

Interim report

Third quarter, July 1–September 30, 2017

- > Net sales totaled SEK 518 m (469)
- > Operating profit amounted to SEK 27 m (33)
- > The operating margin was 5.2% (7.0)
- > Profit after tax was SEK 17 m (28)
- > Earnings per share were SEK 0.17 (0.27)

Accumulated, January 1–September 30, 2017

- > Net sales totaled SEK 1,753 m (1,573)
- > Operating profit amounted to SEK 157 m (128)
- > The operating margin was 8.9% (8.2)
- > Profit after tax was SEK 113 m (113)
- > Earnings per share were SEK 1.09 (1.09)
- > Cash, cash equivalents totaled SEK 59 m (68)

Statement by Carl-Magnus Månsson, CEO

We continue to grow and posted growth of just over 10 percent in the first nine months of the year in parallel with growing our earnings by 23 percent. At the end of Q3, we have 100 more employees in Sweden than at the start of the quarter, we have more than 400 employees in Germany and we are approaching 300 employees in Norway. Altogether, we now number 250 consultants more than at the start of the year and 150 more than at the start of Q3. The considerable influx of new employees negatively impacted the quarter's earnings, however, all geographies reported rising utilization rates and increasing demand in all skills areas driven by innovation, digitalization and completely new applications for integrated technology in services and products.

During the quarter, we entered into an agreement to acquire the Norwegian company Bitvis, which focuses on advanced software development services. The acquisition is part of our aim to build a strong chain from built-in and software-defined product properties, and IoT-based solutions to advanced analytics and machine learning. The acquisition of Bitvis means we create a very unique combination of capabilities that enable entirely new functions, from data collection via pre-processing data to advanced algorithms where Bitvis's capability in advanced software design comprises a crucial component.

We have also established the Acando Business Design Studio — where customer, technology and strategy perspectives meet. The add-on acquisitions of Daytona and Transformator Design mean we are now a leader in the creation of exceptional customer experiences and hold 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.

In pace with ever accelerating development; new regulatory and security-related requirements are also being stipulated. Acando's fastest growing skills area is Security and Compliance, where the Group now has some one hundred employees. This includes skills in everything from cyber security to the General Data Protection Regulation (GDPR), and all focused on safe and correct information management. Acando's GDPR offering focuses on combining regulatory compliance with long-term sustainable information architecture, and we already have some 40 customers, from small start-ups to global conglomerates.

We believe the world will increasingly be driven by technology but that understanding of human behavior will always be key to creating the best solutions. It's what we are — Technology Driven and Behavior Centric.

Significant events during and after the quarter

Acando has won an assignment to create a modern mobile-friendly interface for a market-leading poultry producer. The new interface will strengthen the producer's market position and simplify communication with poultry farmers. Instead of communicating by e-mail and telephone as before, communication will now be through a modern, mobile-friendly interface.

Acando 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.

Acando won an award in 2017 as a Microsoft partner. Acando won the prize for the most innovative solution category with the commendation: "The winner has completed many successful projects in which it has used creative solutions to help customers through their digital transformation. Achievements include helping a customer to reduce food wastage by using Azure, Power BI and machine learning. For another customer, machine learning has been used to identify which tenders to respond to and, in another case, a solution has been prepared to determine which pneumonia patients are at risk of the illness escalating." In 2017, Acando received the Sweden Partner of the Year award, joined the Microsoft Inner Circle and has now received the prize for the most innovative solution of the year.

Acando has won an assignment to assist a Swedish employers' organization with adapting to the new EU General Data Protection Regulation (GDPR). The organization manages large amounts of personal data and to protect their position, they want to pre-empt the Swedish Data Protection Authority's and supervisory bodies' controls, and to ensure compliance with the GDPR and adequate risk exposure as well as to make sure that personal integrity remains intact. In the first stage, Acando is delivering a fundamental analysis and verification of the situation vis-à-vis personal data, and will provide recommendations regarding protective measures within IT and business processes as well as assist with ongoing information and support for operations.

One of Sweden's largest retailers has enlisted Acando's help in applying more agile working methods. The retail market is currently undergoing massive change, with many new companies in the sector. Larger retailers have to be fleet of foot to meet the competition and to retain their positions. The company is a market leader and has strong financials but competition is intensifying as low-price companies, e-commerce and traditional competitors capture larger shares of the market. Therefore, creating better conditions to leverage internal resources and to deliver more impact to stores and to do that faster will prove decisive. A key element of the change regards the customer's desire for a more agile method of working. This will in turn lead to an increased in-store impact and a shorter time-to-market. This will also lead to improved conditions for employees and boost motivation and commitment.

