

Interim report

First quarter [January 1–March 31, 2018](#)

- > Net sales totaled SEK 703 m (621)
- > Operating profit SEK 76 m (75) Operating profit before non-recurring items SEK 80 m
- > Operating margin 11% (12)
- > Profit after tax was SEK 59 m (54)
- > Earnings per share were SEK 0.56 (0.52)
- > Cash and cash equivalents totaled SEK 44 m (84)

Statement by Carl-Magnus Månsson, CEO

In many ways, 2018 started the same way that 2017 ended. Demand for Acando's services remained strong in a market driven by demand for innovation, increased data-driven customer insight and, especially, by extremely high activity in terms of using technology to realize completely new possibilities for efficiency. Our position in such transformation-driven segments as retail, the public sector and manufacturing generates new opportunities on a daily basis. We are continuing to grow with sustained profitability in a strong market. We grew 13 percent year-on-year and earnings are up slightly more than 6 percent.

During the quarter, we completed the establishment of several new operational activities in new geographies to thereby continue to develop and adapt our offering to the fastest-growing market sectors.

The acquisition of Anywhere.24 in Germany, which was completed on January 1, 2018, fully established Acando's already strong Dynamics 365 operations across Germany. The area is one of Acando's fastest growing and by collaboration across national borders, we expect to also capture a leading position in the German market.

In 2017, Acando acquired the service-design agencies Transformator Design and Daytona. Together with two of Acando's units, the agencies have now been integrated under the itch brand. The itch brand has already been established as Acando's own innovation agency and, going forward, it will become Sweden's largest business design and development studio. Essentially, Acando's business is based on creating unforgettable customer experiences. We have been particularly good at delivering the above in relation to our customers — now we want to come closer to the end customer experience. Unifying our agencies' extensive expertise under the itch brand will be a natural part of continuing to deliver impact and value across the chain. Itch currently has 160 employees and the studio is represented in Stockholm, Gothenburg, Malmö and Oslo. There is also some representation in Germany and further expansion plans for Europe.

2018 started with exciting projects, many new employees and a strong sense of being very central for our customers. The only certainty is that we will continue to develop and our ability to change in pace with our operating environment will be decisive to our success. We believe the world will increasingly be driven by technology but that understanding 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

Transformator Design, which is now part of Acando's Business Design Studio under the itch brand, has been nominated in Design S – Swedish Design Awards, for a project designing the reuse and recycling centers of tomorrow. The prize, Sweden's foremost design award, is aimed at professional designers, architects, individuals, producers and companies that work with design. The nominated project was conducted on behalf of SÖRAB, a regional waste disposal company owned by ten municipalities in the Stockholm area, and aims to develop and construct a new, highly functional reuse and recycling center. Unlike recycling centers, reuse and recycling centers allow customers to bring items for reuse and for recycling.

Acando has prepared a solution, based on Dynamics CRM, which simplifies the donation and collection process for a charitable organization. The charitable organization supports aid projects for refugees and needed to optimize and streamline its donation processes to meet its strategic goals. Acando will also provide support and maintenance for the system, thus enabling the charitable organization to keep track of who donates and which sponsors suit the various aid projects. With the help of data and insights regarding the donations, the organization can build long-term relationships with its donors.

Acando has been given the assignment to implement the SAP S/4 HANA ERP system at BAE Systems. The new platform creates the preconditions for efficient, shared solutions and processes for BAE Systems in Sweden, and lowers total IT costs. A shared SAP S/4 HANA system for BAE Systems in Sweden is being established to realize the cost savings and achieve a full return on these investments in the company's ERP environments.

Acando has been tasked with working with data-driven customer insights for end customers on behalf of a leading global manufacturer of industrial material. Increased awareness of end customers' needs and buying patterns enable Acando to improve the customer dialogue with selected distributors. The project background is that the industrial company had identified a need to understand the behavior of small and mid-sized customers when making purchases through the distributor channel. The project entails sharing customer data between distributors and the manufacturer, which leads to enhanced dialogue and planning. Within the framework of this project, Acando has advised the manufacturer but also acted as guarantor for the confidentiality of any data aggregated and managed.

