

Interim report

First quarter [January 1 – March 31, 2017](#)

- > Net sales totaled SEK 621 m (527)
- > Operating profit amounted to SEK 75 m (34)
- > The operating margin was 12.1% (6.4)
- > Profit after tax was SEK 54 m (24)
- > Earnings per share were SEK 0.52 (0.24)
- > Cash and cash equivalents totaled SEK 84 m (78)

Statement by Carl-Magnus Månsson, CEO

Acando's positive trend from 2016 continues with a strong start to 2017. Sales grew in all geographies by a total of 18 percent after adjustment for discontinued operations and profits more than doubled year-on-year. Our ongoing efforts to optimize the capture of customers' needs in terms of more complex transformation projects and expert support for their own organizations contribute to better utilization of resources. We are continuing to package solutions to achieve cost and implementation efficiency, one example of which is Acando's Digital Workplace. We continued to win new customers during the quarter and, in parallel, were rewarded for our innovative packaging when Microsoft raised our partner status.

We increasingly find ourselves in situations where we are working in fully integrated teams, together with our customers, on their core business development with both implementations as well as model and concept development. It is becoming increasingly clear that the divide between understanding customers' and users' behavior, and adapting the application of digital technology is becoming a decisive competitive issue for our customers. Our ability to support and drive issues throughout the flow, from strategic choices to the solution design, complex transformations and moves, is unique, and we are proud of the confidence shown in us by our customers — in terms of creating new opportunities, and in developing and managing existing solutions. Experimenting in digital modern environments becomes a must and there is an important purpose for Acando Digital Innovation Agency Itch.

To ensure we always remain relevant, we develop and expand our offerings geographically and concurrently conduct focused skills development to build entirely new skills or further refine what we already have. During the quarter, we expanded the operations of Acando's digital innovation agency, Itch, to Norway. We have also made significant investments in Advanced Analysis and Machine Learning, where we have won our first assignments in the retail and healthcare segments. In Industrial IoT, we are building a position as both an advisor and system integrator as the internet of things merges with traditional business systems and analytics components. We have also noted strong demand in terms of information security and compliance, not least linked to the EU General Data Protection Regulation (GDPR), where we have a strong offering.

We continue to record successes in many of the industries where we can see that digitalization has a vital role, such as, banking and finance, retail, healthcare and public administration. Our successes include signing new framework agreements with Systembolaget and Region Skåne, and winning framework agreements and a major delivery project with the Norwegian Food Safety Authority.

Our drivers include not only our customers' expectations and needs, but the stimulation and challenges that each of us at Acando provide each other with on a daily basis. We are proud that Acando Germany won the A Great Place to Work award, and that the Group has expanded by a further 54 talented employees during the quarter. At the same time, we need many more who want to challenge and to be challenged.

Significant events during and after the quarter

On March 1, Acando Itch started operations in Norway. Itch is a digital design and innovation agency that was started by Acando in 2016 with one office in Stockholm and now another in Oslo. Based on user experience and new innovative technology, Itch provides services ranging from consultancy and service design, to visualization and prototyping.

Acando in Norway has won a framework agreement for the development and maintenance of the Norwegian Food Safety Authority's control system. The Norwegian Food Safety Authority (Mattilsynet) has awarded Acando, together with another partner as subcontractor, an agreement for the development and maintenance of new control solutions in line with the agency's objectives for the period until 2020. The Food Safety Authority will undergo a major digitalization process and wants an overall view of future development and administration of its new solutions. The key components for the agency are how users can best conduct their work duties, protect data and system safety, as well as how this impacts the agency's portfolio and architecture. The agreement is valued at NOK 150–200 million and applies for an initial period of three years and is maximized at six years.

During the quarter, Acando Sweden won a framework agreement with Systembolaget. The agreement covers services for IT and business development, and applies to consulting support and digitalization and IT architecture services. Acando's business concept is, in partnership with its customers, to increase business value by enhancing and streamlining processes, and unleashing creativity and collaboration in organizations through new digital solutions and tools. The agreement applies for a two-year period with a possibility to extend for a further year.

Acando has signed a framework agreement with Region Skåne (RS) for consulting services covering operations, organization, production and financial control. The agreement covers four areas of consulting services: Health and medical care, Technical medical services, Public transport and Other operations. Acando has excellent capacity and specific know-how from extensive assignments in the health and medical care sectors and from other county council operations linked, among other things, to digitalization, e-health and innovation.