Acando has won the assignment to help the newspaper publisher Albinsson & Sjöberg in their transition toward a more digital media industry. The assignment includes digitalizing the publisher's operations and assisting ahead of digital transformation. In parallel with strategic issues, Acando also supports digital

issues pertaining to operations in the company, such as the best method for communicating by newsletters and how to optimize e-commerce operations.

Acando acquired the two companies Transformator Design and Daytona on September 1. Together with Acando's own operations, offerings within strategy, design, technology, innovation, change management and communication are being created. Through these acquisitions, Acando gained 60 additional 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.

All of the shares in the Norwegian company Bitvis AS were acquired after the end of the period. Bitvis is a design center for FPGA and embedded software development. The company provides highly specialized development services to a broad spectrum of customers from start-ups, to major companies in the electronics industry. Bitvis is involved in many prestigious projects within space, defense, offshore, telecommunications, avionics, radar systems, multimedia devices, industrial applications and healthcare. Bitvis has also developed unique tools, intellectual property, in the form of simulation software for field-programmable gate array (FPGA) verification. Through the acquisition, Acando strengthens its digital transformation offering. Everything related to Industry 4.0 requires deep technological know-how, and the acquisition of Bitvis forms a key step in assisting our clients within IoT, embedded software and FPGA (programmable digital logic). The combination of Acando's expertise in management consulting, advanced analytics, machine learning and AI, will create a unique technology environment in the Norwegian market. The new operations will be consolidated into the Acando Group from October 1, 2017.

After the end of the period, Acando Norway and partners won a framework agreement with the Norwegian Coastal Administration (NCA) for the development of information solutions for maritime data. The agreement includes traditional business intelligence as well as more advanced analysis solutions and algorithms.

After the end of the period, Acando won an assignment to support a major Swedish bank with ensuring compliance with new EU requirements. On January 3, 2018, MiFID II will enter force. MiFID is the acronym for the Markets in Financial Instruments Directive, which is the EU's revised directive and regulation for markets in financial instruments, and regulates securities trading in the EU and ESS. The Regulation on Markets in Financial Instruments (MiFIR) is an accompanying regulation with rules to be applied directly by the member states. The main purpose of the directive is to strengthen investor protection, increase transparency and disclosure in the securities markets and, at the same time, provide regulatory bodies with an improved overview and control. The directive applies to essentially all securities markets participants, and to almost all securities products and asset classes covered by the new regulatory framework. The assignment includes responsibility for leading the program office and communication.

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 1,900 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 relationships with customers. 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:

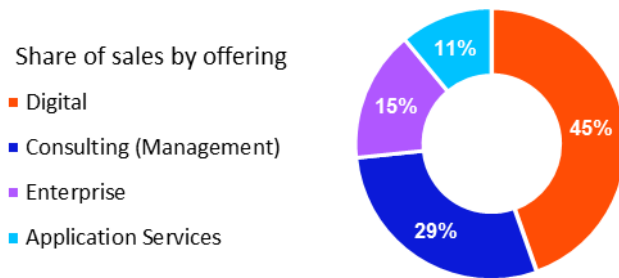
Digital guides customers and realizes solutions linked to digital innovation and transformation. Projects are driven by a combination of digital business understanding and deep technical know-how in solutions based on modern technology and platforms. The area has substantial growth potential and Acando 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 Business Design Studio is part of the operations, whereby customer-centric strategies and digital innovation core elements for creating the best customer experiences.

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.

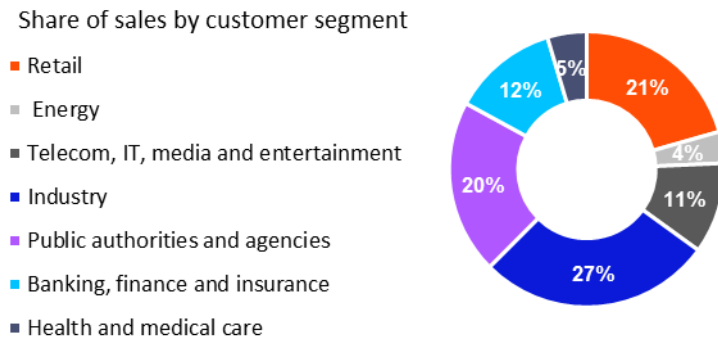
Acando has extensive experience and a strong position with several of northern Europe's largest energy companies as well as a number of smaller local companies.

