

Year-end report

Fourth quarter [October 1–December 31, 2018](#)

- > Net sales totaled SEK 797 m (693)
- > Operating profit amounted to SEK 83 m (87)
- > Operating margin was 10.4% (12.5)
- > Profit after tax was SEK 63 m (67)
- > Earnings per share were SEK 0.60 (0.64)

Accumulated, [January 1–December 31, 2018](#)

- > Net sales totaled SEK 2,826 m (2,444)
- > Operating profit amounted to SEK 264 m (243)
- > Profit before non-recurring items SEK 274 m, corresponding to a margin of 9.7%
- > Operating margin 9.4% (10.0)
- > Profit after tax was SEK 209 m (180)
- > Earnings per share were SEK 2.01 (1.73)
- > Cash and cash equivalents totaled SEK 56 m (90)
- > The Board intends to propose that the AGM resolve to distribute a dividend of SEK 1.45 (1.40) per share, corresponding to a total of about SEK 151 m (145).

Statement by Carl-Magnus Månsson, CEO

The full-year 2018 was another record year for Acando. We continue to grow and sales now amount to SEK 2,826 m for the full year, representing growth of 16 percent. Profits are also rising and we posted a new record for operating profit for a full fiscal year of SEK 274 m, excluding non-recurring items. This represents profit growth of 13 percent, even though we didn't post as high a profit margin as last year in the seasonally weak fourth quarter. Earnings per share are higher than ever, and we will propose that the AGM resolve to distribute a record dividend to our shareholders of SEK 151 m. At the end of the year, we were 2,120 employees, another record high at the end of the year. In parallel, we have increased our relevance by developing our offering in the most transformative customer segments and by deepening our skills through focused acquisitions when opportunities were presented. And now that Anywhere.24 in Germany has been fully integrated, we are well-placed for continued expansion by growing our position in Microsoft Dynamics across country borders. Moreover, our ambition of creating an innovation-driven design studio under the itch brand has also been established and we envisage considerable potential in the creation of completely new possibilities in terms of a well-defined offering linked to accelerated innovation and as a part of the full Acando offering. In our Norwegian operations, we built an offering in 2018 extending from advanced embedded technology, IoT and design to advanced data-driven analysis, which makes us unique now that we have integrated Inventas in our offer structure.

We are continually strengthening our position and our compiled offering is greeted by a healthy market where the demand for technologies, innovation and efficiency increasingly demands a sustainability perspective in terms of the climate and society. During the year, we complemented our financial follow-up with qualitative data regarding how we can better generate positive effects in our surroundings. Actions include our support in developing processes and solutions for moving air freight to sea freight for a global pharmaceutical company, thereby creating the preconditions for significantly lowering emissions, creating opportunities to increase transparency and efficiency in the processing of applications for citizenship in a

European country through modern digital interaction channels and streamlining healthcare systems and enhanced patient experiences with AI-based planning solutions. Our unique ability to create value together with our customers stems from our capacity to combine all the possibilities provided by technology together with our approach toward users, customers and organizations. The created value is not only commercial and financial — it also encompasses values that contribute to a better society and a more sustainable world.

Our greatest challenge, one which has also dominated the quarter and the full year, is being able to continue to attract the best talents in a wide span of skills. Demand exceeds supply and competition for employees is more apparent than ever. We are accelerating our talent programs and increasing our direct recruitment from universities and colleges while offering the most stimulating assignments in the most exciting areas. We continue to evolve, and our customers and employees are equally important components in our evolution. In this way, we will continue to create “A more capable world.”

Significant events during and after the quarter

Acando's subsidiary Brickmakers digitalized street cleaning in Germany. Brickmakers has developed an app for INFA (Institut für Abfall, Abwasser und Infrastruktur-Management GmbH) to increase the efficiency of quality assurance for street cleaning. The app simplifies task management and documentation, and reduces the need for physical inspections.

Acando/itch signs a framework agreement with the Swedish eHealth Agency. The digital bureau framework agreement digital encompasses, inter alia, strategic support and advice in terms of the agency's digital presence and services.

Trustly Group has chosen Acando as its partner for the implementation of the NetSuite ERP system. The new system will enhance the efficiency of the company's processes and simplify continued international expansion.

Acando has implemented a tailor-made B2B portal for Kronfågel, a subsidiary of Scandi Standard, with the aim of digitalizing communication with broiler breeders and increasing the company's competitiveness in the long term.

Acando's subsidiary Anywhere.24 has implemented a Microsoft Dynamics 365-based solution for SIGA in Germany. SIGA is a market leader in energy-efficient buildings and promotes reducing global energy needs through new heating and cooling technology for buildings.