Acando has strengthened its position as one of the leading suppliers of Office365, Sharepoint Online and Sharepoint Server through receiving gold status for "Collaboration and Content" and "Small and Midmarket Cloud Solutions." Over the last few years, Acando has delivered collaborative solutions based on Microsoft Sharepoint, to several large customers. Many of the deliveries are based on the Acando Collaboration Platform (ACP), which is a solution that provides customers with a flexible digital workplace. ACP is a collaboration platform based on Sharepoint and Office 365, and can be adapted to different types of corporate needs with the aid of the latest technology. Through achieving gold status for "Small and Midmarket Cloud Solutions," Acando has proved that it is a leading Office 365 supplier to the Norwegian SME market.

Acando Germany won Great Place to Work® awards in the competition's "Best Employer in Germany 2017" "Best Employer in ITC 2017" categories. This is a seal of quality for companies that offer their employees a particularly attractive corporate culture. Acando achieved placings among the top employers in both competitions the first time that it entered the competition.

Business activities

Introduction

Acando is a consulting company whose business concept is, in partnership with its customers, to create business value through innovation and by enhancing and streamlining processes, organizations and digital solutions as well as products and services. We stand out due to our ability to combine skills in strategy and business operations with sound technical expertise, insight into user behavior and deep understanding of how organizations and change function.

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:

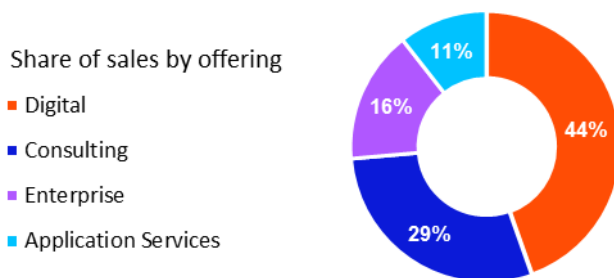
Digital guides customers and realizes solutions linked to digital innovation and transformation. Projects are driven by a combination of digital business understanding and deep technical know-how in solutions based on modern technology and platforms. The area has substantial growth potential and Acando 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 add 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 and Dynamics AX. 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.

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 drive 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 that is driven by a 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 driving the need for more advanced digital platforms. Given historically low oil prices, a declining propensity for investment has been noted in the oil and gas segment. Acando has extensive experience and a strong position with several of northern Europe's largest energy companies and 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.

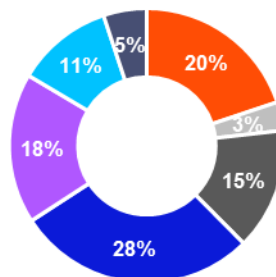
The health care segment remains at an early stage of implementing digitalization. Investments are focused on efficient information management, new methods with clear digital components and a greater degree of digital interaction. Acando aims to capture a leading role and has a number of key assignments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



First quarter market trend

Demand remained healthy in Sweden through the start of 2017. All regions in Sweden trended positively driven by the 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 decline in the willingness to invest in oil-related sectors, thus resulting in increasing competition for available assignments. 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

First quarter January–March 2017

Net sales and operating profit before amortization and impairment of intangible assets (EBITA) for Q1 2017 are shown in the table below:

SEKm	Net sales		EBITA		EBITA margin.	
	2017	2016	2017	2016	2017	2016
Sweden	401.4	366.4	54.4	28.7	13.6%	7.8%
Norway	116.9	85.5	12.2	8.4	10.4%	9.8%
Germany	102.8	82.2	15.0	6.3	14.6%	7.6%
Discontinued operations	-	3.1	-	-3.9	neg.	neg.
Group adjustments	-0.3	-10.2	-6.7	-5.5	-	-
Total	620.8	527.0	74.9	34.0	12.1%	6.5%

Consolidated net sales for the quarter amounted to SEK 621 m (527). EBITA was SEK 75 m (34), corresponding to a margin of 12.1 percent (6.5).

Earnings were up year-on-year, partly due to the year starting with significantly improved utilization rates in all geographies compared with the start of 2016, but also due to the positive calendar effect of Easter being in the second quarter this year compared with the comparative period. The increase in working days during the period was assessed as impacting sales by 5 percent. Growth in local currency was 12.5 percent.