After the end of the period, on 25 April, on the back of the authorization from the 2017 AGM, the Board decided to make 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.

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 2,000 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:

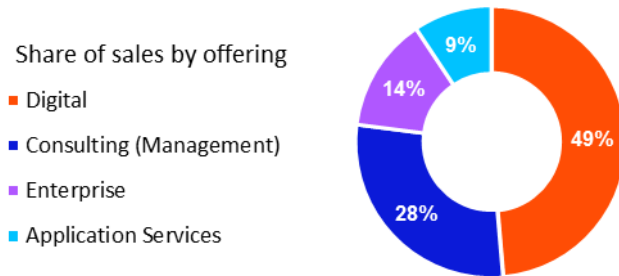
Digital guides customers and realizes solutions linked to digital innovation and transformation. Projects are driven by a combination of digital business understanding and deep technical know-how in solutions based on modern technology and platforms. The area has substantial growth potential and Acando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

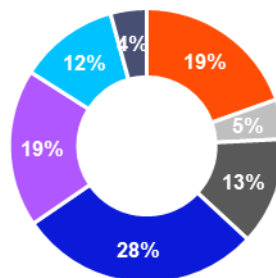
The healthcare segment remains at an early stage of implementing digitalization. Investments are focused on efficient information management, new methods with clear digital components and a greater degree of digital interaction. Acando aims to capture a leading role and has a number of key assignments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

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



First quarter market trend

Demand remained healthy in Sweden through the start of 2018. 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 increased willingness to invest in the offshore and oil industry with a consequent recovery in oil-related sectors.

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

Net sales and earnings

First quarter January–March 2018

Net sales and operating profit before amortization and impairment of intangible assets (EBITA) for Q1 2018 are shown in the table below:

SEKm	Net sales		EBITA		EBITA margin	
	2018	2017	2018	2017	2018	2017
Sweden	436.8	401.4	62.3	54.4	14.3%	13.6%
Norway	139.3	116.9	15.5	12.2	11.2%	10.4%
Germany	128.6	102.8	9.6	15.0	7.5%	14.6%
Group adjustments	-1.3	-0.3	-7.7	-6.7	-	-
Total	703.3	620.8	79.8	74.9	11.3%	12.1%
Items affecting comparability			-3.5			
Total	703.3	620.8	76.3	74.9	10.8%	12.1%

Consolidated net sales for the quarter amounted to SEK 703 m (621). Operating profit was SEK 80 m (75), corresponding to an operating margin of 11.3 percent (12.1) before extraordinary items pertaining to completed acquisitions. In Germany, earnings were negatively impacted by high levels of sick leave. Note that in the comparative year, 2017, Easter was in the second quarter.

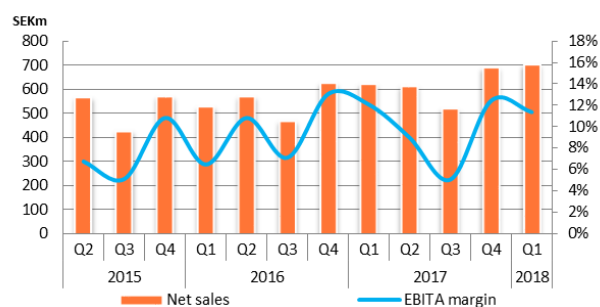
Consolidated profit after tax totaled SEK 59 m (54). Earnings per share after dilution amounted to SEK 0.56 (0.52), and SEK 0.57 (0.53) before dilution.

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 posted a positive trend for the quarter. The market has gradually strengthened in Finland, which is reported under the Sweden segment.

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.