Acando is part of driving innovation in agriculture in Norway. Through the annual arrangement with the Norsk Landbrukssamvirke (Norwegian agricultural cooperatives), together with Innovation Norway and the Research Council of Norway, Acando participated in a number of agricultural innovation camps. These gathered 30 individuals with differing backgrounds for a 48-hour hackathon aimed at identifying new and innovative solutions for agriculture. The aim of this year's competition was to create solutions that improve animal welfare in Norway. The DigiPig solution monitors and documents the animals' well-being with the aid of cameras and microphones. The data is sent to the cloud to be processed by an algorithm that provides the farmer with decision support in terms of maintaining and improving the animals' well-being.

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 2,100 employees.

Acando's offering

Acando's offering is focused on actual results, and value for the customer 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:

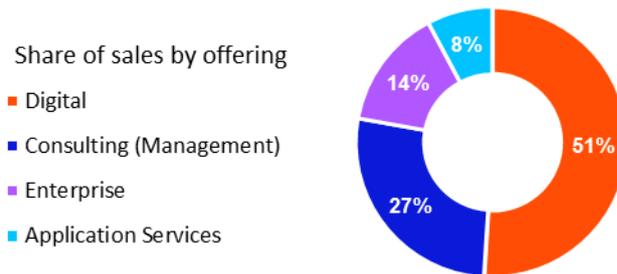
Digital guides customers and realizes solutions linked to digital innovation and transformation. Projects are driven by a combination of digital business understanding and deep technical know-how in solutions based on modern technology and platforms. The area has substantial growth potential and Acando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

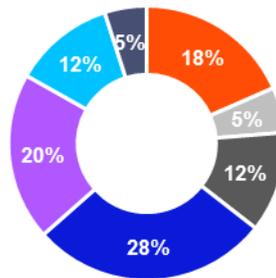
The public sector remains a key growth area and Acando's service portfolio and geographic spread make it well-suited to meet the needs of public authorities, agencies and municipalities. Growth is driven by demands for efficiency, increased transparency and digital interaction with citizens. Acando's 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.

Share of sales by customer segment



Market 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

Fourth quarter, October–December 2018

Net sales and operating profit before amortization and impairment of intangible assets (EBITA) for Q4 2018 are shown in the table below:

SEKm	Net sales		EBITA		EBITA margin	
	2018	2017	2018	2017	2018	2017
Sweden	461.0	444.0	60.0	65.6	13.0%	14.8%
Norway	195.5	131.6	24.6	13.4	12.6%	10.2%
Germany	140.0	116.4	11.2	15.7	8.0%	13.5%
Group adjustments	0.7	-0.4	-8.0	-7.8	-	-
Total	797.1	691.6	87.8	86.9	11.1%	12.6%
Items affecting comparability			-3.9			
Total	797.1	691.6	83.9	86.9	10.6%	12.6%

Consolidated net sales for the quarter amounted to SEK 797 m (692). Operating profit was SEK 88 m (87), corresponding to an operating margin of 11.1 percent (12.6).

For 2018, the fourth quarter was seasonally weaker than for the comparative year. The difference was one calendar day, but the quarter was also impacted by high vacation rates for the two working days immediately after the Christmas holiday.

Consolidated profit after tax totaled SEK 63 m (67). Earnings per share amounted to SEK 0.59 (0.63) after dilution and SEK 0.60 (0.64) before dilution.

Accumulated, January–December 2018

Net sales and operating profit before amortization and impairment of intangible assets (EBITA) for 2018 are shown in the table below:

SEKm	Net sales		EBITA		EBITA margin	
	2018	2017	2018	2017	2018	2017
Sweden	1,673.6	1,570.0	198.8	190.6	11.9%	12.1%
Norway	609.0	445.2	60.8	33.7	10.0%	7.6%
Germany	544.7	429.5	46.0	48.6	8.4%	11.3%
Group adjustments	-1.0	-0.5	-31.5	-28.2	-	-
Total	2,826.3	2,444.1	274.0	244.7	9.7%	10.0%
Items affecting comparability			-7.3			
Total	2,826.3	2,444.1	266.7	244.7	9.4%	10.0%

Consolidated net sales amounted to SEK 2,828 m (2,444). EBITA was SEK 274 m (245), corresponding to an operating margin of 9.7 percent (10.0) before extraordinary items pertaining to completed acquisitions.

Consolidated profit after tax totaled SEK 210 m (180). Earnings per share amounted to SEK 1.98 (1.70) after dilution and SEK 2.01 (1.73) before dilution.

