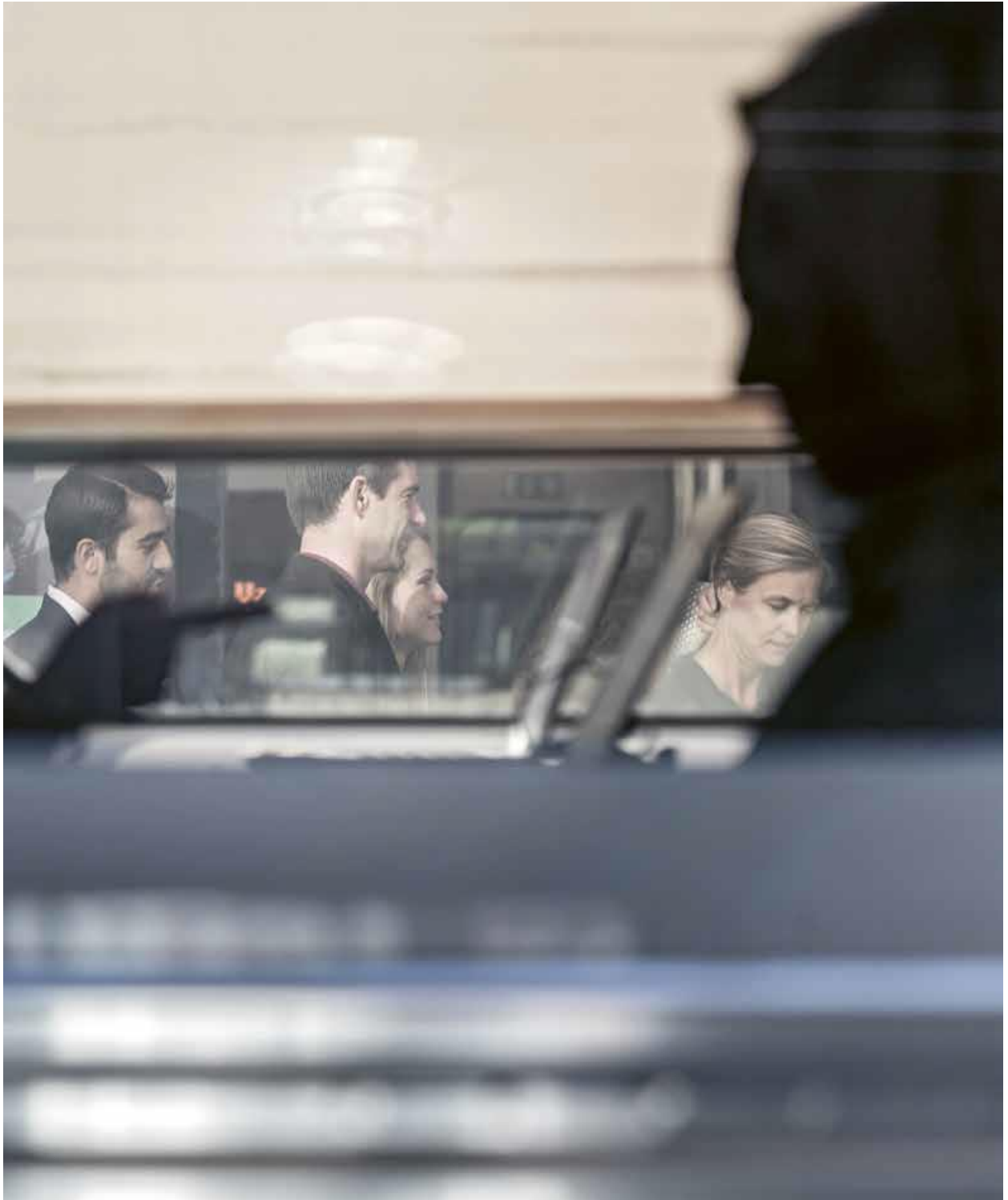
## Germany

Operations in Germany continue to develop with healthy profitability and growth, and where positive trends were reported for all geographies. The market remains healthy and is expected to stay unchanged throughout the year. High demand exists in several of Acando's core areas and is driven by modernization programs in several industry segments.