Acando's position in modern business system platforms in Sweden is becoming progressively stronger. Acando is continuing its SAP partnership, and is adding SAP's intelligent cloud ERP to the portfolio of products that Acando supplies. SAP has transitioned from driving a Cloud First strategy to a clear positioning based on Cloud Only. For the flagship SAP S/4HANA, this means focus on the public cloud solution SAP S/4HANA Cloud. With the ambition of becoming a leading partner for SAP's cloud solutions, Acando has therefore chosen to be certified as a reseller.

In September 2017, Acando acquired the service-design agencies Transformator Design and Daytona. Together with two of Acando's units, the agencies will be integrated under the itch brand. The itch brand has already been established as Acando's own innovation agency and, going forward, will become Sweden's largest business design and development studio. Essentially, Acando's business is based on creating unforgettable customer experiences. Unifying our extensive expertise under the itch brand will be a natural part of continuing to deliver impact and value across the chain. Experience-driven design is based on understanding users — on being relevant in all parts of the user trip to add long-term value in a manner that a static product or delivery could never achieve. Acando's compiled expertise under the itch brand supports the speed and scalability of digital services.

One example of services in this area is Acando's assignment to prepare a new frontend solution for telenor.se. Telenor needs a frontend solution for telenor.se that meets the operational requirements for flexibility, scalability and performance. Moreover, the company wants the capability to adapt the interface in line with visitors' wishes, requirements and expectations in terms of user experience. In the first stage, Acando initiated a project to gather the requirements, to identify the right way to proceed, to set up a prototype, to evaluate and finally, to present a recommendation and frontend strategy for the new solution for telenor.se. In the second stage, Acando will implement the new solution together with the existing development team at Telenor.

To secure the skills supply, Acando has given Academy, a subsidiary of Academic Work which offers intensive accelerated-learning-based courses based, an assignment to train system developers. Difficulty in finding consultants to recruit with the right skills, a challenge Acando shares with much of the industry, resulted in starting a partnership with Academy. Starting in August, over 12 weeks, 15 participants will be trained as consultants in the C#.NET programming language. Equal in importance with the technical skills is the need to prepare participants for the consulting role. During the training course, participants will not just learn to program, they will also learn the basics of consulting, such as how to ask the right questions and do the right things for the customers. After training, the participants will continue to develop at Acando, where they will in teams, with skills in areas including strategy and UX, build modern digital multi-channel solutions in product and service development.

Norway

Acando Norway continues to grow with sales almost 20 percent higher and profits up slightly more than 30 percent. The market remains healthy and demand is expected to stay unchanged. An 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. A rising utilization rate in the organization during the quarter, primarily through expanded commitments under contracted framework agreements, is driving a positive earnings trend.

Over the last two years, Acando Norway has completed demonstrations of autonomous minibuses across the country and more than 15,000 people have tested the bus to date. Testing of autonomous vehicles started in Norway in January. The housing company OBOS is planning for autonomous minibuses on the roads in the spring and summer. This will be Norway's first project with autonomous minibuses in traffic. Initially, the buses will be driven on shorter routes. Speeds are limited to around 15 km/h, and the buses take up to 12 passengers. The project is being conducted with support from Bærum municipality and Acando.

Acando Norway is leading the Group's advanced analytics initiatives. A continued build-up of volumes and deep technical understanding means that Acando now holds a leading position in areas, such as advanced analytics for machine learning, speech and image, text analysis and natural language processing (NLP). Projects aimed at making considerable quantities of moving images searchable, gathering and analyzing maritime data, and traditional decision support assignments are just a few examples of assignments in this area.

Germany

Operations in Germany grew 25 percent year-on-year and all geographies contributed to the positive trend. The utilization rate was slightly weaker in the first month of the quarter and was impacted by high levels of sick leave in the latter part of the quarter. Moreover, the calendar effect from Easter with more public holidays had additional negative effects. Altogether, this led to a lower margin compared with Q1 2017. However, the quarter concluded with rising utilization and several projects won.

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. The banking and finance, and retail sectors also noted healthy demand. Growth in new customers was healthy during the quarter and included several projects won with a new retail segment customer.