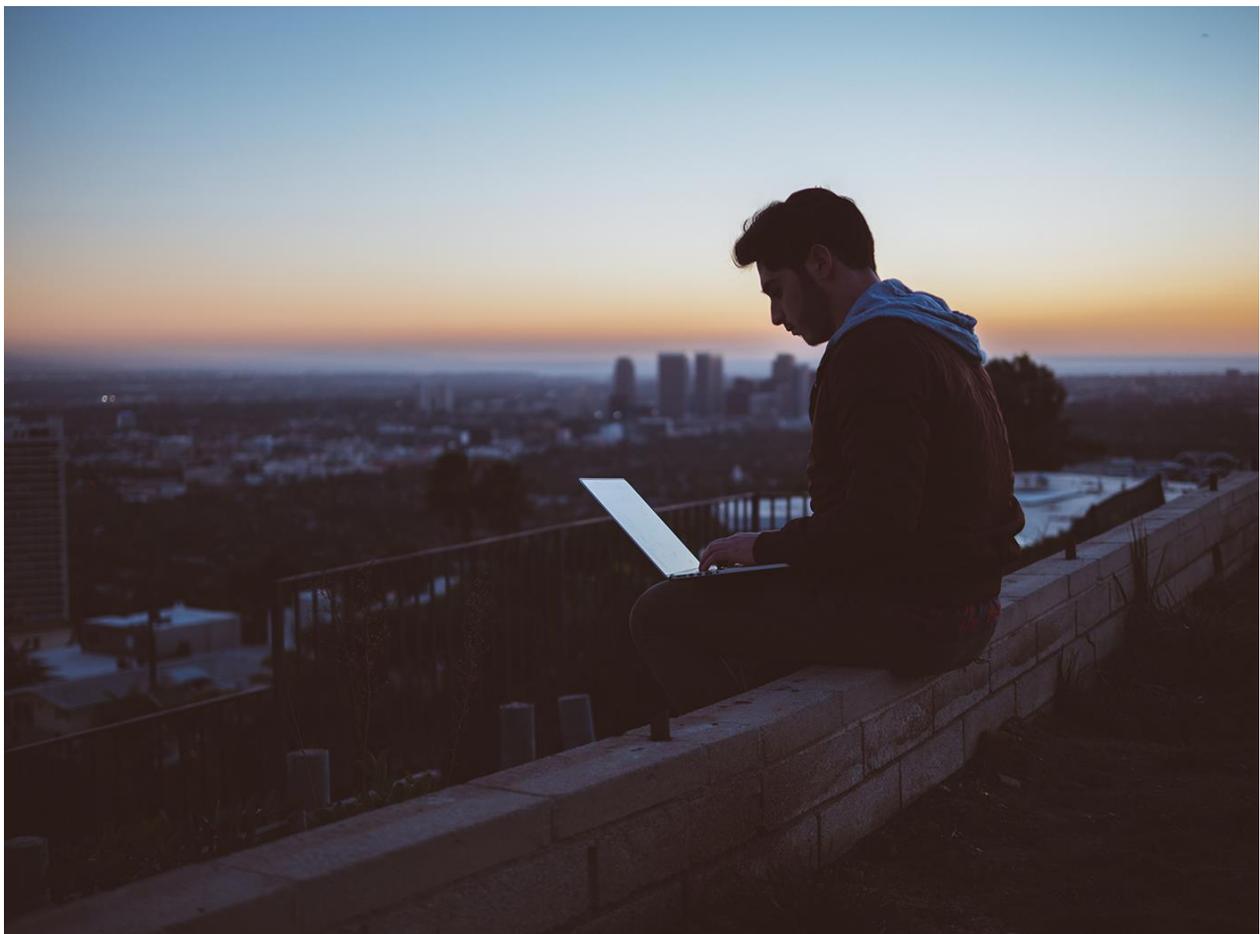
Extraordinary items included costs related to completed acquisitions and a larger credit loss from a project with a start-up customer in the retail segment.

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 Q1 2018.

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, Stockholm and Västerås continued to trend favorably with healthy profitability and continued growth. In terms of utilization, the period started slightly weaker but over the quarter developed positively. We also implemented measures in the quarter to improve profitability in the Malmö region.

During the year, Swedish operations grew 6 percent and operating profit by 4 percent. Growth continued during the quarter, albeit at a slightly slower pace, at the same time as earnings declined slightly year-on-year. In major metropolitan regions, increasing competition for talent resulted in higher employee turnover and a consequent need to increase recruitment as well as higher demands on phasing assignments in and out. Acando's trainee program grew in 2018, with greater focus on technical competence and closer links to our core technical areas.

Altogether, together with a shorter December in terms of working days during the quarter, this resulted in a negative effect that impacted sales and earnings.

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 cloud-based platforms. Both major established customers and new customers in traditional industries and new segments have a notable need to understand and realize digital opportunities. Completely new possibilities are being created to enhance the efficiency of and drive new experiences in both consumer-centric businesses and industrial systems.

In the SAP segment, increased activity and planning was noted ahead of upgrades to S/4 Hana, and customer dialogs increased in terms of number and became more tangible. In parallel, the pace of investment rises to significantly increase the efficiency of solutions through improved user interfaces. Acando has a strong position in technologies such as Neptune and Fiori which, together with deep know-how in terms of process optimization and user behavior, provides major efficiency enhancement opportunities.

Greater international collaboration between Acando's geographies together with the partnership with Sonata continuously creates larger project-driven business opportunities based on the Microsoft Dynamics platform. The preconditions for faster realizations and higher margins in this segment are provided through a conscious focus on using our own packaged solution components.

