
PRESS RELEASE

12 April 2019

Adjusted Business Area structure and IFRS 16 – restated financials

Sweco is today releasing historical restated financial information considering the adjusted Business Area structure. Moreover, the financial statements for all periods of 2018 are restated pursuant to IFRS 16, the new standard for accounting of leases. Both the adjusted Business Area structure and IFRS 16 are applicable as of January 1, 2019. The purpose of this release is to facilitate comparability with historical periods.

Sweco has provided information on the implementation of IFRS 16 Leases, including the estimated impact on financial statements for the full year 2018, in the Year-end report for 2018 published on 13 February 2019 and in the 2018 Annual report published on 21 March 2019.

Adjusted Business Area Structure

As of January 1, 2019, Sweco operates with eight Business Areas (BAs). The modified BA structure reflects Sweco's strategy to focus on eight core markets in Northern Europe. In the modified structure, Sweco UK and Sweco Belgium become separate Business Areas. Central Europe is renamed Germany & Central Europe, to emphasize the strategic focus on Germany. Moreover, Bulgaria is moved from Sweco Western Europe to Sweco Germany & Central Europe, and Sweco Western Europe thereby does not exist any longer.

Adoption of IFRS 16 Leases

As of 1 January 2019, Sweco applies IFRS 16 Leases, the new standard for accounting of leases. With IFRS 16, essentially all leases are recognized on the balance sheet, as there will be no difference in treatment between financial leases and operational leases as in the previous standard IAS 17.

In IFRS 16, the right to a lease is recognized as an asset in the balance sheet (Right-of-use Asset), while the corresponding obligation to pay for this right is recognized as a liability (Lease Liability). The leases are expensed in the income statement through a depreciation of the Right-of-use asset impacting EBIT and a financial expense on the Lease Liability impacting profit before tax. Sweco's leases predominantly include office rents, but also to some extent company cars and office equipment. Sweco has chosen the full retrospective transition method and has accordingly accounted for all lease contracts as if IFRS 16 had always been applied. Further, Sweco has chosen to use the practical expedient to not include leases of low value and leases shorter than 12 months.

In order to facilitate analysis, this document provides restated income statements and balance sheets for interim periods of 2018. Sweco will not restate financial statements prior to 2018.

On Business area level, Sweco will not apply IFRS 16. The segment reporting for 2019 will thus be unchanged compared to 2018. More information about Sweco's application of IFRS 16 can be found in the Annual report for 2018 on page 56-57. Details on the changes are specified in the text below and in the restated figures that are presented in the attached tables.

Impact on key financial metrics

The adoption of IFRS 16 has significant impact on presentation of financial statements, as both assets and liabilities will increase significantly, and other expenses will decrease whereas depreciations and interest expenses will increase accordingly.

Sweco has chosen to maintain its key financial metrics close to previous definitions, producing minor differences to previously presented values. The objective is to facilitate comparability with previous periods and provide transparency on Sweco's operational performance and the group's financial strength, apart from accounting effects of IFRS 16. By this approach, Sweco's targets on profitability (EBITA margin of 12%) and financial strength (Net Debt/EBITDA <2.0x) also remain unchanged.

Sweco's key financial metrics, defined as Alternative Performance Measures (APMs) according to IFRS, are in summary the following:

EBITA is the group's key metric of operational performance on group and BA level. Sweco's EBITA measure is defined as Earnings before interest, taxes and acquisition-related items, where all leases are treated as operational leases, whereby the total cost of the lease is affecting EBITA. The treatment as operational lease is done pursuant to IAS 17 (the standard for leases applied until 31 December 2018).

Net debt/EBITDA is Sweco's key metric for financial strength. The definition continues to materially be in line with the covenant definitions in Sweco's bank financing agreements:

- **Net debt:** Net debt is defined as net financial debt (almost exclusively comprising of interest-bearing bank debt), less cash and cash equivalents and short-term investments. Lease liabilities are excluded from Net Debt.
- **EBITDA:** In the same way as for EBITA, EBITDA is calculated assuming all leases to be operational pursuant to IAS 17.

Reconciliation between Sweco's key financial metrics and IFRS measures is provided in the attached restated financial information.

Presentation of restated historic financials

The restated information has been compiled and presented in accordance with Sweco's accounting policies as described in Sweco's annual report for 2018, except for the implementation of the new IFRS 16 standard.