Acando Germany has developed a tailor-made planning solution for CBR Fashion. The solution optimizes delivery capacity and allows exact forecasts for sales and demand. The solution calculates recommended future orders with suppliers to ensure optimal inventory levels. This project is an example of Acando's strong position in complex digital supply chain solutions in the fast-moving fashion industry.

Acando Germany has also won projects for on-line banking services and for the design of an e-commerce solution for a well-known e-commerce site. Acando has also won a contract to design a mobile application for the administration of road tolls, to simplify payment administration for end-users. The project also includes a solution for an invoicing and accounting system, which shows the importance of a full-range portfolio offering. The project confirms Acando Germany as a leading supplier of digital services in retail and banking/finance.

The automotive and telecoms segments continue to develop favorably with new assignments at existing customers.



## Financial information

### Financial position

Acando has a strong financial position with an equity/assets ratio of 64 percent (64). Consolidated cash and cash equivalents amounted to SEK 56 m (64) at June 30, 2017. In addition, the Group has unutilized overdraft facilities of SEK 180 m (180), of which SEK 64 m (50) was utilized at June 30, 2017.

SEK m	Jun 30 2017	Jun 30 2016	Change	Dec 31 2016
Cash & cash equivalents	56	64	-8	99
Interest-bearing short-term debt	-83	-77	-6	0
Interest-bearing long-term debt <sup>1)</sup>	-28	-41	13	-42
<b>Net cash</b>	<b>-55</b>	<b>-54</b>	<b>-1</b>	<b>57</b>
Unutilized overdraft facility	116	130	-14	67
Equity/assets ratio	64%	64%	1%	66%

<sup>1)</sup> Interest-bearing debt applies to pension commitments of SEK 28 m

### Cash flow

During the first half of 2017, the total cash flow was a negative SEK 16 m (neg: 31). Cash flow from operating activities of SEK 96 m (60) comprised cash inflows from operations of SEK 123 m (95) and a negative change in working capital of SEK 27 m (neg: 35).

Cash flow from investment activities amounted to an outflow of SEK 19 m (outflow: 4) and pertained mainly to investments in customary IT and office equipment.

Cash flow from financing activities amounted to an outflow of SEK 93 m (outflow: 87), of which an outflow of SEK 134 m (outflow: 123) pertained to dividends, an outflow of SEK 14 m (outflow: 19) comprised amortization of borrowings and an inflow of SEK 55 m pertained to change in utilization of overdraft facilities.

SEK m	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
<b>Cash flow from:</b>				
Operating activities	96	60	36	124
Investment activities	-19	-4	-15	-14
Financing activities	-93	-87	-6	-140
<b>Total cash flow</b>	<b>-16</b>	<b>-31</b>	<b>15</b>	<b>-30</b>
Cash and cash equivalents at the beginning of the period	72	93	-21	93
Translation difference in cash and cash equivalents	0	2	-2	9
<b>Cash and cash equivalents at the end of period</b>	<b>56</b>	<b>64</b>	<b>-8</b>	<b>72</b>

### Tax

The Group recognized a tax expense of SEK 34 m (26) for H1. This recognized tax expense corresponded to a tax rate of 26.4 percent for the period. The tax rate is affected by the share of earnings contributed by the respective countries, since tax rates differ between the countries. Previous Swedish loss carry-forwards were exercised in full in 2016 and, at the end of the year, there were no remaining loss carry-forwards reported.

**Investments**

The Group's net investment in assets in the first half of 2017 was SEK 13 m (11). The investments pertained to tangible and intangible assets. On March 1, Acando moved to new premises in Stockholm which resulted in higher investment levels year-on-year.

## The share

**Share capital and shares**

On June 30, 2017, the number of shares in Acando amounted to 104,407,419 shares, of which 1,542,000 Series B shares were treasury shares and comprised 1.5 percent of the total number of shares. These treasury shares are expected to be used for future allotment in ongoing share-savings programs.

**Buy-back of shares**

Acando's Board was authorized by the 2017 Annual General Meeting (AGM) to buy back the company's shares to the extent that the company's total holding does not exceed 10 percent of all shares in the company with the aim of adjusting the capital structure to suit the company's capital requirements and to create the opportunity for the company to pay for any acquisitions of companies and businesses, wholly or partly, with these treasury shares. The authorization is valid until the 2018 AGM.