Acando's position as the largest NetSuite partner with Nordic coverage is continuously strengthened. During the quarter, several established customers expanded the coverage of their solutions and new customers were added. The shortage of experienced consultants in this discipline means that Acando can initiate targeted programs to recruit and train consultants in this field.

During the quarter, a number of customers in the property and construction industries engaged Acando to define and start implementation of IoT-based strategies for smart homes. Acando's complete offering from strategic definition to solution realization proved decisive in winning the projects.

The re-regulation of the Swedish gambling market has created new challenges for established operators, and Acando has several new assignments in this area, linked both to strategic positioning and to the realization of solutions. The combination of possessing strategic IT understanding, having an innovation- and user-centric focus, and an understanding of complex establishment processes makes Acando a relevant partner for these operators.

In the public sector, we are strengthening our position through project-based undertakings to major agencies, as well as through the new framework agreement signed with the Swedish eHealth Agency.

Healthcare, care and health is one of the Group's focus areas, and the framework agreement with the Swedish eHealth Agency provides good opportunities for continued growth.

Norway

Acando Norway continues to grow; sales increased 50 percent and EBIT increased slightly more than 80 percent year-on-year. During the year, sales increased 37 percent and profit rose 80 percent. The market remains healthy and demand is expected to remain unchanged. An increase in 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. Acando has chosen to meet the strong demand through both accelerated recruitment and an expanded sub-consultant business. Extensive experience in the public sector and an efficient matching and bidding process increases the possibilities of locating the right skills for each assignment. Under the name, Acando Liquid Workforce, Acando Norway has established operations with the aim of meeting increased demand for experts and technical competence on a resource basis. The business uses alternative forms of employment and sub-consultant assignments to create a high degree of flexibility and access to qualified expertise.

Acando's investment in the retail segment has been continuously strengthened, and during the quarter we added another project to modernize IT platforms for a Norwegian retail chain. The project will be delivered jointly by Acando Norway and Sweden.

Acando's Norwegian operations are driving the Group's investment in advanced technology and embedded systems. The acquisition of Inventas means that Acando is continuing to build a complete value chain for integrated products with links to everything from sensor technology to system integration and AI-based data processing across the entire product development process. Projects were started in several areas during the quarter, in both Sweden and Norway, based on Acando's collective capability.

Germany

Operations in Germany grew almost 20 percent year-on-year even though earnings and margins declined. Growth was slightly more than 25 percent for the year, while the full-year profit was down slightly year-on-year. Operations in northern Germany and at Brickmakers trended positively with healthy profitability and growth, while operations in the southern region had a challenging quarter.

The market remains healthy and is expected to stay unchanged. High demand exists in several of Acando's core areas and is driven by modernization programs in several industry segments. Automotive, Retail and Banking are three segments in which Acando's position in Germany is strong. Acando continues to win assignments to support operations with digital transformations.

Acando Germany, under its proprietary brand Brickmakers, continues to deliver technologically advanced mobility and customer experience solutions in several areas. The quarter saw the development of a mobile phone-based solution for advice to new parents and an app for more efficient matching of job applicants with employers.

Acando's Microsoft Dynamics 365 operations, which were established in Germany through the acquisition of Anywhere²⁴, have won several projects over the quarter in parallel with completion of the final integration and consolidation of the acquired operations. Projects won include a project for more efficient supplier management based on Microsoft Dynamics 365 Supplier Relations Management and a solution for claims handling based on Microsoft Dynamics 365 Customer Service.

Acando Germany has a strong position in modern development methodology and has a number of assignments aimed at creating the preconditions for a more agile approach and more flexible implementation of complex development and change projects. The skills are available in all geographies and enable expanded assignments and long customer relationships.

Financial information

Financial position

Acando has a strong financial position, with an equity/assets ratio of 57 percent (62). Consolidated cash and cash equivalents amounted to SEK 56 m (90) at December 31, 2018. In addition, the Group has unutilized overdraft facilities of SEK 180 m (180), of which SEK 29 m (73) was utilized at December 31, 2018.

SEK m	Dec 31, 2018	Dec 31, 2017	Change
Cash & cash equivalents	56	90	-34
Interest-bearing short-term debt	-61	-79	18
Interest-bearing long-term debt 1)	-83	-30	-53
Net cash	-87	-19	-68
Unutilized overdraft facility	151	107	44
Equity/assets ratio	57%	62%	-4%

1) Interest-bearing debt applies to pension commitments of SEK 33 m (30), long-term acquisition of SEK 43 m and other SEK 7 m.

Any estimated earnouts for completed acquisitions of SEK 163 m are not included in the calculation above.

Cash flow

Total cash flow in 2018 amounted to an outflow of SEK 37 m (outflow: 16). Cash flow from operating activities was SEK 220 m (188) and comprised positive cash flow from operations of SEK 233 m (242) and a negative change in working capital of SEK 13 m (neg: 54).