Segment information restated for new Business Areas

The restated segment information presented in the table 'Restatement of Quarterly review per business area' attached hereto encompasses Net sales, EBITA, EBITA margin and Full-time employees restated according to the new BA structure valid as of 1 January 2019. The information has been restated for the last eight quarters.

Restatement of 2018 consolidated financials

The consolidated income statements and balance sheets for every quarter in 2018, including the opening balance on 1 January 2018, have been restated for IFRS 16. In order to facilitate the analysis of the financial development, Sweco has adjusted the presentation of consolidated income statement and balance sheet by adding new line items.

In the income statement, as presented in the interim reports, the Financial net has been divided into three parts in order to facilitate the analysis of lease liabilities and other interest-bearing liabilities:

- Net financial items: Comprising interest expenses on credit facilities and other costs related to credit facilities less interest income on cash and cash equivalents and short-term investments.
- Interest cost of leasing: Consists of the interest cost of leases according to IFRS 16.
- Other financial items: Result and distributions from participations in associated companies and other securities, result from sale of participations in associated companies and other securities, foreign exchange gains and losses on financial assets and liabilities, and other interest income and interest expenses.

The restated information has not been subject to review or audit by the company's auditors.

Appendix

The enclosed appendix includes the following tables:

- Full-year impact of IFRS 16 on Consolidated Income statement and Comprehensive Income statement 2018
- Restatement of Consolidated Income statement and Comprehensive Income statement
- IFRS 16 impact on Balance sheet per 31 December 2018
- Restatement of Balance sheet
- Key ratios and Reconciliation to EBIT
- Restated Net debt
- Restatement of Quarterly review per business area

The tables are also available in Excel-format on Sweco's website at www.swecogroup.com.

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Sweco plans and designs tomorrow's communities and cities. Our work produces sustainable buildings, efficient infrastructure and access to electricity and clean water. With 15,000 employees in Europe, we offer our customers the right expertise for every situation. We carry out projects in 70 countries annually throughout the world. Sweco is Europe's leading engineering and architecture consultancy, with sales of approximately SEK 18.7 billion (EUR 1.8 billion). The company is listed on Nasdaq Stockholm. www.swecogroup.com.

Appendix – Restated financial information

FULL-YEAR IMPACT OF IFRS 16 ON CONSOLIDATED INCOME STATEMENT AND COMPREHENSIVE INCOME STATEMENT 2018

Income Statement SEK M	Full-year 2018 Reported	Full-year 2018 IFRS 16 impact	Full-year 2018 Restated
Net sales	18,735		18,735
Other income	14		14
Other external expenses	-4,661	549	-4,112
Personnel expenses	-12,177	86	-12,091
Amortisation/depreciation and impairments, of tangible and intangible assets ¹⁾	-280	28	-252
Depreciation and impairments, right-of-use assets		-602	-602
Acquisition-related items ²⁾	-77	2	-75
Operating profit (EBIT)	1,554	63	1,618
Net financial items ³⁾	-45		-45
Interest cost of leasing ⁴⁾	-2	-60	-61
Other financial items ⁵⁾	-1		-1
Profit before tax	1,508	3	1,511
Income tax	-254	-1	-255
PROFIT FOR THE PERIOD	1,254	2	1,256
Attributable to:			
Parent Company shareholders	1,252	2	1,254
Non-controlling interests	1	0	1
Earnings per share attributable to Parent Company shareholders, SEK	10.58	0.02	10.59
Average number of shares	118,408,024	118,408,024	118,408,024

¹⁾ Includes tangible assets and intangible assets that are not acquisition-related.

²⁾ Acquisition-related items are defined as amortisation and impairment of goodwill and acquisition-related intangible assets, revaluation of additional purchase price, and profit and loss on the divestment of companies, operations and land and buildings.

³⁾ 'Net financial items' consists of interest expenses on credit facilities and costs related to credit facilities less interest income on cash and cash equivalents.

⁴⁾ 'Interest cost of leasing' consists of the interest cost of leases according to IFRS 16.

⁵⁾ 'Other financial items': Result and distributions from participations in associated companies and other securities, result from sale of participations in associated companies and other securities, foreign exchange gains and losses on financial assets and liabilities, and other interest income and interest expenses.