On June 30, the total holding of treasury shares amounted to 1,542,000 shares and comprised 1.5 percent of the total number of shares outstanding. No buy-back of treasury shares was implemented on the back of this authorization from the 2017 AGM.

**Share-savings programs**

At June 30, 2017, Acando had five share-savings programs outstanding of which two will close during 2017. The programs one to four are described in Acando's Annual Report 2016 on page 58.

The 2017 AGM resolved to implement a new share-savings program for a maximum of 50 senior executives and other key personnel employed by the Acando Group. The 2017/2020 share-savings program is structured similarly to the share-savings programs that were adopted by the 2014, 2015 and 2016 AGMs. Based on the fulfillment of specific performance criteria related to Acando's earnings per share before tax and after dilution for the 2017–2019 fiscal years, participants will have the option of receiving, without compensation, additional Acando shares, the number of which depends on the number of Acando shares in their own investment and on the fulfillment of certain performance requirements.

## Employees

The number of employees at the end of the quarter was 1,785 (1,593). Of these, 1,069 (1,022) were in Sweden, 383 (311) in Germany, 255 (193) in Norway and 78 (67) in Other countries. The average number of employees during the second quarter of 2017 was 1,768 (1,677).

## Parent Company

The Parent Company provides certain Group-wide functions to other companies in the Group. Essentially, the risks faced by the Parent Company consist of operations conducted in the subsidiaries (see the description below for the Group).

The Parent Company's financial position is stated on page 21.

## Acando's financial targets and dividend policy

**Acando's financial targets are divided into four sections:**

### **Growth**

In the markets in which it operates, Acando will grow faster than the market for management and IT consulting services, primarily through organic growth complemented by strategic acquisitions.

### **Margin**

Acando's margin target is to reach a sustainable operating margin in excess of 10 percent, measured as operating profit before amortization of intangible assets (EBITA) as a percentage of net sales.

### **Earnings per share**

Acando's principal financial target is to increase earnings per share (EPS) by at least 10 percent per year.

### **Debt/EBITDA ratio**

Net debt as a percentage of EBITDA should maintain a value of less than 1.5.

### **Acando's dividend policy is as follows:**

Not less than half of profit after tax is to be distributed to shareholders by way of dividends, share buy-backs or other corresponding measures.

## Outlook

Acando will continue to develop as a company in pace with its customers and their demands. The company's overall assessment is that demand in the markets where the company operates is adequate, and is primarily driven by an increasing need for digitalization. The company holds a leading position in the northern European market for Digitalization, Business System Solutions and Management Consulting with a well-established and diversified customer base spread over different sectors, which provides the preconditions for creating attractive values for the company's customers, employees and shareholders.

Acando does not provide earnings or sales forecasts.

## Review report

This report was not audited.

## Assurance by the Board of Directors

The Board of Directors and the President provide their assurance that the interim report for January–June 2017 provides a fair and accurate view of the Parent Company's and the Group's operations, financial position and earnings, and describes the material risks and uncertainties faced by the Parent Company and other companies in the Group.

Stockholm August 17, 2017

Acando AB (publ.)

Ulf J Johansson

Chairman

Carl-Magnus Månsson

President and CEO

Caroline af Ugglas

Board member

Cecilia Beck-Friis

Board member

Lena Eliasson

Board member

Magnus Groth

Board member

Anders Skarin

Board member

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### Additional information

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## Upcoming reporting dates

**Reporting dates**

Interim report January–September 2017      October 27, 2017

Year-end report 2017      February 8, 2018

**Note**

This report comprises information that Acando AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Market Act. This information was submitted through the agency of the above contacts for publication on August 17, 2017 at 08:00 a.m. (CEST).

[www.acando.com](http://www.acando.com)

Ticker: ACAN

Acando is a consulting company that leverages an equal balance of specialist technical expertise and human behavioral insight to innovate, streamline and mobilize organizations for sustainable change. The Group has approximately 1,700 employees allocated over five countries. Acando had sales of more than SEK 2 billion in 2016 and is listed on Nasdaq Stockholm.