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 healthcare 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.



Third quarter market trend

Demand has remained healthy in Sweden through 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

Third quarter July–September 2017

Net sales and operating profit before amortization and impairment of intangible assets (EBITA) for Q3 2017 are shown in the table below:

SEKm	Net sales		EBITA		EBITA margin	
	2017	2016	2017	2016	2017	2016
Sweden	317.4	300.6	21.2	24.3	6.7%	8.1%
Norway	92.2	77.4	3.2	3.8	3.4%	5.0%
Germany	108.7	94.2	10.3	11.3	9.5%	12.0%
Discontinued operations	-	-	-	-	-	-
Group adjustments	0.1	-3.7	-7.3	-6.1	-	-
Total	518.3	468.5	27.3	33.3	5.3%	7.1%

Consolidated net sales for the quarter amounted to SEK 518 m (469). EBITA was SEK 27 m (33), corresponding to a margin of 5.3 percent (7.1).

Q3 earnings were negatively impacted by slightly softer utilization rates compared with the year-earlier period, mainly driven by a large influx of new employees during the quarter and a somewhat later than expected start for a number of projects and framework agreement call-offs in Sweden and Norway.

Consolidated profit after tax totaled SEK 17 m (27). Earnings per share after dilution amounted to SEK 0.17 (0.26) and SEK 0.17 (0.27) before dilution.

Accumulated, January–September 2017

Net sales and operating profit before amortization and impairment of intangible assets (EBITA) for Q3 2017 are shown in the table below:

SEKm	Net sales		EBITA		EBITA margin	
	2017	2016	2017	2016	2017	2016
Sweden	1,126.1	1,066.1	125.3	104.0	11.1%	9.8%
Norway	313.6	254.0	20.3	22.3	6.5%	8.8%
Germany	313.1	263.0	32.9	25.0	10.5%	9.5%
Discontinued operations	-	3.1	-	-3.9	neg.	neg.
Group adjustments	-0.2	-13.3	-20.6	-18.6	-	-
Total	1,752.6	1,572.9	157.8	128.8	9.0%	8.2%

Consolidated net sales amounted to SEK 1,753 m (1,573). EBITA was SEK 158 m (129), corresponding to a margin of 9.0 percent (8.2).

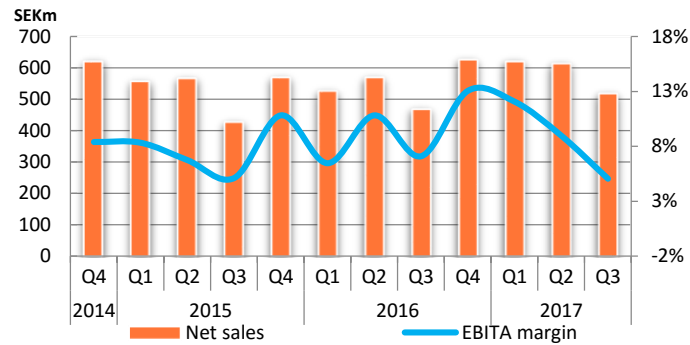
Consolidated profit after tax totaled SEK 113 m (113). Earnings per share after dilution amounted to SEK 1.08 (1.10) and SEK 1.09 (1.09) before dilution.

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 traditional industries and new segments have a notable need to understand and realize digital opportunities.

The quarter was marked by a large influx of new employees and the integration of the acquired operations of Daytona and Transformator Design. The customary seasonal variations were amplified by the influx and due to the acquired operations having larger seasonal variations. Moreover, August and the start of September saw slightly slower start-ups for planned projects, however the quarter closed with increasing utilization rates.

Acando Business Design Studio was established during the quarter to meet demand from segments that focus on consumers and users, such as the service sector, banking/finance, retailing and the public sector,

where a clear focus is noted on user experiences across all channels, both digital and physical. Studio now also includes the acquisition of Transformator Design and Daytona to complement and strengthen positions in customer-driven strategy, service design and user experience. Acando's compiled capabilities from Transformator Design and Daytona, together with Acando's strategy, transformation and digital development departments as well as Acando's innovation agency Itch comprise a unique full-service offering for customer experiences. The combined operations encompass 160 people from the start and, together comprises Sweden's largest Business Design Studio with offerings in strategy, design, technology, innovation, change management and communication. After just one month, a number of interesting new projects and opportunities were noted in such diverse areas as public service, telecoms, construction, retail, healthcare and the automotive industry. Studio will be gradually expanded geographically, with initial focus on Sweden, before Acando's other markets to thereby meet demand in all Acando's geographies.