Consolidated income statement and other comprehensive income SEK M	Full-year 2018 Reported	Full-year 2018 IFRS 16 impact	Full-year 2018 Restated
Profit for the period	1,254	2	1,256
Items that will not be reversed in the income statement			
Revaluation of defined benefit pensions, net after tax ¹⁾	-11		-11
Items that may subsequently be reversed in the income statement			
Translation differences, net after tax	89	-2	87
COMPREHENSIVE INCOME FOR THE PERIOD	1,332	0	1,332
Attributable to:			
Parent Company shareholders	1,330	0	1,330
Non-controlling interests	2	0	2
¹⁾ Tax on revaluation of defined benefit pensions	2	-	2

RESTATEMENT OF CONSOLIDATED INCOME STATEMENT AND COMPREHENSIVE INCOME STATEMENT

Income Statement restated for IFRS 16 SEK M	Full-year 2018	Jan-Sep 2018	Jan-Jun 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net sales	18,735	13,623	9,544	5,112	4,078	4,916	4,628
Other income	14	12	7	3	5	5	2
Other external expenses	-4,112	-2,969	-2,041	-1,143	-928	-1,038	-1,003
Personnel expenses	-12,091	-8,849	-6,190	-3,242	-2,659	-3,192	-2,999
Amortisation/depreciation and impairments, of tangible and intangible assets ¹⁾	-252	-184	-122	-68	-62	-62	-60
Depreciation and impairments, right-of-use assets	-602	-449	-295	-153	-154	-150	-145
Acquisition-related items ²⁾	-75	-57	-37	-18	-20	-20	-17
Operating profit (EBIT)	1,618	1,126	866	491	260	459	407
Net financial items ³⁾	-45	-32	-20	-12	-13	-11	-9
Interest cost of leasing ⁴⁾	-61	-46	-30	-16	-15	-15	-15
Other financial items ⁵⁾	-1	-6	7	5	-13	1	6
Profit before tax	1,511	1,042	823	469	219	434	389
Income tax	-255	-245	-195	-10	-50	-104	-91
PROFIT FOR THE PERIOD	1,256	797	628	459	169	330	298
Attributable to:							
Parent Company shareholders	1,254	796	627	458	169	330	297
Non-controlling interests	1	1	1	0	0	0	1
Earnings per share attributable to Parent Company shareholders, SEK	10.59	6.71	5.28	3.89	1.43	2.78	2.50
Average number of shares	118,408,024	118,654,377	118,794,325	117,668,962	118,374,481	118,581,064	119,007,587

¹⁾ Includes tangible assets and intangible assets that are not acquisition-related.

²⁾ Acquisition-related items are defined as amortisation and impairment of goodwill and acquisition-related intangible assets, revaluation of additional purchase price, and profit and loss on the divestment of companies, operations and land and buildings.

³⁾ 'Net financial items' consists of interest expenses on credit facilities and costs related to credit facilities less interest income on cash and cash equivalents.

⁴⁾ 'Interest cost of leasing' consists of the interest cost of leases according to IFRS 16.

⁵⁾ 'Other financial items': Result and distributions from participations in associated companies and other securities, result from sale of participations in associated companies and other securities, foreign exchange gains and losses on financial assets and liabilities, and other interest income and interest expenses.

Consolidated income statement and other comprehensive income restated for IFRS 16 SEK M	Full-year 2018	Jan-Sep 2018	Jan-Jun 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Profit for the period	1,256	797	628	459	169	330	298
Items that will not be reversed in the income statement							
Revaluation of defined benefit pensions, net after tax ¹⁾	-11	0	-	-11	0	-	-
Items that may subsequently be reversed in the income statement							
Translation differences, net after tax	87	176	215	-89	-39	51	163
COMPREHENSIVE INCOME FOR THE PERIOD	1,332	973	843	359	130	381	461
Attributable to:							
Parent Company shareholders	1,330	971	841	359	130	380	461
Non-controlling interests	2	2	2	0	0	1	1
¹⁾ Tax on revaluation of defined benefit pensions	2	-	-	2	-	-	-