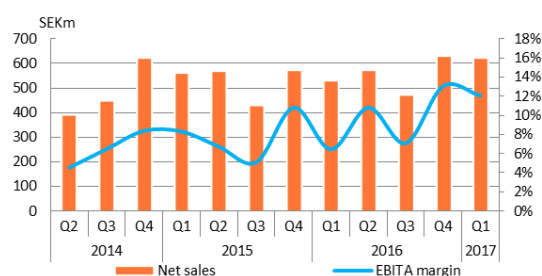
Consolidated profit after tax totaled SEK 54 m (24). Earnings per share after dilution amounted to SEK 0.52 (0.24).

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.

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 area of Gothenburg continued to trend extremely favorably and Stockholm posted a positive trend with increasing profitability and growth. The Malmö region and Västerås also trended positively during the quarter, driven by established and new customers.

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. The importance of realizing new opportunities in the existing context is crucial and is driving high demand for services in architecture, integration, and IT governance and transformation. Large digital transformation programs are being driven in sectors including, retail, industry, and banking and finance, and where Acando often comprises a natural partner due to the breadth of our offering. During the quarter, Acando has won expanded and new assignments in which the focus is on implementations in complex environments, from support with the strategic design of the digital agenda and its consequences, to support with the structured implementation and the consequences for the existing environment and organization. The number of full-service assignments in the retail sector is growing and encompasses everything from solutions definitions to working with customer insights and the entire concept. The area is growing rapidly across a number of skills areas. Examples of new and expanded assignments in the area include a digital transformation project at a bank and a digital strategy definition for a mining company.

In the retail segment, Acando continues to win new customers in parallel with assignment volumes growing within the existing customer base. Altogether, the retail segment is the fastest growing segment in Sweden, and one where Acando's capacity to act as advisor and a turnkey supplier for digital channels, store solutions and the entire supply chain places us in a unique position. During the quarter, Acando has, among other things, won new assignments regarding the pricing strategy for a drugstore chain, a business system based on Microsoft AX for a smaller clothing company and several expanded assignments at major customers. To further showcase our expertise, Acando released the results of its study of the effects of loyalty programs, an area where Acando has captured a strong position with the aim of creating the most effective programs.

The Digital Workplace area based on Acando's ACP platform continued to grow through new customers during the quarter and, at the same time, solutions were expanded through the addition of more functions and add-ons. New customers represented several industries and operations with high requirements in terms of data exchange between employees.

The Dynamics 365 area, 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.

In SAP, dialogs continue regarding the modernization and linking of traditional business systems together with new digital capabilities in terms of products, services and operating processes. Demand is also satisfactory in the SAP area and utilization rates, which are driven by the existing customer base and administration, are healthy.

Advanced data analysis continues to be a strong growth area with several interesting applications. During the quarter, Acando's Analytics operations won several smaller projects where our customers are testing completely new ways of processing and using existing information.

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 had a negative effect on utilization rates during the quarter in parallel with a 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.

During the quarter, Acando's digital innovation agency, Itch, started operations in Norway with a focus on digital innovation and exceptional user experiences.

The market remains healthy and demand is expected to stay unchanged throughout the year. Acando's holds a strong position in the public sector with a broad framework agreement portfolio that allows expertise-driven and project assignments. Further evidence of Acando's position comprises the capture of the Norwegian Food Safety Authority project, where Acando will develop, modernize and digitize systems for inspection and controls, which will then be administered.

Acando's focus on packaged solutions and cloud-driven transformation has continued to progress well, and was confirmed with the award of higher partner status with Microsoft. Over the last few years, Acando has delivered collaborative solutions based on the Acando Collaboration Platform (ACP), which is a solution that provides customers with a flexible digital workplace. ACP is a collaboration platform based on Sharepoint and Office 365, and can be adapted to different types of corporate needs with the aid of the latest technology. Through achieving gold status for "Small and Midmarket Cloud Solutions," Acando has proved that it is a leading Office 365 supplier to the Norwegian SME market.