Acando's offering to ensure meeting the requirements linked to the EU's new data protection legislation (GDPR) is expanding with new customers in several industries. During the quarter, customers in the medical technology, retail, manufacturing industry, automotive industry, member-based organizations and banks were added to already ongoing projects. Acando now has more than 40 ongoing GDPR projects with customers ranging in size from 50 employees to global companies as well as many more dialogs focused on creating long-term advantage by focusing on simplifying customers' information landscapes linked to meeting legislative requirements.

We have noted strong demand in the Enterprise segment, both in terms of SAP and Microsoft-based platforms. Acando's capacity to complement traditional know-how about core processes in integrated solutions with analytics generates new possibilities for creating value from projects. During the quarter, Acando won several projects based on MS Dynamics CRM linked to deeper customer insights in retail, member organizations and the manufacturing industry. An ever increasing share of these projects manages relationships in B2B defined operations, which shows how traditional retail sector behavior is spreading into other sectors. In SAP, an increasing number of customers are preparing for adaptation to the next generation of SAP S/4. Here Acando's capacity to combine business understanding and change management led projects with deep SAP competence, innovation and know-how in terms of modern user interfaces provides a head start.

Norway

Acando Norway continues to grow, through a continued high pace of recruitment and through the acquisition of Bitvis. 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. In the first half of the year, Acando Norway won several framework agreements, however, the call-off rates from these agreements was lower than expected in Q3, which negatively impacted earnings. In the latter part of the quarter, call-offs were initiated from one of the recently won agreements, which has gradually strengthened utilization rates.

Acando Norway's position as the leading technology consulting company is becoming increasingly strong. By combining Acando's established capabilities in industrial IoT, system architecture and machine learning with the capabilities of Bitvis in embedded systems and advanced software design — a new type of player has been created in the Norwegian market.

One example of a project that Acando has won with a large company in the construction and civil engineering sector aims to create tomorrow's construction methods using modern technology, such as AR, IoT and advanced analysis of large data sets. The solutions span everything from monitoring the curing of

concrete, automated removal of waste material through intelligent transport solutions to monitoring and optimizing temperature and airflow.

The framework agreement won with the Norwegian Coastal Administration also demonstrates the strength of Acando's position in advanced analytics and machine learning. Together with its partners, Acando will deliver a platform that enables analysis and control based on large data sets in real time.

Germany

Operations in Germany continue to grow and all geographies contributed to the positive trend. Acando's ability to attract employees has gradually strengthened and, during the quarter, Acando Germany passed the 400 employees mark through a continued high pace of recruitment, which had a certain negative impact on utilization rates in the quarter.

The market remains healthy and is expected to stay unchanged for the remainder of the year. High demand exists in several of Acando's core areas and is driven by modernization programs in several industry segments. The banking and finance, and retail sectors also noted healthy demand. Both established and new customers contributed to continued growth. New customers are found mainly in the segment under the largest global companies, and were part of Acando's aim of balancing its customer portfolio in terms of both size and industry segment.

During the quarter, Acando Germany won a project at an automobile manufacturer in the premium segment for the integration of accessories and digital interaction in vehicle passenger compartments. The project combines Acando's strong automotive industry position with its capacity to build digital interaction services that are well-suited to the user.

Acando has an ongoing engagement with a bank to develop its digital platform, in terms of both customer-oriented parts of the solution and transaction-related systems.

Acando Germany continues to develop its digital partner offering for both global and local customers. A strong position in services driven by user interaction combined with deep technical know-how creates the prerequisites for growth. Moreover, Acando has growing capacities in new technologies with a focus on robotization, IoT and digitalization of industry.



Financial information

Financial position

Acando has a strong financial position with an equity/assets ratio of 64 percent (66). Consolidated cash and cash equivalents amounted to SEK 59 m (68) at September 30, 2017. In addition, the Group has unutilized overdraft facilities of SEK 180 m (180), of which SEK 82 m (78) was utilized at September 30, 2017.

SEK m	Sep 30 2017	Sep 30 2016	Change	Dec 31 2016
Cash & cash equivalents	59	68	-9	72
Interest-bearing short-term debt	-102	-106	4	-37
Interest-bearing long-term debt ¹⁾	-28	-34	6	-33
Net cash	-71	-72	1	2
Unutilized overdraft facility	98	102	-4	170
Equity/assets ratio	64%	66%	-1%	68%

¹⁾ Interest-bearing debt applies to pension commitments of SEK 28 m (22). At Dec 31, pension commitments amounted to SEK 28 m.