The acquisition of Anywhere.24 was completed on January 1, 2018 and creates a strong position in Microsoft Dynamics, in line with the Group's strategy of becoming the leading Microsoft partner in the region. By combining Acando's strong retail and service-sector position, and Acando's strength in mobility, solution development and advanced project implementation with Anywhere.24's strengths in cloud-based deliveries and Dynamics, opportunities are created to lead customers through the entire digital lifecycle.



Financial information

Financial position

Acando has a strong financial position, with an equity/assets ratio of 63 percent (69). Consolidated cash and cash equivalents amounted to SEK 44 m (84) at March 31, 2018. In addition, the Group has unutilized overdraft facilities of SEK 180 m (180), of which SEK 38 m (3) was utilized at March 31, 2018.

SEK m	Mar 31, 2018	Mar 31, 2017	Change	Dec 31, 2017
Cash & cash equivalents	44	84	-40	90
Interest-bearing short-term debt	-44	-29	-15	-79
Interest-bearing long-term debt ¹⁾	-30	-28	-2	-30
Net cash	-30	27	-57	-19
Unutilized overdraft facility	107	177	-70	107
Equity/assets ratio	63%	69%	-5%	62%

¹⁾ Interest-bearing debt applies to pension commitments of SEK 30 m (28).

Cash flow

Total cash flow in Q1 2018 was SEK 50 m (12). Cash flow from operating activities of SEK 45 m (39) comprised cash inflows from operations of SEK 64 m (72) and a negative change in working capital of SEK 19 m (neg: 33).

Cash flow from investment activities amounted to an outflow of SEK 59 m (outflow: 12), of which SEK 50 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 37 m (outflow: 14) and pertained changes in overdraft facilities utilized.

SEK m	Jan-Mar 2018	Jan-Mar 2017	Change	Full-year 2017
Cash flow from:				
Operating activities	45	39	6	188
Investment activities	-59	-12	-47	-76
Financing activities	-37	-14	-23	-96
Total cash flow	-51	12	-63	16
Opening cash and cash equivalents	90	72	18	72
Translation difference	5	-0.6	5.6	1.8
Closing cash and cash equivalents	44	84	-40	90

Tax

The Group recognized a tax expense for the year of SEK 20 m (20). This recognized tax expense corresponded to a tax rate of 24.9 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.

Investments

The Group's net investment in assets in Q1 2018 was SEK 56 m (11). SEK 6 m pertained to investments in tangible assets and SEK 50 m pertained to investments in intangible assets.

The share

Share capital and shares

On March 31, 2018, 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. The number of shares outstanding was 103,794,371.

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 was implemented on the back of this authorization.

Share-savings programs

At March 31, 2017, Acando had three share-savings programs outstanding. Details of the 2015/2018, 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.

Employees

The number of employees at the end of the quarter was 2,028 (1,752). Of these, 1,169 (1,070) were in Sweden, 486 (367) in Germany, 312 (242) in Norway and 61 (73) in Other countries. The average number of employees in Q1 2018 was 1,982 (1,725).

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.

Acando's financial targets and dividend policy

Acando's financial targets are divided into four sections:

Growth

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

Margin

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

Earnings per share

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

Debt/EBITDA ratio

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

Acando's dividend policy is as follows:

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

Outlook

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

Acando does not provide earnings or sales forecasts.

Review report

This report was not audited.

Assurance by the Board of Directors

The Board of Directors and the President provide their assurance that the interim report for January–March 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, May 8, 2018

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

Upcoming reporting dates

Reporting dates

Interim report January–June 2018	August 17, 2018
Interim report January–September 2018	October 26, 2018
Year-end report 2018	February 8, 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 above contacts for publication on May 8, 2018 at 08:00 p.m. (CET).

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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 2,000 employees allocated over five countries. Acando had sales of more than SEK 2.4 billion in 2017 and is listed on Nasdaq Stockholm.