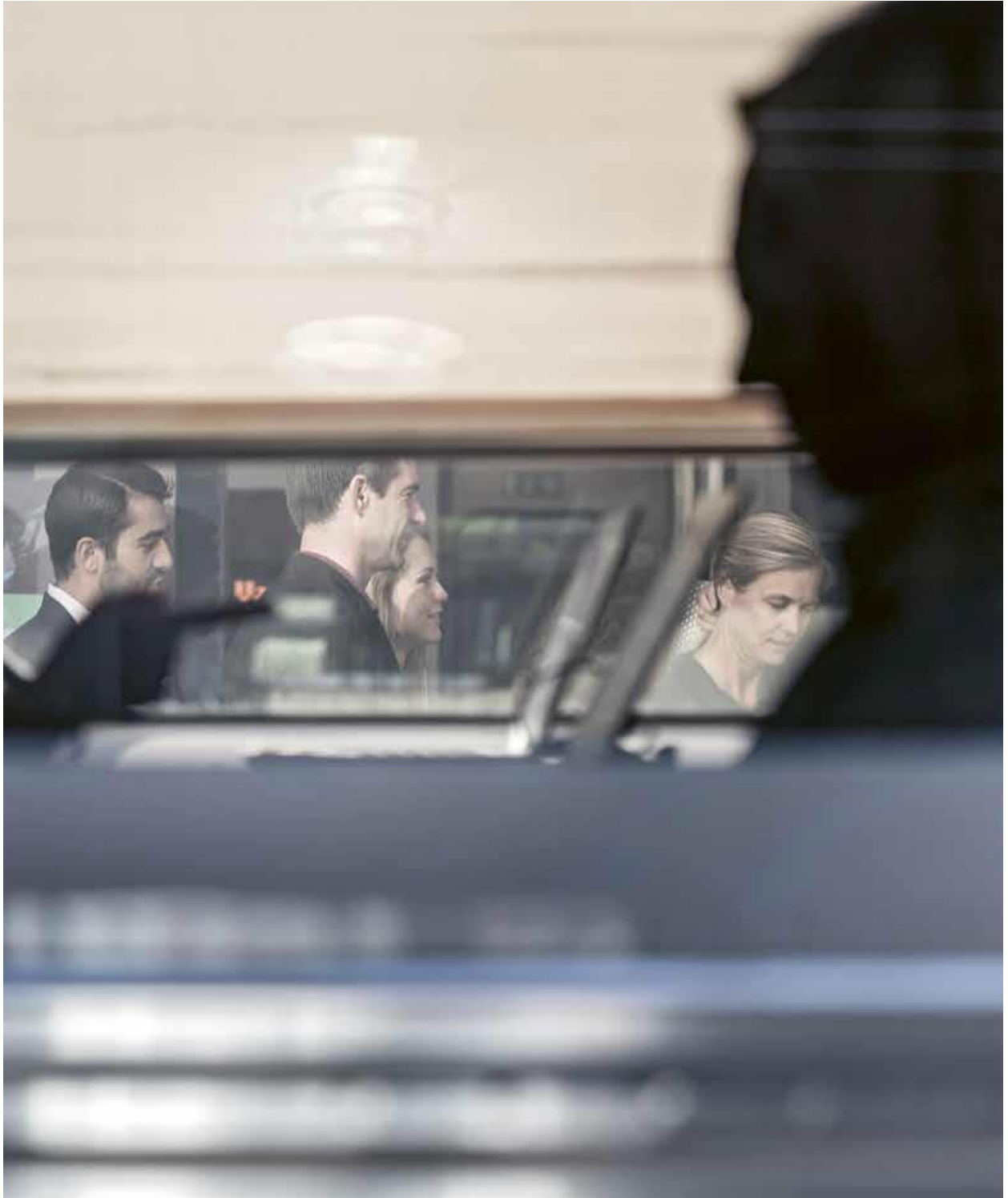
Germany

Operations in Germany continue to develop with healthy profitability and growth, and where positive trends were reported for all geographies. Earnings were positively impacted by healthy utilization rates at the start of the year compared with the preceding year. 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.

The automotive industry, banking and finance, telecommunications and the retail industry are experiencing healthy growth and, during the quarter, existing customers in these segments continued to expand. In parallel, through a tailored portfolio of offerings focused on digital transformation, Acando has won several new customers during the quarter in both the public and private sectors. With strong positions in several basic skills, such as agile development methods, cloud transformation and mobile solutions — Acando is a relevant partner.