Cash flow

During the first nine months of 2017, total cash flow was SEK 12 m (neg: 35). Cash flow from operating activities was SEK 115 m (38) and comprised positive cash flow from operations of SEK 153 m (126) and a negative change in working capital of SEK 38 m (neg: 88).

Cash flow from investment activities amounted to an outflow of SEK 52 m (outflow: 9), of which SEK 27 m pertained to investments in subsidiaries and the remainder to customary IT and office equipment.

Cash flow from financing activities amounted to an outflow of SEK 75 m (outflow: 65), of which an outflow of SEK 134 m (outflow: 123) pertained to dividends, an outflow of SEK 3 m (outflow: 13) comprised amortization of borrowings and an inflow of SEK 72 m (inflow: 78) pertained to utilization of overdraft facilities.

SEK m	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Cash flow from:				
Operating activities	115	38	77	124
Investment activities	-52	-9	-43	-14
Financing activities	-75	-65	-10	-140
Total cash flow	-12	-35	23	-30
Cash and cash equivalents at the beginning of the period	72	93	-21	93
Translation difference in cash and cash equivalents	-1	10	-11	9
Cash and cash equivalents at the end of period	59	68	-9	72

Tax

The Group recognized a tax expense of SEK 42 m (35) for the first nine months. This recognized tax expense corresponded to a tax rate of 27.1 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 2017 was SEK 89 m (24). SEK 24 m pertained to investments in tangible assets and SEK 65 m pertained to investments in 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 September 30, 2017, the number of shares in Acando amounted to 104,957,419 shares, of which 1,163,048 Series B shares were treasury shares and comprised 1.1 percent of the total number of shares. These treasury shares are expected to be used for future allotment in ongoing share-savings programs.

Authorizations

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. Furthermore, the Board was authorized to decide on the new issue of shares to be used for funding company acquisitions. The authorization to issue new shares is limited to a maximum of 10 percent of all shares outstanding in the company and applies in combination with the above authorization. The authorization is valid until the 2018 AGM.

No buy-back of treasury shares was implemented on the back of this authorization. In conjunction with the acquisition of Transformator Design, the Board exercised its authority and the acquisition was partly financed with 550,000 Series B shares.

Share-savings programs

At September 30, 2017, Acando had three share-savings programs outstanding. Two previous programs have closed in 2017 (2014/2017 and 2014II/2017) and, accordingly, 378,952 shares were distributed from treasury shares to the program participants. Details of the 2015/2018 and 2016/2019 programs are given in Acando's 2016 annual report on page 59.

The 2017 AGM resolved to implement a new 2017/2020 share-savings program for a maximum of 50 senior executives and other key personnel employed by the Acando Group. The 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 1,941 (1,660). Of these, 1,169 (1,062) were in Sweden, 410 (318) in Germany, 284 (209) in Norway and 79 (69) in Other countries. The average number of employees in Q3 2017 was 1,864 (1,708).

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.

Assurance by the Board of Directors

The Board of Directors and the President provide their assurance that the interim report for January–September 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, October 27, 2017

Acando AB (publ.)

Ulf J Johansson

Chairman

Carl-Magnus Månsson

President and CEO

Caroline af Ugglas

Board member

Lena Eliasson

Board member

Magnus Groth

Board member

Anders Skarin

Board member

Alf Svedulf

Board member

Mija Jelonek

Employee representative

Åsa Lindström

Employee representative

Review report

Acando AB (publ.)

Corp. Reg. No. 556272-5092

Introduction

We have reviewed the condensed interim financial information (interim report) of Acando AB (publ) as of September 30, 2017 and the nine-month period then ended. The Board of Directors and the President are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act, regarding the Group, and with the Annual Accounts Act, regarding the Parent Company.