Cash flow from investment activities amounted to an outflow of SEK 139 m (outflow: 76), of which SEK 110 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 118 m (outflow: 96), of which an outflow of SEK 145 m (outflow: 134) pertained to dividends, an outflow of SEK 10 m (outflow: 25) pertained to the repayment of liabilities, an outflow of SEK 44 m (inflow: 63) pertained to the utilization of overdraft facilities and an inflow of SEK 82 m pertained to new acquisition financing.

SEK m	Jan-Dec 2018	Jan-Dec 2017	Change
Cash flow from:			
Operating activities	220	188	32
Investment activities	-139	-76	-63
Financing activities	-118	-96	-22
Total cash flow	-37	16	-53
Opening cash and cash equivalents	90	72	18
Translation difference	3	2	1
Closing cash and cash equivalents	56	90	-34

Tax

A tax expense of SEK 66 m (63) was recognized for 2018. This recognized tax expense corresponded to a tax rate of 24 percent for the year. The tax rate is affected by the share of earnings contributed by the respective countries, since tax rates differ between the countries.

Investments

The Group's net investment in assets in 2018 was SEK 260 m (148). SEK 24 m pertained to investments in tangible assets and SEK 236 m pertained to investments in intangible assets in the form of company acquisitions.

The share

Share capital and shares

On December 31, 2018, the number of shares in Acando amounted to 105,857,419 shares, of which 741,833 Series B shares and 900,000 Series C shares were treasury shares, comprising 1.55 percent of the total number of shares. These treasury shares are expected to be used for future allotment in ongoing share-savings programs. The number of shares outstanding was 104,215,596.

Authorizations

Acando's Board was authorized by the 2018 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 2019 AGM.

No buy-back of treasury shares or new share issues was implemented on the back of this authorization.

Share-savings programs

At December 31, 2018, Acando had three share-savings programs outstanding. Details of the 2016/2019 and 2017/2020 programs are given in Acando's 2017 annual report on pages 57–58.

The 2018 AGM resolved to implement a new 2018/2021 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 2015, 2016 and 2017 AGMs. Based on the fulfillment of specific performance criteria related to Acando's earnings per share before tax and after dilution for the 2018–2020 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.

Issue concerning share-savings programs

On April 25, on the back of the authorization from the 2017 AGM, the Board resolved to carry out a new share issue and immediately thereafter to buy back 900,000 Series C shares. This was carried out through a private placement for cash of 900,000 Series C shares to the Swedish branch of Danske Bank A/S, Denmark. The subscription price for the shares is SEK 1.3792 per share, which corresponds to its quotient value. Moreover, the Board has decided to immediately buy back all 900,000 Series C shares from the Swedish branch of Danske Bank A/S, Denmark at a price corresponding to the subscription price. The aim of the issue and buy-back of Series C shares is, following conversion to Series B shares, to secure the provision of Series B shares to Group employees participating in the 2017 share-savings program adopted at the AGM on May 4, 2017. The allocation of shares under the 2017 share-savings program will take place in August 2020.

Employees

The number of employees at the end of the quarter was 2,120 (1,935). Of these, 1,180 (1,152) were in Sweden, 512 (410) in Germany, 369 (310) in Norway and 59 (63) in Other countries. The average number of employees during the fourth quarter of 2018 was 2,123 (1,938)

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 20.

Proposed dividend

The Board of Directors proposes that the AGM resolve to distribute a dividend of SEK 1.45 per share, corresponding to a total of about SEK 151 m.

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–September 2018 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, February 8, 2019

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

Åsa Lindström
Employee representative

Financial calendar

Annual report

The Annual Report for 2018 will be published in April 2019, in the week beginning April 8, and will be available on the company's website, www.acando.com, and at the company's office at Vasagatan 16, in Stockholm.

Annual General Meeting

The Annual General Meeting (AGM) will be held on Thursday, May 2, 2019, at 4:00 p.m. in Stockholm, Sweden.

Reporting dates

Interim report January–March 2019	May 2, 2019
Interim report January–June 2019	August 16, 2019
Interim report January–September 2019	October 25, 2019

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 February 8, 2019 at 08:00 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 2,100 employees allocated over five countries. Acando had sales of more than SEK 2.8 billion in 2018 and is listed on Nasdaq Stockholm.

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CONSOLIDATED INCOME STATEMENT

(SEK m)	Note	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
Net sales		797	691	2,826	2,444
Other operating income		1	1	2	3
Total income		798	693	2,828	2,446
Operating expenses					
Other external expenses		-177	-135	-590	-500
Personnel expenses		-531	-466	-1,952	-1,686
Depreciation of tangible assets		-6	-4	-20	-15
Amortization of intangible assets		-1	-1	-2	-2
Operating profit		83	87	264	243
Profit from financial items					
Financial income	8	0	1	15	2
Financial expenses		-2	-1	-3	-3
Profit after financial items		81	88	276	243
Taxes on profit for the year		-18	-21	-66	-63
Net profit for the period		63	67	210	180
Of which, attributable to shareholders of Acando AB (publ.)		63	66	209	179
Earnings per share					
Before dilution, SEK		0.60	0.64	2.01	1.73
After dilution, SEK		0.59	0.63	1.98	1.71
Average number of shares before dilution		104,215,586	103,237,000	103,962,857	103,237,000
Average number of shares after dilution		105,657,545	104,919,751	105,681,692	104,919,751
Number of shares outstanding at end of period					
before dilution		104,215,586	103,794,371	104,215,586	103,794,371
Number of shares outstanding at end of period					
after dilution		105,657,545	105,729,085	105,657,545	105,729,085

Treasury shares are not included in the number of shares above. At December 31, 2018, 741,833 shares are owned by Acando.