Acando's position was further strengthened as a supplier of web and portal solutions through the acquisition of Brickmakers. During the quarter, Acando was assigned responsibility for leading certification and quality control for all mobile applications for a leading, premium segment, automobile manufacturer.

Recruitment is ongoing at a high pace and, during the quarter, Acando was nominated for the first time and won an award as "A Great Place to Work," which confirms Acando's position as an attractive employer.



Financial information

Financial position

Acando has a strong financial position with an equity/assets ratio of 69 percent (68). Consolidated cash and cash equivalents amounted to SEK 84 m (78) at March 31, 2017. In addition, the Group has unutilized overdraft facilities of SEK 180 m (180), of which SEK 3 m (29) were utilized at March 31, 2017.

SEK m	Mar 31 2017	Mar 31 2016	Change	Dec 31 2016
Cash & cash equivalents	84	78	6	99
Interest-bearing short-term debt	-29	-27	-2	0
Interest-bearing long-term debt ¹⁾	-28	-54	26	-42
Net cash	27	-3	30	57
Unutilized overdraft facility	177	153	24	67
Equity/assets ratio	69%	68%	2%	66%

1) Interest-bearing debt applies to pension commitments of SEK 28 m.

Cash flow

Total cash flow in Q1 2017 was SEK 13 m (neg: 16). Cash flow from operating activities of SEK 39 m (neg: 7) comprised positive cash flow from operations of SEK 72 m (32) and a negative change in working capital of SEK 33 m (neg: 40).

Cash flow from investment activities amounted to a negative SEK 12 m (neg: 2) and pertained mainly to investments in customary IT and office equipment.

Cash flow from financing activities amounted to a negative SEK 14 m (neg: 7), and pertained to debt amortization.

SEK m	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Cash flow from:				
Operating activities	39	-7	46	124
Investment activities	-12	-2	-10	-14
Financing activities	-14	-7	-7	-140
Total cash flow	13	-16	29	-30
Cash and cash equivalents at the beginning of the period	72	93	-21	93
Translation difference in cash and cash equivalents	-1	1	-2	9
Cash and cash equivalents at the the end of period	84	78	6	72

Tax

The Group recognized a tax expense of SEK 20 m (10). This recognized tax expense corresponded to a tax rate of 27.2 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 Q1 2017 was SEK 11 m (4). 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 March 31, 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 2016 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 2017 AGM.

On March 31, 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 2016 AGM.

Share-savings programs

The 2016 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 2016/2019 share-savings program is structured similarly to the share-savings programs that were adopted by the 2014 and 2015 AGMs. Based on the fulfillment of specific performance criteria related to Acando's earnings per share before tax and after dilution for the 2016–2018 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.

The 2015 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 2015/2018 share-savings program is structured similarly to the share-savings programs that were adopted by the 2013 and 2014 AGMs. Based on the fulfillment of specific performance criteria related to Acando's earnings per share before tax and after dilution for the 2015–2017 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.

In connection with the acquisition of Connecta in the preceding year, an Extraordinary General Meeting in July 2014, resolved to implement an additional share-savings program for a maximum of 30 senior executives and other key personnel employed by the Acando Group. This was primarily directed at employees of Connecta with holdings in Connecta AB's previous share-savings program. The 2014/2017 share-savings program II is structured similarly to Acando's share-savings program that was adopted by the 2014 AGM. Based on the fulfillment of specific performance criteria related to Acando's earnings per share after tax and after dilution for the 2014–2016 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.

The 2014 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 2014/2017 share-savings program is structured similarly to the share-savings programs that were adopted by the 2012 and 2013 AGMs. Based on the fulfillment of specific performance criteria related to Acando's earnings per share after tax and after dilution for the 2014–2016 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.

These are the four share-savings programs outstanding in Acando as of March 31, 2017.

Employees

The number of employees at the end of the quarter was 1,752 (1,598). Of these, 1,070 (1,056) were in Sweden, 367 (301) in Germany, 242 (192) in Norway and 73 (67) in Other countries. The average number of employees in Q1 2016 was 1,725 (1,671).

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 22.