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## CONSOLIDATED INCOME STATEMENT

(SEK m)	Note	Apr - Jun 2017	Apr - Jun 2016	Jan - Jun 2017	Jan - Jun 2016	Jul 2016 - Jun 2017	Jan - Dec 2016
Net sales		613	578	1,234	1,104	2,336	2,206
Other operating income		0	0	1	0	4	4
<b>Total income</b>		<b>614</b>	<b>578</b>	<b>1,235</b>	<b>1,105</b>	<b>2,340</b>	<b>2,210</b>
<b>Operating expenses</b>							
Other external expenses		-127	-127	-251	-247	-496	-492
Personnel expenses		-428	-386	-846	-756	-1,584	-1,494
Depreciation of tangible assets		-4	-3	-7	-5	-14	-12
Amortization of intangible assets		0	0	-1	-1	-2	-2
<b>Operating profit</b>		<b>55</b>	<b>62</b>	<b>130</b>	<b>96</b>	<b>244</b>	<b>210</b>
<b>Profit from financial items</b>							
Financial income	8	0	17	1	18	5	22
Financial expenses		-1	-1	-2	-2	-2	-3
<b>Profit after financial items</b>		<b>55</b>	<b>78</b>	<b>129</b>	<b>112</b>	<b>247</b>	<b>230</b>
Taxes on profit for the year		-14	-16	-34	-26	-58	-50
<b>Net profit for the period</b>		<b>41</b>	<b>62</b>	<b>95</b>	<b>86</b>	<b>189</b>	<b>180</b>
Of which, attributable to shareholders of Acando AB (publ.)		41	62	95	86	189	180
<b>Earnings per share</b>							
Before dilution, SEK		0.40	0.60	0.93	0.83	1.84	1.75
After dilution, SEK		0.39	0.60	0.91	0.83	1.81	1.72
Average number of shares before dilution		102,865,419	102,865,419	102,865,419	102,865,419	102,865,419	102,865,419
Average number of shares after dilution		104,407,419	102,865,419	104,407,419	102,865,419	104,407,419	104,407,419
Number of shares outstanding at end of period						0	0
before dilution		102,865,419	102,865,419	102,865,419	102,865,419	102,865,419	102,865,419
Number of shares outstanding at end of period						0	0
after dilution		104,407,419	102,865,419	104,407,419	102,865,419	104,407,419	104,407,419

Treasury shares are not included in the number of shares above. At June 30, 2017, 1,542,000 shares are owned by Acando. These treasury shares are expected to be used for future allotment in ongoing share-savings programs.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK m)	Note	Apr - Jun 2017	Apr - Jun 2016	Jan - Jun 2017	Jan - Jun 2016	Jul 2016 - Jun 2017	Jan - Dec 2016
<b>Net profit for the period</b>		<b>41</b>	<b>62</b>	<b>95</b>	<b>86</b>	<b>189</b>	<b>180</b>
Other comprehensive income							
<b>Items that will not be reclassified subsequently to profit or loss</b>							
Pension liabilities, actuarial gains on liabilities		0	-	0	0	-6	-6
Income tax pertaining to items in other comprehensive income		0	-	0	-0	1	1
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-4</b>	<b>-4</b>
<b>Items that may be reclassified subsequently to profit or loss</b>							
Change in accumulated translation differences		-3	6	-6	10	3	18
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>-3</b>	<b>6</b>	<b>-6</b>	<b>10</b>	<b>3</b>	<b>18</b>
<b>Other comprehensive income for the period, net after tax</b>		<b>-3</b>	<b>6</b>	<b>-6</b>	<b>10</b>	<b>-2</b>	<b>14</b>
<b>Comprehensive income for the period</b>		<b>37</b>	<b>68</b>	<b>89</b>	<b>96</b>	<b>187</b>	<b>194</b>
<b>Attributable to:</b>							
Parent Company's shareholders		37	68	89	96	187	194