These treasury shares are expected to be used for future allotment in ongoing share-savings programs.

During the second quarter of 2018 an issue and buy-back of 900,000 Series C shares was carried out; these shares have not been admitted to trading.

The shares will be converted to Series B shares for allocation under the 2017 share-savings program for employees at Acando. The allocation of shares will take place in August 2020.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK m)	Note	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
Net profit for the period		63	67	210	180
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Pension liabilities, actuarial gains on liabilities		-3	-2	-3	-2
Income tax pertaining to items in other comprehensive income		1	0	1	0
Total items that will not be reclassified subsequently to profit or loss		-2	-2	-2	-1
Items that may be reclassified subsequently to profit or loss					
Change in accumulated translation differences		-14	0	8	-5
Total items that may be reclassified subsequently to profit or loss		-14	0	8	-5
Other comprehensive income for the period, net after tax		-16	-2	6	-7
Comprehensive income for the period		47	65	216	173
Attributable to:					
Parent Company's shareholders		47	65	215	172

CONSOLIDATED BALANCE SHEET

(SEK m)	Note	Dec 31, 2018	Dec 31, 2017
Non-current assets			
<i>Intangible assets</i>			
Goodwill	4	1,340	1,101
Other intangible assets		2	3
<i>Tangible assets</i>			
Tangible assets		43	38
<i>Financial assets</i>			
Deferred tax assets ¹⁾		11	8
Other non-current financial assets		12	5
Total non-current assets		1,409	1,155
Current assets			
Accounts receivable		658	637
Other receivables		38	13
Current tax assets		18	3
Prepaid expenses and accrued income		75	68
Cash and cash equivalents		56	90
Total current assets		845	811
Total assets		2,253	1,966
Equity			
Share capital	5	146	145
Other capital contributions		753	753
Reserves		-20	-28
Retained earnings including profit for the period		412	342
Non-controlling interest		3	2
Total equity		1,294	1,214
Liabilities			
Non-current liabilities	6	151	58
Current liabilities	6	808	695
Total liabilities		959	752
Total equity and liabilities		2,253	1,966

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, 2017		144	739	-22	291	1	1,152
Profit for the period		-	-	-	179	1	180
Other comprehensive income for the period		-	-	-5	-1	0	-7
Total comprehensive income for the period		-	-	-5	177	1	173
New share issue		1	14	-	-	-	15
Dividend* paid to Parent Company shareholders		-	-	-	-134	-	-134
Incentive programs		-	-	-	8	-	8
Closing balance at December 31, 2017		145	753	-28	342	2	1,214
Profit for the period		-	-	-	209	1	210
Other comprehensive income for the period		-	-	8	-2	0	6
Total comprehensive income for the period		-	-	8	207	1	216
Dividend* paid to Parent Company shareholders		-	-	-	-145	-	-145
New share issue		1	-	-	-	-	1
Repurchase of own shares		-	-	-	-1	-	-1
Acquisition of non-controlling interest		-	-	-	-1	1	-
Incentive programs		-	-	-	9	-	9
Closing balance at December 31, 2018		146	753	-20	412	3	1,294

* Dividends payable on ordinary shares

CONSOLIDATED CASH-FLOW STATEMENT

(SEK m)	Note	Jan - Dec 2018	Jan - Dec 2017
Operating activities			
Profit after financial items		276	243
Adjustment for items not included in the cash flow		7	21
Income tax paid		-50	-22
Cash flow from operating activities before changes in working capital		233	242
Net change in working capital		-13	-52
Cash flow from operating activities		220	190
Cash flow from investment activities		-139	-76
Cash flow from financing activities		-118	-98
Cash flow for the period		-37	16
Cash and cash equivalents at the beginning of the period		90	72
Exchange-rate differences in cash and cash equivalents		3	1
Cash and cash equivalents at the end of the period		56	90

OPERATING SEGMENTS

(SEK m)	Note	Sweden	Germany	Norway	Total	Group adjustment	Group total
Oct - Dec 2018							
Net sales		461	140	195	796	1	797
Operating profit		60	11	24	95	-11	83
Financial income							0
Financial expenses							-2
Profit after financial items							81
Taxes							-18
Net profit for the period							63
Oct - Dec 2017							
Net sales		444	116	131	692	0	691
Operating profit		66	16	13	95	-8	87
Financial income							1
Financial expenses							-1
Profit after financial items							88
Taxes							-21
Net profit for the period							67
Jan - Dec 2018							
Net sales		1 674	547	609	2 829	-3	2 826
Operating profit		197	46	61	303	-39	264
Financial income							15
Financial expenses							-3
Profit after financial items							276
Taxes							-66
Net profit for the period							210
Jan - Dec 2017							
Net sales		1 570	429	445	2 444	0	2 444
Operating profit		190	49	34	273	-29	243
Financial income							2
Financial expenses							-3
Profit after financial items							243
Taxes							-63
Net profit for the period							180