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CONSOLIDATED INCOME STATEMENT

(SEK m)	Note	Jan - Mar 2018	Jan - Mar 2017	Apr 2017 - Mar 2018	Jan - Dec 2017
Net sales		703	621	2,526	2,444
Other operating income		0	0	2	3
Total income		703	621	2,529	2,446
Operating expenses					
Other external expenses		-138	-124	-514	-500
Personnel expenses		-484	-420	-1,751	-1,686
Depreciation of tangible assets		-5	-3	-16	-15
Amortization of intangible assets		-1	0	-2	-2
Operating profit		76	75	245	243
Profit from financial items					
Financial income	8	3	0	5	2
Financial expenses		0	-1	-2	-3
Profit after financial items		79	74	247	242
Taxes on profit for the year		-20	-20	-63	-63
Net profit for the period		59	54	184	180
Of which, attributable to shareholders of Acando AB (publ.)		59	54	183	179
Earnings per share					
Before dilution, SEK		0.57	0.53	1.77	1.73
After dilution, SEK		0.56	0.52	1.74	1.70
Average number of shares before dilution		103,794,371	102,865,419	103,422,790	103,237,000
Average number of shares after dilution		105,701,089	104,407,419	105,178,485	104,919,751
Number of shares outstanding at end of period					
before dilution		103,794,371	102,865,419	103,794,371	103,794,371
Number of shares outstanding at end of period					
after dilution		105,701,089	104,407,419	105,701,089	105,729,085

Treasury shares are not included in the number of shares above. At March 31, 2018, 1,163,048 shares are owned by Acando. These treasury shares are expected to be used for future allotment in ongoing share-savings programs.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK m)	Note	Jan - Mar 2018	Jan - Mar 2017	Apr 2017 - Mar 2018	Jan - Dec 2017
Net profit for the period		59	54	184	180
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Pension liabilities, actuarial gains on liabilities		-	0	-2	-2
Income tax pertaining to items in other comprehensive income		-	0	0	0
Total items that will not be reclassified subsequently to profit or loss		-	0	-2	-1
Items that may be reclassified subsequently to profit or loss					
Change in accumulated translation differences		17	-2	14	-5
Total items that may be reclassified subsequently to profit or loss		17	-2	14	-5
Other comprehensive income for the period, net after tax		17	-2	12	-7
Comprehensive income for the period		77	52	197	173
Attributable to:					
Parent Company's shareholders		76	52	195	172

CONSOLIDATED BALANCE SHEET

(SEK m)	Note	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Non-current assets				
<i>Intangible assets</i>				
Goodwill	4	1,163	984	1,101
Other intangible assets		3	4	3
<i>Tangible assets</i>				
Tangible assets		40	30	38
<i>Financial assets</i>				
Deferred tax assets ¹⁾		8	8	8
Other non-current financial assets		6	5	5
Total non-current assets		1,219	1,031	1,155
Current assets				
Accounts receivable		616	534	637
Other receivables		36	7	13
Current tax assets		8	4	3
Prepaid expenses and accrued income		125	95	68
Cash and cash equivalents		44	84	90
Total current assets		829	724	811
Total assets		2,048	1,755	1,966
Equity				
Share capital	5	145	144	145
Other capital contributions		753	740	754
Reserves		-11	-25	-28
Retained earnings including profit for the period		402	346	342
Total equity		1,292	1,205	1,214
Liabilities				
Non-current liabilities	6	73	37	58
Current liabilities	6	683	513	695
Total liabilities		756	550	752
Total equity and liabilities		2,048	1,755	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		-	-	-	54	-	54
Other comprehensive income for the period		-	-	-2	0	-	-2
Total comprehensive income for the period		-	-	-2	54	-	52
Incentive programs		-	-	-	1	-	1
Closing balance at March 31, 2017		144	739	-25	346	1	1,205
Profit for the period		-	-	-	124	1	125
Other comprehensive income for the period		-	-	-3	-1	0	-4
Total comprehensive income for the period		-	-	-3	123	1	121
Dividend* paid to Parent Company shareholders		-	-	-	-134	-	-134
Incentive programs		-	-	-	6	-	6
New share issue		1	14	-	-	-	15
Closing balance at December 31, 2018		145	753	-28	342	2	1,214
Profit for the period		-	-	-	59	1	59
Other comprehensive income for the period		-	-	17	-	0	17
Total comprehensive income for the period		-	-	17	59	1	77
Incentive programs		-	-	-	2	-	2
Closing balance at March 31, 2018		145	753	-11	402	2	1,292