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–March 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, May 4, 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

Mats O Paulsson

Board member

Anders Skarin

Board member

Alf Svedulf

Board member

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Upcoming reporting dates

REPORTING DATES

Interim report January–June 2017	August 17, 2017
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 May 4, 2017 at 13:00 p.m. (CET).

www.acando.com

Ticker: ACAN

Acando is a consulting company whose business concept is, in partnership with its customers, to create business value by enhancing and streamlining processes, organizations and digital solutions. We stand out due to our ability to combine skills in strategy and business operations with sound technical expertise and deep understanding of how organizations function. 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	Jan-Mar 2017	Jan-Mar 2016	Apr 2016- Mar 2017	Jan-Dec 2016
Net sales		621	527	2 300	2 206
Other operating income		0	0	4	4
Total income		621	527	2 304	2 210
Operating expenses					
Other external expenses		-124	-120	-496	-492
Personnel expenses		-419	-371	-1 542	-1 494
Depreciation of tangible assets		-3	-3	-13	-12
Amortization of intangible assets		0	0	-2	-2
Operating profit		75	34	251	210
Profit from financial items					
Financial income	8	0	1	22	22
Financial expenses		-1	-1	-3	-3
Profit after financial items		74	34	270	230
Taxes on profit for the year		-20	-10	-60	-50
Net profit for the period		54	24	210	180
Of which, attributable to shareholders of Acando AB (publ.)		54	24	210	180
Earnings per share					
Before dilution, SEK		0,53	0,24	2,04	1,75
After dilution, SEK		0,52	0,24	2,01	1,72
Average number of shares before dilution		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	104 407 419
Number of shares outstanding at end of period					0
before dilution		102 865 419	102 865 419	102 865 419	102 865 419
Number of shares outstanding at end of period					0
after dilution		104 407 419	102 865 419	104 407 419	104 407 419

Treasury shares are not included in the number of shares above. At March 31, 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	Jan-Mar 2017	Jan-Mar 2016	Apr 2016- Mar 2017	Jan-Dec 2016
Net profit for the period		54	24	210	180
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Pension liabilities, actuarial gains on liabilities		0	-	-6	-6
Income tax pertaining to items in other comprehensive income		0	-	1	1
Total items that will not be reclassified subsequently to profit or loss		0	-	-4	-4
Items that may be reclassified subsequently to profit or loss					
Change in accumulated translation differences		-2	4	12	18
Total items that may be reclassified subsequently to profit or loss		-2	4	12	18
Other comprehensive income for the period, net after tax		-2	4	7	14
Comprehensive income for the period		52	28	217	194
Attributable to:					
Parent Company's shareholders		52	28	217	194

CONSOLIDATED BALANCE SHEET

(SEK m)	Note	Mar 31 2017	Mar 31 2016	Dec 31 2016
Non-current assets				
<i>Intangible assets</i>				
Goodwill	4	984	971	986
Other intangible assets		4	4	4
<i>Tangible assets</i>				
Tangible assets		30	18	20
<i>Financial assets</i>				
Deferred tax assets ¹⁾		8	23	9
Other non-current financial assets		5	11	5
Total non-current assets		1 031	1 026	1 025
Current assets				
Accounts receivable		534	441	537
Other receivables		7	11	9
Current tax assets		4	2	3
Prepaid expenses and accrued income		95	70	56
Cash and cash equivalents		84	78	72
Total current assets		724	602	678
Total assets		1 755	1 628	1 703
Equity				
Share capital	5	144	144	144
Other capital contributions		740	740	740
Reserves		-25	-36	-22
Retained earnings including profit for the period		346	259	290
Total equity		1 205	1 106	1 152
Liabilities				
Non-current liabilities	6	37	55	37
Current liabilities	6	513	466	514
Total liabilities		550	521	551
Total equity and liabilities		1 755	1 628	1 703

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		
Opening balance at January 1, 2016		144	739	-40	235	0	1 078
Profit for the period		-	-	-	24	-	24
Other comprehensive income for the period		-	-	4	-	-	4
Total comprehensive income for the period		-	-	4	24	-	28
Incentive programs		-	-	-	-	-	-
Closing balance at March 31, 2016		144	739	-36	259	-	1 106
Profit for the period		-	-	-	156	0	156
Other comprehensive income for the period		-	-	14	-4	1	10
Total comprehensive income for the period		-	-	14	151	1	165
Dividend* paid to Parent Company shareholders		-	-	-	-123	-	-123
Incentive programs		-	-	-	3	-	3
Closing balance at December 31, 2016		144	739	-22	290	1	1 151
Profit for the period		-	-	-	54	-	54
Other comprehensive income for the period		-	-	-2	0	-	-2
Total comprehensive income for the period		-	-	-2	54	-	52
Incentive programs		-	-	-	1	-	1
Closing balance at March 31, 2017		144	739	-25	346	1	1 205