## CONSOLIDATED BALANCE SHEET

(SEK m)	Note	Jun 30 2017	Jun 30 2016	Dec 31 2016
<b>Non-current assets</b>				
<i>Intangible assets</i>				
Goodwill	4	980	975	986
Other intangible assets		4	4	4
<i>Tangible assets</i>				
Tangible assets		32	18	20
<i>Financial assets</i>				
Deferred tax assets <sup>1)</sup>		8	13	9
Other non-current financial assets		5	11	5
<b>Total non-current assets</b>		<b>1,029</b>	<b>1,021</b>	<b>1,025</b>
<b>Current assets</b>				
Accounts receivable		531	467	537
Other receivables		7	9	9
Current tax assets		4	2	3
Prepaid expenses and accrued income		97	84	56
Cash and cash equivalents		56	64	72
<b>Total current assets</b>		<b>696</b>	<b>626</b>	<b>678</b>
<b>Total assets</b>		<b>1,725</b>	<b>1,647</b>	<b>1,703</b>
<b>Equity</b>				
Share capital	5	144	144	144
Other capital contributions		740	740	740
Reserves		-28	-30	-22
Retained earnings including profit for the period		254	198	290
<b>Total equity</b>		<b>1,110</b>	<b>1,051</b>	<b>1,152</b>
<b>Liabilities</b>				
Non-current liabilities	6	40	48	37
Current liabilities	6	575	547	514
<b>Total liabilities</b>		<b>615</b>	<b>596</b>	<b>551</b>
<b>Total equity and liabilities</b>		<b>1,725</b>	<b>1,647</b>	<b>1,703</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(SEK m)	Note	Attributable to Parent company shareholders				Non-controlling interests	Total
		Share capital	Other capital contr.	Reserves	Retained earnings		
<b>Opening balance at January 1, 2016</b>		<b>144</b>	<b>739</b>	<b>-40</b>	<b>235</b>	<b>0</b>	<b>1,078</b>
Profit for the period		-	-	-	86	-	86
Other comprehensive income for the period		-	-	10	-	-	10
<b>Total comprehensive income for the period</b>		-	-	<b>10</b>	<b>86</b>	-	<b>96</b>
Dividend* paid to Parent Company shareholders		-	-	-	-123	-	-123
Incentive programs		-	-	-	1	-	1
<b>Closing balance at June 30, 2016</b>		<b>144</b>	<b>739</b>	<b>-30</b>	<b>198</b>	-	<b>1,051</b>
Profit for the period		-	-	-	94	1	95
Other comprehensive income for the period		-	-	8	-4	-	4
<b>Total comprehensive income for the period</b>		-	-	<b>8</b>	<b>89</b>	<b>1</b>	<b>98</b>
Incentive programs		-	-	-	2	-	2
<b>Closing balance at December 31, 2016</b>		<b>144</b>	<b>739</b>	<b>-22</b>	<b>290</b>	<b>1</b>	<b>1,152</b>
Profit for the period		-	-	-	95	-	95
Other comprehensive income for the period		-	-	-6	0	-	-6
<b>Total comprehensive income for the period</b>		-	-	<b>-6</b>	<b>95</b>	-	<b>89</b>
Dividend* paid to Parent Company shareholders		-	-	-	-134	-	-134
Incentive programs		-	-	-	3	-	3
<b>Closing balance at June 30, 2017</b>		<b>144</b>	<b>739</b>	<b>-28</b>	<b>254</b>	<b>1</b>	<b>1,110</b>

\* Dividends payable on ordinary shares

## CONSOLIDATED CASH-FLOW STATEMENT

(SEK m)	Note	Jan - Jun 2017	Jan - Jun 2016	Jan - Dec 2016
<b>Operating activities</b>				
Profit after financial items		129	112	230
Adjustment for items not included in the cash flow		11	-11	-15
Income tax paid		-17	-6	-17
<b>Cash flow from operating activities before changes in working capital</b>		<b>123</b>	<b>95</b>	<b>197</b>
Net change in working capital		-27	-35	-73
<b>Cash flow from operating activities</b>		<b>96</b>	<b>60</b>	<b>124</b>
<b>Cash flow from investment activities</b>		<b>-19</b>	<b>-4</b>	<b>-14</b>
<b>Cash flow from financing activities</b>		<b>-93</b>	<b>-87</b>	<b>-140</b>
<b>Cash flow for the period</b>		<b>-16</b>	<b>-31</b>	<b>-30</b>
Cash and cash equivalents at the beginning of the period		72	93	93
Exchange-rate differences in cash and cash equivalents		0	2	9
<b>Cash and cash equivalents at the end of the period</b>		<b>56</b>	<b>64</b>	<b>72</b>