(SEK m)	Digital	Consulting	Enterprise	Application Services	Total
Oct - Dec 2018					
Net sales	441	198	100	58	797
Oct - Dec 2017					
Net sales	316	205	114	56	691
Jan - Dec 2018					
Net sales	1 441	759	407	220	2 826
Jan - Dec 2017					
Net sales	1 106	715	382	241	2 444

KEY PERFORMANCE INDICATORS

(SEK m)	Note	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
Result					
Net sales		797	691	2 826	2 444
Earnings before depreciation and amortization (EBITDA)		90	91	287	260
Earnings before amortization of intangible assets (EBITA)		84	87	267	245
Operating profit (EBIT)		83	87	264	243
Net profit for the period		63	66	209	180
Margins					
EBITDA margin, %		11,2	13,2	10,2	10,6
EBITA margin, %		10,5	12,6	9,4	10,0
Operating margin (EBIT), %		10,4	12,5	9,4	10,0
Profit margin, %		10,2	12,7	9,8	9,9
Profitability					
Return on capital employed, %		6	7	20	19
Return on equity, %		5	6	17	15
Financial position					
Equity/assets ratio, %		57	62	57	62
Interest coverage ratio, multiple		76	173	87	111
Net debt in relation to EBITDA, %		0,3	0,1	0,3	0,1
Per share					
Equity per share, SEK		12,23	11,46	12,23	11,46
Cash flow per share, SEK		0,07	0,27	-0,35	0,15
Earnings per share after dilution, SEK		0,59	0,63	1,98	1,71
Employees					
Number of employees at end of the period		2 120	1 935	2 120	1 935
Average number of employees		2 123	1 938	2 028	1 817
Net sales per employee, SEK thousands		375	357	1 394	1 345
Investments					
Net investments		90	59	260	148

Key performance indicators are described on pages 75-76 of Acando's 2017 Annual Report.

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 2017 on page 75, including the full-year figures for 2017. The components of the performance measures can be found on pages 17–21 or under the heading Financial position on page 111 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.

PARENT COMPANY INCOME STATEMENT

(SEK m)	Note	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
Net sales		32	27	117	96
Total income		32	27	118	96
Operating expenses					
Other external expenses		-19	-15	-69	-53
Personnel expenses		-6	-5	-21	-18
Amortization/depreciation of tangible assets		-3	-2	-10	-8
Impairment of intangible assets		0	0	-1	-1
Operating profit		4	5	17	16
Profit from financial items					
Other interest income and similar items	8	0	-2	2	40
Interest expenses and similar items		-2	1	-3	-3
Profit/loss after financial items		2	4	16	53
Appropriations		-1	-5	-4	-5
Taxes on profit for the year		-1	0	-3	-2
Net profit/loss for the period		1	-1	8	46

PARENT COMPANY BALANCE SHEET

(SEK m)	Note	Dec 31, 2018	Dec 31, 2017
Non-current assets			
<i>Intangible assets</i>			
Other intangible assets		2	3
<i>Tangible assets</i>			
Tangible assets		22	21
<i>Financial assets</i>			
Financial assets		1,530	1,486
Total non-current assets		1,554	1,510
Current assets			
Receivables from Group companies		39	28
Accounts receivable		0	0
Other receivables		2	2
Prepaid expenses and accrued income		10	8
Cash and cash equivalents		0	1
Total current assets		51	38
Total assets		1,605	1,548
			0
Equity			
Share capital		146	145
Statutory reserve		110	110
Share premium reserve		647	647
Retained earnings including profit for the period		33	164
Total equity		935	1,066
Untaxed reserves		10	5
Liabilities			
Long-term liabilities		43	0
Provisions		12	28
Liabilities to Group companies		487	342
Current liabilities		118	108
Total liabilities		660	477
Total equity and liabilities		1,605	1,548

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 2017 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.

In 2018, the Group started to apply IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers. The transition to IFRS 9 and IFRS 15 have not resulted in any material effects for the Group or the Parent Company. According to IFRS 15, revenue is recognized when customers gain control of services provided, instead of as previously, when risks and benefits transferred to the customer. IFRS 15 is also clearer with regard to identifying the performance obligations of customer contracts. Analysis of the effects of the transition to IFRS 15 found that it had no material impact on the consolidated sales, costs and earnings for 2017, and therefore, the comparative figures for 2017 have not been restated. IFRS 9 uses an impairment model for credit losses that is based on expected credit losses instead of on incurred credit loss events. Other information is stated on page 18, Operation segments.