* Dividends payable on ordinary shares

CONSOLIDATED CASH-FLOW STATEMENT

(SEK m)	Note	Jan - Mar 2018	Jan - Mar 2017	Jan - Dec 2017
Operating activities				
Profit after financial items		79	74	243
Adjustment for items not included in the cash flow		1	6	21
Income tax paid		-16	-8	-22
Cash flow from operating activities before changes in working capital		64	73	242
Net change in working capital		-19	-34	-54
Cash flow from operating activities		45	39	188
Cash flow from investment activities		-59	-12	-76
Cash flow from financing activities		-37	-14	-96
Cash flow for the period		-51	12	16
Cash and cash equivalents at the beginning of the period		90	72	72
Exchange-rate differences in cash and cash equivalents		5	-1	1
Cash and cash equivalents at the end of the period		44	84	90

OPERATING SEGMENTS

(SEK m)	Note	Sweden	Germany	Norway	Discontinued Operations	Total	Group adjustment	Group total
Oct-Dec 2017								
Net sales		435	129	139	0	703	0	703
Operating profit		62	6	16	0	84	-8	76
Financial income								3
Financial expenses								0
Profit after financial items								79
Taxes								-20
Net profit for the period								59
Oct-Dec 2016								
Net sales		401	103	117	0	621	0	621
Operating profit		55	15	12	0	82	-7	75
Financial income								0
Financial expenses								-1
Profit after financial items								74
Taxes								-20
Net profit for the period								54
Jan - Dec 2017								
Net sales		1,604	455	467	0	2,526	0	2,526
Operating profit		197	40	38	0	275	-30	245
Financial income								5
Financial expenses								-2
Profit after financial items								247
Taxes								-63
Net profit for the period								184
Jan - Dec 2016								
Net sales		1,570	429	445	0	2,444	0	2,444
Operating profit		190	49	34	0	273	-29	243
Financial income								2
Financial expenses								-3
Profit after financial items								243
Taxes								-63
Net profit for the period								180

As license income is not a material amount, it is reported under the net sales category.

(MSEK)	Not	Digital	Consulting	Enterprise	Application Services	Group Total
Jan - Mar 2018						
Net sales		342	200	96	66	704
Jan - Mar 2017						
Net sales		277	180	98	66	621
Jan - Dec 2017						
Net sales		1,106	715	382	241	2,444

KEY RATIOS

(SEK m)	Note	Jan - Mar 2018	Jan - Mar 2017	Apr 2017 - Mar - 2018	Jan - Dec 2017
Result					
Net sales		703	621	2,526	2,444
Earnings before depreciation and amortization (EBITDA)		81	78	263	260
Earnings before amortization of intangible assets (EBITA)		77	75	247	245
Operating profit (EBIT)		76	75	245	243
Net profit for the period		59	54	183	180
Margins					
EBITDA margin, %		11.6	12.6	10.4	10.6
EBITA margin, %		10.9	12.2	9.8	10.0
Operating margin (EBIT), %		10.9	12.1	9.7	10.0
Profit margin, %		11.2	12.0	9.8	9.9
Profitability					
Return on capital employed, %		6	6	19	19
Return on equity, %		5	5	15	15
Financial position					
Equity/assets ratio, %		63	69	63	62
Interest coverage ratio, multiple		176	104	128	111
Net debt in relation to EBITDA, %		0.4	-0.3	0.1	0.1
Per share					
Equity per share, SEK		12.20	11.54	12.20	11.46
Cash flow per share, SEK		-0.48	0.12	-0.45	0.15
Earnings per share after dilution, SEK		0.56	0.52	1.73	1.71
Employees					
Number of employees at end of the period		2,028	1,752	2,028	1,935
Average number of employees		1,982	1,725	1,890	1,817
Net sales per employee, SEK thousands		355	360	1,337	1,345
Investments					
Net investments		56	11	78	33

Key performance indicators are described on page 75 of Acando's 2017 Annual Report.