Stockholm, October 27, 2017

KPMG AB

Helena Arvidsson Älgne

Authorized Public Accountant

Upcoming reporting dates

Reporting dates

Year-end report 2017	February 8, 2018
2018 AGM	April 26, 2018
Interim report January–March 2018	May 8, 2018
Interim report January–June 2018	August 17, 2018
Interim report January–September 2018	October 26, 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 following contacts for publication on October 27, 2017 at 8:00 a.m. (CET).

www.acando.com

Ticker: ACAN

Additional information

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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 1,900 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	Jul - Sep 2017	Jul - Sep 2016	Jan - Sep 2017	Jan - Sep 2016	Oct 2016 - Sep 2017	Jan - Dec 2016
Net sales		518	469	1,753	1,573	2,386	2,206
Other operating income		1	0	1	1	5	4
Total income		519	469	1,754	1,574	2,390	2,210
Operating expenses							
Other external expenses		-115	-102	-365	-348	-509	-492
Personnel expenses		-373	-330	-1,220	-1,087	-1,626	-1,494
Depreciation of tangible assets		-4	-3	-11	-9	-15	-12
Amortization of intangible assets		-1	0	-2	-1	-2	-2
Operating profit		27	33	157	128	238	210
Profit from financial items							
Financial income	8	0	5	1	22	2	22
Financial expenses		-1	-1	-3	-2	-3	-3
Profit after financial items		26	37	155	149	236	230
Taxes on profit for the year		-9	-10	-42	-35	-57	-50
Net profit for the period		17	28	113	113	179	180
Of which, attributable to shareholders of Acando AB (publ.)		17	28	113	113	179	180
Earnings per share							
Before dilution, SEK		0.17	0.27	1.09	1.10	1.74	1.75
After dilution, SEK		0.17	0.27	1.08	1.09	1.71	1.72
Average number of shares before dilution		103,329,895	102,865,419	103,097,657	102,865,419	103,051,209	102,865,419
Average number of shares after dilution		105,027,416	103,865,419	104,717,418	103,865,419	104,655,418	104,407,419
Number of shares outstanding at end of period						0	0
before dilution		103,794,371	102,865,419	103,794,371	102,865,419	103,794,371	102,865,419
Number of shares outstanding at end of period						0	0
after dilution		105,647,414	103,865,419	105,647,414	103,865,419	105,647,414	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	Jul - Sep 2017	Jul - Sep 2016	Jan - Sep 2017	Jan - Sep 2016	Oct 2016 - Sep 2017	Jan - Dec 2016
Net profit for the period		17	28	113	113	179	180
Other comprehensive income							
Items that will not be reclassified subsequently to profit or loss							
Pension liabilities, actuarial gains on liabilities		0	0	0	1	-6	-6
Income tax pertaining to items in other comprehensive income		0	-0	0	-0	1	1
Total items that will not be reclassified subsequently to profit or loss		0	0.21	0	0	-4	-4
Items that may be reclassified subsequently to profit or loss							
Change in accumulated translation differences		1	11	-5	20	-8	18
Total items that may be reclassified subsequently to profit or loss		1	11	-5	20	-8	18
Other comprehensive income for the period, net after tax		1	11	-5	21	-12	14
Comprehensive income for the period		18	38	108	134	167	194
Attributable to:							
Parent Company's shareholders		18	38	108	134	167	193

CONSOLIDATED BALANCE SHEET

(SEK m)	Note	Sep 30 2017	Sep 30 2016	Dec 31 2016
Non-current assets				
<i>Intangible assets</i>				
Goodwill	4	1,050	982	986
Other intangible assets		4	4	4
<i>Tangible assets</i>				
Tangible assets		34	20	20
<i>Financial assets</i>				
Deferred tax assets ¹⁾		7	10	9
Other non-current financial assets		5	11	5
Total non-current assets		1,100	1,027	1,025
Current assets				
Accounts receivable		517	455	537
Other receivables		8	8	9
Current tax assets		7	4	3
Prepaid expenses and accrued income		94	79	56
Cash and cash equivalents		59	68	72
Total current assets		685	614	678
Total assets		1,784	1,642	1,703
Equity				
Share capital	5	145	144	144
Other capital contributions		755	740	740
Reserves		-27	-19	-22
Retained earnings including profit for the period		275	227	290
Total equity		1,146	1,090	1,152
Liabilities				
Non-current liabilities	6	43	43	37
Current liabilities	6	595	509	514
Total liabilities		638	551	551
Total equity and liabilities		1,784	1,642	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		-	-	-	113	-	113
Other comprehensive income for the period		-	-	21	-	-	21
Total comprehensive income for the period		-	-	21	113	-	134
Dividend* paid to Parent Company shareholders		-	-	-	-123	-	-123
Incentive programs		-	-	-	2	-	2
Closing balance at September 30, 2016		144	739	-19	227	-	1,090
Profit for the period		-	-	-	67	1	68
Other comprehensive income for the period		-	-	-3	-4	-	-7
Total comprehensive income for the period		-	-	-3	62	1	61
Incentive programs		-	-	-	1	-	1
Closing balance at December 31, 2016		144	739	-22	290	1	1,152
Profit for the period		-	-	-	113	0	112,726
Other comprehensive income for the period		-	-	-5	0	-	-5
Total comprehensive income for the period		-	-	-5	113	0	108
New share issue		1	14	-	-	-	15
Dividend* paid to Parent Company shareholders		-	-	-	-134	-	-134
Incentive programs		-	-	-	5	-	5
Closing balance at September 30, 2017		145	753	-27	275	1	1,146