* Dividends payable on ordinary shares

CONSOLIDATED CASH-FLOW STATEMENT

(SEK m)	Note	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Operating activities				
Profit after financial items		74	34	230
Adjustment for items not included in the cash flow		6	1	-15
Income tax paid		-8	-2	-17
Cash flow from operating activities before changes in working capital		73	32	197
Net change in working capital		-34	-40	-73
Cash flow from operating activities		39	-7	124
Cash flow from investment activities		-12	-2	-14
Cash flow from financing activities		-14	-7	-140
Cash flow for the period		12	-16	-30
Cash and cash equivalents at the beginning of the period		72	93	93
Exchange-rate differences in cash and cash equivalents		-1	1	9
Cash and cash equivalents at the end of the period		84	78	72

OPERATING SEGMENTS

(SEK m)	Note	Sweden	Germany	Norway	Discontinued Operations	Total	Group adjustment	Group total
Jan-Mar 2017								
Net sales		401	103	117	0	621	0	621
Operating profit		55	15	12	0	82	-7	75
Financial income								0
Financial expenses								-1
Profit after financial items								74
Taxes								-20
Net profit for the period								54
Jan-Mar 2016								
Net sales		367	82	85	3	538	-10	527
Operating profit		29	6	8	-4	39	-5	34
Financial income								1
Financial expenses								-1
Profit after financial items								34
Taxes								-10
Net profit for the period								24
Apr 2016-Mar 2017								
Net sales		1 520	393	394	0	2 307	-6	2 300
Operating profit		190	52	39	0	281	-30	251
Financial income								0
Financial expenses								-10
Profit after financial items								219
Taxes								-52
Net profit for the period								167
Jan-Dec 2016								
Net sales		1 486	372	362	3	2 223	-16	2 207
Operating profit		164	43	35	-4	238	-28	210
Financial income								1
Financial expenses								-10
Profit after financial items								179
Taxes								-42
Net profit for the period								137

Financial items and tax are not allocated by segment

KEY RATIOS

(SEK m)	Note	Jan-Mar 2017	Jan-Mar 2016	Jan-Mar 2017	Jan-Dec 2016
Result					
Net sales		621	527	2 300	2 206
Operating profit (EBIT)		75	34	251	210
Net profit for the period		54	24	210	180
Margins					
Operating margin (EBIT), %		12,1	6,4	10,9	9,5
Profit margin, %		12,0	6,4	11,7	10,4
Profitability					
Return on capital employed, %		6	3	22	20
Return on equity, %		5	2	18	16
Financial position					
Equity/assets ratio, %		69	68	69	68
Interest coverage ratio, multiple		104	48	96	82
Per share					
Equity per share, SEK		11,54	10,75	11,54	11,02
Cash flow per share, SEK		0,12	-0,15	-0,02	-0,29
Earnings per share after dilution, SEK		0,52	0,24	2,01	1,72
Employees					
Number of employees at end of the period		1 752	1 598	1 752	1 698
Average number of employees		1 725	1 671	1 675	1 721
Net sales per employee, SEK thousands		360	315	1 373	1 282
Investments					
Net investments	6	11	4	40	33

PARENT COMPANY INCOME STATEMENT

(SEK m)	Note	Jan-Mar 2017	Jan-Mar 2016	Apr 2016- Mar 2017	Jan-Dec 2016
Net sales		21	18	93	90
Total income		21	18	93	91
Operating expenses					
Other external expenses		-12	-12	-47	-46
Personnel expenses		-4	-4	-22	-22
Amortization/deprication and impairment of intangible and tangible assets		0	0	-1	-1
Operating profit		3	1	16	13
Profit from financial items					
Other interest income and similar items	8	0	1	43	44
Interest expenses and similar items		-1	0	-2	-2
Profit/loss after financial items		3	1	56	55
Taxes on profit for the year		-1	0	-5	-5
Net profit/loss for the period		2	1	51	50