## OPERATING SEGMENTS

(SEK m)	Note	Sweden	Germany	Norway	Discontinued Operations	Total	Group adjustment	Group total
<b>Apr - Jun 2017</b>								
Net sales		408	101	104	0	613	0	613
Operating profit		48	8	5	0	61	-6	55
Financial income								0
Financial expenses								-1
Profit after financial items								55
Taxes								-14
Net profit for the period								41
<b>Apr - Jun 2016</b>								
Net sales		399	87	91	0	577	2	578
Operating profit		51	8	10	0	69	-7	62
Financial income								17
Financial expenses								-1
Profit after financial items								78
Taxes								-16
Net profit for the period								62
<b>Jan - Jun 2017</b>								
Net sales		809	204	221	0	1,234	0	1,234
Operating profit		103	23	17	0	143	-13	130
Financial income								1
Financial expenses								-2
Profit after financial items								129
Taxes								-34
Net profit for the period								95
<b>Jan - Jun 2016</b>								
Net sales		765	169	177	3	1,114	-9	1,104
Operating profit		80	14	18	-4	108	-12	96
Financial income								18
Financial expenses								-2
Profit after financial items								112
Taxes								-26
Net profit for the period								86
<b>Jul 2016 - Jun 2017</b>								
Net sales		1,530	407	406	0	2,343	-7	2,336
Operating profit <sup>1)</sup>		187	52	34	0	273	-29	244
Financial income								5
Financial expenses								-2
Profit after financial items								247
Taxes								-58
Net profit for the period								189
<b>Jan - Dec 2016</b>								
Net sales		1,486	372	362	3	2,223	-16	2,207
Operating profit		164	43	35	-4	238	-28	210
Financial income								22
Financial expenses								-3
Profit after financial items								230
Taxes								-50
Net profit for the period								180

Financial items and tax are not allocated by segment

## KEY RATIOS

(SEK m)	Note	Apr - Jun 2017	Apr - Jun 2016	Jan - Jun 2017	Jan - Jun 2016	Jul 2016 - Jun 2017	Jan - Dec 2016
<b>Result</b>							
Net sales		613	578	1,234	1,104	2,336	2,206
Operating profit (EBIT)		55	62	130	96	244	210
Net profit for the period		41	62	95	86	189	180
<b>Margins</b>							
Operating margin (EBIT), %		9.0	10.7	10.5	8.7	10.5	9.5
Profit margin, %		8.9	13.5	10.4	10.1	10.6	10.4
<b>Profitability</b>							
Return on capital employed, %		4	7	11	10	21	20
Return on equity, %		4	6	8	8	17	16
<b>Financial position</b>							
Equity/assets ratio, %		64	64	64	64	64	68
Interest coverage ratio, multiple		98	90	101	71	99	82
<b>Per share</b>							
Equity per share, SEK		10.62	10.22	10.62	10.22	10.62	11.02
Cash flow per share, SEK		-0.27	-0.15	-0.15	-0.30	-0.14	-0.29
Earnings per share after dilution, SEK		0.39	0.60	0.91	0.83	1.81	1.72
<b>Employees</b>							
Number of employees at end of the period		1,785	1,593	1,785	1,593	1,785	1,698
Average number of employees		1,768	1,596	1,691	1,668	1,770	1,721
Net sales per employee, SEK thousands		347	362	730	662	1,320	1,282
<b>Investments</b>							
Net investments		2	7	13	11	35	33