* Dividends payable on ordinary shares

CONSOLIDATED CASH-FLOW STATEMENT

(SEK m)	Note	Jan - Sep 2017	Jan - Sep 2016	Jan - Dec 2016
Operating activities				
Profit after financial items		155	149	230
Adjustment for items not included in the cash flow		19	-13	-15
Income tax paid		-21	-9	-17
Cash flow from operating activities before changes in working capital		153	127	197
Net change in working capital		-38	-88	-73
Cash flow from operating activities		115	39	124
Cash flow from investment activities		-52	-9	-14
Cash flow from financing activities		-75	-65	-140
Cash flow for the period		-12	-35	-30
Cash and cash equivalents at the beginning of the period		72	93	93
Exchange-rate differences in cash and cash equivalents		-1	10	9
Cash and cash equivalents at the end of the period		59	68	72

OPERATING SEGMENTS

(SEK m)	Note	Sweden	Germany	Norway	Discontinued Operations	Total	Group adjustment	Group total
Jul - Sep 2017								
Net sales		318	109	92	0	519	0	518
Operating profit		21	10	3	0	34	-7	27
Financial income								0
Financial expenses								-1
Profit after financial items								26
Taxes								-9
Net profit for the period								17
Jul - Sep 2016								
Net sales		300	94	77	0	471	-3	469
Operating profit		24	11	4	0	39	-6	33
Financial income								5
Financial expenses								-1
Profit after financial items								37
Taxes								-10
Net profit for the period								28
Jan - Sep 2017								
Net sales		1,126	313	313	0	1,753	0	1,753
Operating profit		124	33	20	0	177	-20	157
Financial income								1
Financial expenses								-3
Profit after financial items								155
Taxes								-42
Net profit for the period								113
Jan - Sep 2016								
Net sales		1,066	263	254	3	1,586	-13	1,573
Operating profit		104	25	22	-4	147	-20	128
Financial income								22
Financial expenses								-2
Profit after financial items								149
Taxes								-35
Net profit for the period								113
Oct 2016 - Sep 2017								
Net sales		1,546	422	421	0	2,390	-3	2,386
Operating profit ¹⁾		184	51	33	0	268	-28	238
Financial income								2
Financial expenses								-3
Profit after financial items								236
Taxes								-57
Net profit for the period								179
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								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	Jul - Sep 2017	Jul - Sep 2016	Jan - Sep 2017	Jan - Sep 2016	Oct 2016 - Sep 2017	Jan - Dec 2016
Result							
Net sales		518	469	1,753	1,573	2,386	2,206
Earnings before depreciation and amortization (EBITDA)		31	36	169	138	255	224
Earnings before amortization of intangible assets (EBITA)		27	33	158	130	240	212
Operating profit (EBIT)		27	33	157	128	238	210
Net profit for the period		17	28	113	113	179	180
Margins							
EBITDA margin, %		6.0	7.7	9.6	8.8	10.7	10.2
EBITA margin, %		5.3	7.1	9.0	8.2	10.1	9.6
Operating margin (EBIT), %		5.2	7.1	8.9	8.2	10.0	9.5
Profit margin, %		5.1	7.9	8.9	9.4	9.9	10.4
Profitability							
Return on capital employed, %		2	3	13	13	19	20
Return on equity, %		2	3	10	10	16	16
Financial position							
Equity/assets ratio, %		64	66	64	66	64	68
Interest coverage ratio, multiple		64	46	92	63	112	82
Net debt in relation to EBITDA, %		0	0	0	0	0	0
Per share							
Equity per share, SEK		10.84	10.50	10.84	10.60	10.84	11.02
Cash flow per share, SEK		0.03	-0.03	-0.12	-0.34	-0.06	-0.29
Earnings per share after dilution, SEK		0.17	0.26	1.07	1.09	1.70	1.72
Employees							
Number of employees at end of the period		1,941	1,660	1,941	1,660	1,941	1,698
Average number of employees		1,864	1,708	1,818	1,702	1,801	1,721
Net sales per employee, SEK thousands		278	275	964	925	1,325	1,282
Investments							
Net investments		76	13	89	24	98	33

Key performance indicators are described on page 75 of Acando's 2016 Annual Report.