PARENT COMPANY BALANCE SHEET

(SEK m)	Note	Mar 31 2017	Mar 31 2016	Dec 31 2016
Non-current assets				
<i>Intangible assets</i>				
Other intangible assets		3	3	3
<i>Tangible assets</i>				
Tangible assets		18	11	10
<i>Financial assets</i>				
Financial assets		1 406	1 393	1 405
Total non-current assets		1 426	1 408	1 417
Current assets				
Receivables from Group companies		18	34	14
Accounts receivable		0	0	0
Other receivables		0	0	0
Prepaid expenses and accrued income		12	10	3
Cash and cash equivalents		0	29	0
Total current assets		29	73	17
Total assets		1 456	1 481	1 434
Equity				
Share capital	5	144	144	144
Statutory reserve		110	110	110
Share premium reserve		632	632	632
Retained earnings including profit for the period		248	316	245
Total equity		1 134	1 202	1 131
Liabilities				
Long-term liabilities		0	26	6
Liabilities to Group companies		270	190	242
Current liabilities		51	65	56
Total liabilities		322	279	304
Total equity and liabilities		1 456	1 481	1 434

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 2015 Annual Report.

Note 4 Goodwill

Compared with 2016, goodwill increased by a total of SEK 13 m. Of this amount, SEK 6 m pertained to the acquisition of Brickmakers in the Germany segment implemented in the fourth quarter of 2016, the remainder was attributable to currency effects.

Note 5 Equity

At March 31, 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 took place in 2016. The total number of treasury shares thus amounted to 1,542,000 Series B shares as of March 31, 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 513 m, SEK 27 m represents interest-bearing short-term debt in the form of utilized credit of SEK 3 m and the current portion of acquisition loans of SEK 24 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.

Key performance measures

Debt/EBITDA ratio

Interest-bearing net debt divided by EBITDA calculated as rolling 12-months' earnings before amortization, depreciation and impairment. Earnings are corrected for nonrecurring costs.

Growth

Sales growth in relation to the preceding year's sales. This metric is used to monitor year-on-year growth.

Organic growth

Sales growth excluding currency effects, acquisitions and divestments. This metric is used to monitor underlying growth that is driven by volume, price and project-mix changes for comparable units between different periods.

Operating margin

Operating profit divided by net sales.

Operating margin before goodwill impairment

EBITA as a percentage of net sales. The operating margin is a key component, together with sales growth, for monitoring value creation.

Operating profit before goodwill impairment

Operating profit before amortization of intangible assets, also known as EBITA. EBITA provides a compiled image of total earnings generated by operating activities.

Operating profit (EBIT)

Operating profit is calculated as earnings before financial items and tax. EBIT provides an image of total earnings generated including amortization and depreciation of tangible and intangible assets.

Other performance measures

Capital employed

Equity plus interest-bearing liabilities. Average capital employed has been calculated as opening plus closing capital employed divided by two.

Cash flow per share

Cash flow for the year divided by the weighted average number of shares during the period after dilution with outstanding warrants, share-savings programs and convertible rights. Treasury shares are excluded.

Earnings per share*

Net profit for the period for continuing operations divided by the weighted average number of shares during the period after dilution with outstanding warrants, share-savings programs and convertible rights. Treasury shares are excluded.

EBITA

Earnings after depreciation but before impairment and amortization of intangible assets such as goodwill.

EBITDA

Earnings before depreciation and amortization.

Equity/assets ratio

Equity on the closing date divided by total assets.

Equity per share

Equity on the balance-sheet date divided by the number of shares at year-end after dilution with outstanding warrants, share-savings programs and convertible rights. Treasury shares are excluded.

Interest-coverage ratio

Profit after financial items plus interest costs divided by interest expenses.

Net debt

Cash and cash equivalents on the balance-sheet date less all interest-bearing liabilities.

Net investments

Closing balance of tangible and intangible assets minus the opening balance with any depreciation, amortization and impairment less any write-ups added.

Profit margin

Profit before tax divided by net sales.

Return on capital employed

Profit after financial items with reversal of interest expenses, divided by average capital employed.

Return on equity

Profit after tax divided by average equity. Average equity is calculated as the sum of equity on the opening and closing dates, divided by two.

* The ratio is defined in accordance with IFRS.

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.

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.