IFRS 16 Leases replaces IAS 17 Leases effective January 1, 2019. Acando does not plan to apply a full retrospective approach. IFRS 16 requires Acando as a lessee to report all leases as assets and liabilities in the balance sheet, representing respectively the right-of-use of the leased asset and the obligation to make future lease payments. For leases, the depreciation of leased assets and the interest expenses attributable to the lease liability are recognized in profit or loss. Acando expects total assets to increase due to the capitalization of leases that are currently classified as operational. Moreover, operating profit will improve at the same time as financial expenses will increase. Acando's current assumption is that total assets will increase by around eight to ten percent on the transition, which will be recognized first in the interim report for the first quarter of 2019.

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 assets, impairment testing of goodwill and revenue recognition for fixed-price projects.

For a complete account of the important estimates and assessments affecting the Group, refer to the 2017 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 2017 Annual Report.

Note 4 Goodwill

Compared with December 31, 2017, goodwill increased by a total of SEK 239 m. This comprised for goodwill of SEK 63 m pertaining to an acquisition in the German segment and SEK 27 m pertaining to an acquisition in the Norwegian segment, and goodwill of SEK 61 m pertaining to acquisitions in the Swedish segment and SEK 90 m pertaining to an acquisition in the fourth quarter in the Norwegian segment. The remainder of the change, of SEK 3 m, pertained to currency effects.

Note 5 Equity

At December 31, 2018, the total number of shares in the company amounted to 105,857,419, of which 900,000 were Series C shares not admitted to trading, 101,317,429 were Series B shares and 3,639,990 were Series A shares. In 2018, 550,000 Series B shares were issued at the market price as part of the acquisition financing of Transformator Design, one of three acquisitions completed by Acando in 2017. The total number of treasury shares at September 30, 2018 comprised 1,163,048 Series B shares and the 900,000 Series C shares. The C shares was issued and immediate bought-back in the second quarter.

Note 6 Liabilities

Long-term liabilities

Long-term liabilities of SEK 151 m include pension liabilities in Sweden of SEK 33 m, long-term portion of acquisition loans of SEK 43 m. Other items are estimated earnouts for completed acquisitions of SEK 45 m and deferred taxes of 23 m.

Current liabilities

Of the current liabilities of SEK 808 m, SEK 61 m represents interest-bearing short-term debt in the form of utilized credit of SEK 29 m and the current portion of acquisition loans of SEK 32 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. Earnouts are measured at fair value.

Note 8 Financial income

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

Note 9 Acquisitions and discontinuations

2018

The acquisition of Anywhere.24 GmbH in the Germany segment was completed on January 1, 2018. Anywhere.24 GmbH is a company specialized in Microsoft's Dynamics 365 CRM solution and offers cloud-based solutions. Anywhere.24 is headquartered in Munich and employs 60 staff.

During the third quarter, September BI was acquired in the Norway segment. September BI specializes in retail business intelligence and has a great deal of knowledge in business intelligence and chain management.

During the third quarter, all of the shares in Alterview Net Solution AB were acquired by the Sweden segment. This acquisition reinforces Acando's focus on cloud-based business systems and in partnership with Acando's own operations, is creating the leading partner for implementing NetSuite solutions in northern Europe. The new operations will be consolidated into the Acando Group from September 1.

During the fourth quarter, Acando Norway acquired all of the shares in the design and product development company Inventas AS. Inventas consists of designers and product developers with backgrounds from both industrial design and engineering. Acando is driven by how technology can change society and an increasing number of physical objects are being connected to the internet, where they communicate with each other and process available information. Inventas is the best at designing physical products and with Acando's skills in embedded electronics together with deep knowledge in data processing with cloud-based solutions, AI and digital user interfaces, a complete offering is created. The new operations will be consolidated into the Acando Group from October 1, 2018.

Based on their size, the acquired companies do not have a material impact on the Group's financial statements and therefore no additional information is required according to IFRS.

2017

In Q4 2017, Acando acquired all of the shares in the Norwegian company Bitvis AS. The company provides highly specialized development services to a broad spectrum of customers, from start-ups to major companies in the electronics industry. 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 new operations will be consolidated into the Acando Group from October 1, 2017. The acquired operations have no material impact on the Group's earnings or financial position, and altogether, the acquired operations added sales of SEK 7.6 m in 2017, which corresponded to 1.7 percent of sales in Norway.

In Q3 2017, Acando acquired the two smaller companies Transformator Design and Daytona. 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. 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 added sales of SEK 13.6 m in 2017, which corresponded to 0.9 percent of sales in Sweden.

Note 10 Related-party transactions

Transactions with related parties are based on established commercial terms for the industry and are entered into under normal commercial terms.

Refer to Note 9 in Acando's 2017 Annual Report for information about salaries and other benefits, expenses and commitments in terms of pensions and similar benefits for the Board, the CEO and other senior executives.

Note 11 Significant events after the end of the period

No significant events occurred after the end of the period.