## PARENT COMPANY INCOME STATEMENT

(SEK m)	Note	Apr - Jun 2017	Apr - Jun 2016	Jan - Jun 2017	Jan - Jun 2016	Jul 2016 - Jun 2017	Jan - Dec 2016
Net sales		25	24	46	42	95	90
<b>Total income</b>		<b>25</b>	<b>24</b>	<b>46</b>	<b>42</b>	<b>95</b>	<b>91</b>
<b>Operating expenses</b>							
Other external expenses		-13	-14	-26	-25	-47	-53
Personnel expenses		-5	-4	-8	-7	-23	-15
Amortization/deprication and impairment of intangible and tangible assets		0	0	-1	-1	-1	-1
<b>Operating profit</b>		<b>5</b>	<b>4</b>	<b>8</b>	<b>5</b>	<b>16</b>	<b>13</b>
<b>Profit from financial items</b>							
Other interest income and similar items	8	39	17	39	18	65	44
Interest expenses and similar items		0	-1	-1	-1	-2	-2
<b>Profit/loss after financial items</b>		<b>43</b>	<b>20</b>	<b>46</b>	<b>21</b>	<b>79</b>	<b>55</b>
Taxes on profit for the year		-1	-2	-2	-2	-4	-5
<b>Net profit/loss for the period</b>		<b>42</b>	<b>19</b>	<b>44</b>	<b>19</b>	<b>75</b>	<b>50</b>

## PARENT COMPANY BALANCE SHEET

(SEK m)	Note	Jun 30 2017	Jun 30 2016	Dec 31 2016
<b>Non-current assets</b>				
<i>Intangible assets</i>				
Other intangible assets		3	4	3
<i>Tangible assets</i>				
Tangible assets		18	11	10
<i>Financial assets</i>				
Financial assets		1,407	1,392	1,405
<b>Total non-current assets</b>		<b>1,428</b>	<b>1,406</b>	<b>1,417</b>
<b>Current assets</b>				
Receivables from Group companies		41	10	14
Accounts receivable		0	0	0
Other receivables		0	0	0
Prepaid expenses and accrued income		10	14	3
Cash and cash equivalents		0	0	0
<b>Total current assets</b>		<b>51</b>	<b>24</b>	<b>17</b>
<b>Total assets</b>		<b>1,478</b>	<b>1,430</b>	<b>1,434</b>
		0	0	0
<b>Equity</b>		0	0	0
Share capital	5	144	144	144
Statutory reserve		110	110	110
Share premium reserve		632	632	632
Retained earnings including profit for the period		158	212	245
<b>Total equity</b>		<b>1,044</b>	<b>1,098</b>	<b>1,131</b>
<b>Liabilities</b>				
Long-term liabilities		29	19	6
Liabilities to Group companies		307	207	242
Current liabilities		100	106	56
<b>Total liabilities</b>		<b>435</b>	<b>332</b>	<b>304</b>
<b>Total equity and liabilities</b>		<b>1,479</b>	<b>1,430</b>	<b>1,434</b>

## Notes

### Note 1 Accounting policies and disclosures

The Group's interim report was prepared in accordance with IAS 34 Interim Reporting and, for the Parent Company, RFR 2. In all other respects, the accounting policies applied correspond with that stated in the 2016 Annual Report. Disclosures pursuant to Paragraph 16A of IAS 34 appear in the financial statements and their accompanying notes, and in other parts of this interim report.

Rounding off has been carried out in some cases, which means that tables and estimates do not always add up exactly.

### Note 2 Estimates and assessments

In preparing the financial reports, the Board of Directors and company management make assessments and assumptions that affect the company's earnings and financial position, as well as published information in other respects.

Estimates and assessments are continuously evaluated and are based on historical experience and other factors, including expectations regarding future events deemed reasonable under prevailing circumstances. Actual outcomes may differ from the assessments made.

The areas in which estimates and assumptions could involve significant risk of adjustments of carrying amounts for earnings and financial position in future reporting periods are primarily assessments of market conditions, assessment of the useful lives of the Group's intangible and tangible assets, impairment testing of goodwill, measurement of deferred tax assets, measurement of accounts receivable and revenue recognition for fixed-price projects.

For a complete account of the important estimates and assessments affecting the Group, refer to the 2016 Annual Report.

### Note 3 Risks and uncertainties

Acando's business risks include price levels, customer undertakings, changed customer requirements, weaker demand for consulting services, customer concentration and changes in the behavior of competitors, as well as currency, credit and interest-rate risks. Continued growth will depend on Acando's ability to develop, retain and recruit qualified employees and maintain personnel costs at a reasonable level in relation to prices offered to customers. A strong economy entails intensified competition for qualified employees.