PARENT COMPANY INCOME STATEMENT

(SEK m)	Note	Jul - Sep 2017	Jul - Sep 2016	Jan - Sep 2017	Jan - Sep 2016	Oct 2016 - Sep 2017	Jan - Dec 2016
Net sales		23	24	69	65	94	90
Total income		23	24	70	65	95	91
Operating expenses							
Other external expenses		-12	-7	-38	-33	-52	-53
Personnel expenses		-5	-10	-13	-17	-18	-15
Amortization/deprication and impairment of intangible and tangible assets		0	0	-1	-1	-1	-1
Operating profit		3	4	12	9	16	13
Profit from financial items							
Other interest income and similar items	8	0	4	39	22	61	44
Interest expenses and similar items		0	0	-1	-1	-2	-2
Profit/loss after financial items		3	8	49	29	74	55
Taxes on profit for the year		-1	-1	-3	-3	-4	-5
Net profit/loss for the period		2	7	46	26	70	50

PARENT COMPANY BALANCE SHEET

(SEK m)	Note	Sep 30 2017	Sep 30 2016	Dec 31 2016
Non-current assets				
<i>Intangible assets</i>				
Other intangible assets		3	3	3
<i>Tangible assets</i>				
Tangible assets		19	11	10
<i>Financial assets</i>				
Financial assets		1,483	1,392	1,405
Total non-current assets		1,505	1,406	1,417
Current assets				
Receivables from Group companies		28	13	14
Accounts receivable		0	0	0
Other receivables		0	0	0
Prepaid expenses and accrued income		9	8	3
Cash and cash equivalents		0	0	0
Total current assets		37	21	17
Total assets		1,542	1,427	1,434
Equity		0	0	0
Share capital	5	145	144	144
Statutory reserve		110	110	110
Share premium reserve		632	632	632
Retained earnings including profit for the period		177	220	245
Total equity		1,064	1,106	1,131
Liabilities				
Long-term liabilities		0	13	6
Liabilities to Group companies		324	186	242
Current liabilities		154	123	56
Total liabilities		478	321	304
Total equity and liabilities		1,542	1,427	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 2016 Annual Report.

Note 4 Goodwill

Compared with September 30, 2016, goodwill increased by a total of SEK 68 m. Of this amount SEK 6 m pertained to an acquisition in Q4 2016 in the Germany segment and the preliminary estimate for goodwill of SEK 69 m pertained to Q3 2017 acquisitions in the Sweden segment. The remainder of the change pertained to currency effects.

Note 5 Equity

At September 30, 2017, the total number of shares in the company amounted to 104,957,419, of which 101,317,429 were Series B shares and 3,639,990 were Series A shares. In Q3 2017, 550,000 Series B shares were issued at a market price of SEK 27.30 as part of the acquisition financing of Transformator Design, one of two acquisitions completed by Acando during the quarter. Treasury shares decreased by 378,952 shares to 1,163,048 Series B shares on September 30, 2017, when the outcome of two share-savings programs for key personnel in Acando were settled with treasury shares. No buy-backs of treasury shares have taken place in 2017.

Note 6 Liabilities***Long-term liabilities***

Long-term liabilities of SEK 43 m include pension liabilities in Sweden of SEK 28 m and deferred tax of SEK 14 m.

Current liabilities

Of the current liabilities of SEK 595 m, SEK 102 m represents interest-bearing short-term debt in the form of utilized credit of SEK 82 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

2017

In Q3 2017, Acando acquired the two smaller companies Transformator Design and Daytona. The new operations will be consolidated into the Acando Group from September 1, 2017. The acquired operations have no material impact on the Group's earnings or financial position, and altogether, the acquired operations have added sales of SEK 3.5 m, which corresponds to 0.3 percent of sales in Sweden.

The objective of the transaction is, together with Acando's own operations, to create offerings within strategy, design, technology, innovation, change management and communication. 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. By compiling capabilities from Transformator Design, Daytona and Acando, a unique full-service offering for customer experiences is created.

2016

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 components of the performance measures can be found on pages 17–21 or under the heading Financial position on page 11 of 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.

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.