PARENT COMPANY INCOME STATEMENT

(SEK m)	Note	Jan - Mar 2018	Jan - Mar 2017	Apr 2017 - Mar 2018	Jan - Dec 2017
Net sales		27	21	102	96
Total income		27	21	102	96
Operating expenses					
Other external expenses		-15	-12	-56	-53
Personnel expenses		-5	-4	-20	-18
Amortization/deprication and impairment of intangible and tangible assets		0	0	-1	-1
Operating profit		3	3	16	16
Profit from financial items					
Other interest income and similar items	8	2	0	41	40
Interest expenses and similar items		0	-1	-2	-3
Profit/loss after financial items		5	3	55	53
Appropriations		-1	0	-6	-5
Taxes on profit for the year		-1	-1	-3	-2
Net profit/loss for the period		3	2	46	46

PARENT COMPANY BALANCE SHEET

(SEK m)	Note	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Non-current assets				
<i>Intangible assets</i>				
Other intangible assets		2	3	3
<i>Tangible assets</i>				
Tangible assets		22	18	21
<i>Financial assets</i>				
Financial assets		1,478	1,406	1,486
Total non-current assets		1,503	1,426	1,510
Current assets				
Receivables from Group companies		20	18	28
Accounts receivable		0	0	0
Other receivables		2	0	2
Prepaid expenses and accrued income		15	12	8
Cash and cash equivalents		0	0	1
Total current assets		37	29	38
Total assets		1,539	1,456	1,548
Equity				
Share capital	5	145	144	145
Statutory reserve		110	110	110
Share premium reserve		647	632	647
Retained earnings including profit for the period		166	248	164
Total equity		1,067	1,134	1,066
Untaxed reserves		6	0	5
Liabilities				
Long-term liabilities		0	0	0
Liabilities to Group companies		373	270	342
Current liabilities		70	51	108
Total liabilities		466	322	477
Total equity and liabilities		1,539	1,456	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.

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 March 31, 2017, goodwill increased by a total of SEK 179 m. This comprised preliminary estimates for goodwill of SEK 51 m pertaining to an acquisition in Q1 2018 in the Germany segment and SEK 51 m pertaining to an acquisition in Q4 2017 in the Norway segment, and goodwill of SEK 70 m pertaining to Q3 2017 acquisitions in the Sweden segment. The remainder of the change, a negative SEK 7 m pertained to currency effects.

Note 5 Equity

At March 31, 2018, 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 2017, 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 during the year. The total number of treasury shares was 1,163,048 Series B shares at March 31, 2018. No buy-backs of treasury shares have taken place in 2018.

Note 6 Liabilities

Long-term liabilities

Long-term liabilities of SEK 73 m include pension liabilities in Sweden of SEK 30 m, deferred tax of SEK 21 m and estimated earnouts for completed acquisitions of SEK 22 m.

Current liabilities

Of the current liabilities of SEK 683 m, SEK 44 m represents interest-bearing short-term debt in the form of utilized credit of SEK 38 m and the current portion of acquisition loans of SEK 6 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 discontinuations2018

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. The size of the company means it has no material impact on the Group's financial statements.

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

After the end of the period, on 25 April, on the back of the authorization from the 2017 AGM, the Board decided to make 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.

At the end of April, the Group increased available credit by SEK 80 M through a loan related to acquisitions. At April 30, 2018 the Group has unutilized overdraft facilities of SEK 1260.

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 15–19 or under the heading Financial position on page 10 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.