IFRS 16 IMPACT ON BALANCE SHEET PER 31 DECEMBER 2018

Balance sheet	31 Dec 2018	31 Dec 2018	31 Dec 2018
SEK M	Reported	Impact IFRS 16	Restated
Goodwill	6,615		6,615
Other intangible assets	300		300
Property, plant and equipment	668	-88	580
Right-of-use assets		2,724	2,724
Financial assets	421	79	502
Current assets excl. cash and cash equivalents	5,928	-27	5,901
Cash and cash equivalents incl. short-term investments	775		775
TOTAL ASSETS	14,708	2,688	17,397
Equity attributable to Parent Company shareholders	6,302	-144	6,158
Non-controlling interests	10		10
Total equity	6,312	-144	6,168
Non-current leasing liabilities		2,314	2,314
Non-current interest-bearing debt	2,177	-72	2,105
Other non-current liabilities	907	15	923
Current leasing liabilities		599	599
Current interest-bearing debt	542	-24	519
Other current liabilities	4,770		4,770
TOTAL EQUITY AND LIABILITIES	14,708	2,688	17,397

RESTATEMENT OF BALANCE SHEET

Balance sheet restated for IFRS 16	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018	1 Jan 2018
SEK M					
Goodwill	6,615	6,685	6,750	6,677	6,278
Other intangible assets	300	314	327	307	315
Property, plant and equipment	580	588	562	546	524
Right-of-use assets	2,724	2,672	2,580	2,634	2,585
Financial assets	502	418	432	437	422
Current assets excl. cash and cash equivalents	5,901	7,029	7,667	6,960	6,116
Cash and cash equivalents incl. short-term investments	775	358	372	391	572
TOTAL ASSETS	17,397	18,065	18,689	17,953	16,812
Equity attributable to Parent Company shareholders	6,158	6,007	5,885	6,188	5,823
Non-controlling interests	10	9	10	13	12
Total equity	6,168	6,017	5,895	6,200	5,835
Non-current leasing liabilities	2,314	2,231	2,143	2,206	2,176
Non-current interest-bearing debt	2,105	2,140	2,801	2,031	2,120
Other non-current liabilities	923	886	885	838	811
Current leasing liabilities	599	614	614	603	579
Current interest-bearing debt	519	868	158	262	56
Other current liabilities	4,770	5,308	6,193	5,812	5,234
TOTAL EQUITY AND LIABILITIES	17,397	18,065	18,689	17,953	16,812

KEY RATIOS AND RECONCILIATION TO EBIT

Reconciliation of EBIT to the alternative performance measures EBITA and EBITDA SEK M	Full-year 2018	Jan-Sep 2018	Jan-Jun 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Operating profit (EBIT)	1,618	1,126	866	491	260	459	407
Acquisition-related items	75	57	37	18	20	20	17
Lease expenses ¹⁾	-665	-497	-326	-168	-171	-165	-161
Depreciation and impairments, right-of-use assets	602	449	295	153	154	150	145
EBITA ²⁾	1,629	1,135	872	494	263	464	408
Amortization/depreciation and impairment, of tangible and intangible assets	252	184	122	68	62	62	60
EBITDA ³⁾	1,881	1,320	994	561	326	526	468
EBITA margin, %	8.7	8.3	9.1	9.7	6.5	9.4	8.8
Operating margin (EBIT), %	8.6	8.3	9.1	9.6	6.4	9.3	8.8
Profit margin, %	8.1	7.6	8.6	9.2	5.4	8.8	8.4

¹⁾ 'Lease expenses' is the adjustment in order to treat all leases as operational leases.

²⁾ EBITA is an alternative performance measure (APM) and is defined as Earnings before interest, taxes and acquisition-related items, where all leases are treated as operational leases, whereby the total cost of the lease is affecting EBITA.

³⁾ EBITDA is an alternative performance measure (APM) and is defined as Earnings before interest, taxes, depreciation & amortisation and acquisition-related items, where all leases are treated as operational leases, whereby the total cost of the lease is affecting EBITDA.

RESTATED NET DEBT

Net debt is an alternative performance measure (APM) and is defined as net financial debt (almost exclusively comprising of interest-bearing bank debt), less cash and cash equivalents and short-term investments. Lease liabilities are excluded from Net Debt.

Net debt SEK M	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018	1 Jan 2018
Non-current interest-bearing debt	2,105	2,140	2,801	2,031	2,120
Current interest-bearing debt	519	868	158	262	56
Cash and cash equivalents incl. short-term investments	-775	-358	-372	-391	-572
NET DEBT	1,849	2,650	2,588	1,902	1,604
Net debt/EBITDA, x	1.0	1.4	1.4	1.1	0.9
Net debt/Equity, %	30.0	44.0	43.9	30.7	27.5
Equity/Assets ratio, %	35.5	33.3	31.5	34.5	34.7

RESTATEMENT OF QUARTERLY REVIEW PER BUSINESS AREA

The table below shows 2017 and 2018 segment information restated to reflect the adjusted Business Area structure.