Acando's general view of business risks has not changed, compared with the detailed statement contained in the "Risks and Opportunities" section in the Directors' Report under the 2016 Annual Report.

### Note 4 Goodwill

Compared with June 30, 2016, goodwill increased by a total of SEK 5 m. Of this amount, SEK 6 m pertained to the acquisition of Brickmakers in the Germany segment, which was completed in Q4 2016, and the remainder was attributable to currency effects.

### Note 5 Equity

At June 30, 2017, the total number of shares in the company amounted to 104,407,419, of which 100,767,429 were Series B shares and 3,639,990 were Series A shares. No buy-backs have taken place

in 2017. The total number of treasury shares thus amounted to 1,542,000 Series B shares as of June 30, 2017.

#### **Note 6 Liabilities**

##### ***Long-term liabilities***

Long-term liabilities primarily comprise pension liabilities in Sweden and deferred tax.

##### ***Current liabilities***

Of the current liabilities of SEK 575 m, SEK 83 m represents interest-bearing short-term debt in the form of utilized credit of SEK 64 m and the current portion of acquisition loans of SEK 19 m.

#### **Note 7 Financial Instruments**

Acando measures financial instruments at fair value or amortized cost in the balance sheet depending on the instrument's classification. Financial instruments comprise claims, and cash and cash equivalents among assets and interest-bearing liabilities, and accounts payable among liabilities.

#### **Note 8 Financial income**

The purchase consideration for the redemption of minority shares pertaining to the acquisition of Connecta in 2014 was settled through arbitration in 2016. The arbitration board set the purchase price at the price given by Acando and which the company had paid in conjunction with advance possession. Due to uncertainty regarding the likely outcome, a higher amount had been booked as a short-term debt and was reversed in full in Q1 2016 with a positive impact on net financial items. The above action had no impact on Acando's liquidity.

Financial income in the Parent Company primarily pertains to dividends from subsidiaries.

#### **Note 9 Acquisitions and discontinuations**

As part of focusing all operations to the EU, Acando made an agreement to sell the delivery center in India, including the associated Swedish holding company, in Q1 2016. The buyer was the management of the Indian company who acquired the holding company and the operations were transferred to the buyer as of March 1, 2016. For clarity, the outcome for the January–February 2016 period was recognized as the results of discontinued operations in the segment notes and in the table on page 6. Acando estimates that gathering all volumes into one unit in Latvia will generate economies of scale and that the proximity of outsourcing in Europe contributes actively to increased profitability for these types of deliveries. The operations are not significant for Acando.

In Q4 2016, Acando in Germany acquired a majority holding in the company Brickmakers GmbH. The size of the company means it has no material impact on the Group's financial statements.

#### **Note 10 Related-party transactions**

No transactions have taken place between Acando and related parties that have had any material impact on the company's position or earnings.

#### **Note 11 Significant events after the end of the period**

No significant events occurred after the end of the period.

## Matching alternative performance measures

Certain financial metrics presented by Acando in the interim report, which are not defined in accordance with IFRS, are known as alternative performance measures. Acando's considered opinion is that these metrics provide complementary information to investors and the company's management, since they enable the evaluation of trends and the company's performance. Since not all companies calculate financial metrics in the same manner, these metrics are not always comparable with those used by other companies. Therefore, these financial metrics should not be viewed as replacements for metrics defined under IFRS. The definition of performance measures are described in Acando's Annual Report for 2016 on page 75, including the full year figures for 2016. The figures for the period are found in the statements and under the heading Financial position in this report.

## Other definitions

### **Average number of employees**

The total number of employees at the start of the period plus the total at the end of the period divided by two.

### **Growth in local value**

Sales increase relative to comparison period sales, adjusted to changes in exchange rates during the same period weighted by percentage of sales.

### **Net sales per employee**

Net sales for the period divided by the average number of employees.

### **Project assignments**

Projects in which Acando had a higher degree of delivery responsibility for jointly established targets, often associated with close cooperation with the customer. Project assignments do not necessarily involve a higher commercial risk content in the form of a fixed-price assignment.