Quarterly summary restated for adjusted Business Area structure ¹⁾	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Net sales, SEK M								
Sweco Sweden	2,003	1,427	1,926	1,874	1,936	1,437	1,798	1,854
Sweco Norway	661	516	639	577	561	413	506	590
Sweco Finland	556	465	549	502	488	420	498	487
Sweco Denmark	460	403	469	375	349	290	343	389
Sweco Netherlands	520	447	492	466	459	389	421	440
Sweco Belgium	323	240	271	290	233	200	206	212
Sweco UK	207	212	225	213	196	179	179	171
Sweco Germany & Central Europe	436	397	387	352	379	322	335	290
Group-wide, Eliminations, etc.	-55	-29	-41	-22	-19	-14	-25	-24
TOTAL GROUP	5,112	4,078	4,916	4,628	4,582	3,635	4,262	4,408
EBITA, SEK M								
Sweco Sweden	284	83	234	234	296	95	202	251
Sweco Norway	60	41	49	29	29	24	7	88
Sweco Finland	53	46	63	35	34	43	49	61
Sweco Denmark	17	27	41	23	5	14	-4	30
Sweco Netherlands	31	13	34	38	18	5	14	28
Sweco Belgium	37	12	24	26	21	11	14	16
Sweco UK	-6	6	6	11	11	14	15	11
Sweco Germany & Central Europe	27	24	25	19	36	20	19	14
Group-wide, Eliminations, etc. ²⁾	-8	11	-11	-7	-2	11	-5	-4
TOTAL GROUP	494	263	464	408	448	237	312	494
EBITA margin, %								
Sweco Sweden	14.2	5.8	12.1	12.5	15.3	6.6	11.2	13.5
Sweco Norway	9.0	8.0	7.7	5.0	5.2	5.8	1.5	14.9
Sweco Finland	9.5	9.9	11.5	7.0	7.0	10.2	9.9	12.6
Sweco Denmark	3.7	6.7	8.8	6.1	1.5	4.7	-1.1	7.6
Sweco Netherlands	5.9	2.8	6.8	8.1	4.0	1.4	3.4	6.3
Sweco Belgium	11.5	5.1	8.8	9.0	9.0	5.4	7.0	7.6
Sweco UK	-3.0	2.8	2.7	5.2	5.7	7.9	8.3	6.5
Sweco Germany & Central Europe	6.3	6.1	6.4	5.5	9.4	6.2	5.5	4.7
TOTAL GROUP	9.7	6.5	9.4	8.8	9.8	6.5	7.3	11.2
Number of full-time employees								
Sweco Sweden	5,865	5,490	5,680	5,591	5,653	5,392	5,564	5,506
Sweco Norway	1,513	1,474	1,435	1,453	1,397	1,329	1,331	1,327
Sweco Finland	2,037	2,071	2,106	2,055	2,010	2,069	2,096	2,010
Sweco Denmark	1,195	1,210	1,271	1,070	1,014	992	1,013	1,023
Sweco Netherlands	1,403	1,373	1,367	1,347	1,366	1,348	1,367	1,392
Sweco Belgium	836	770	771	780	758	707	670	664
Sweco UK	873	871	861	835	831	811	776	752
Sweco Germany & Central Europe	1,862	1,848	1,790	1,733	1,626	1,617	1,579	1,572
Group-wide, Eliminations, etc.	81	90	108	118	119	131	152	165
TOTAL GROUP	15,665	15,197	15,387	14,981	14,774	14,396	14,548	14,412

¹⁾ On Business area level, Sweco will not apply IFRS 16. In the table below, EBITA values of the Business areas for 2018 are therefore unchanged compared to earlier. 2017 has not been restated for IFRS 16. EBITA is an alternative performance measure, which Sweco defines as an earnings measure where all leases are treated as operational leases.

²⁾ The Group EBITA for 2018 differs slightly from the previously reported 2018 numbers due to the change in treatment of leases earlier accounted for as financial leases. This difference between reported and restated Group EBITA is reported in 'Group-wide, Eliminations, etc'.