



ANNUAL REPORT 2010



Innovation by experience



THIS IS ÅF

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ÅF is continuously developing its consulting business and its capacity to carry out its assignments in the best possible way. The ambition is clear: to safeguard successful, long-term sustainable development for ÅF's clients and for ÅF itself.

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Striving for profitability and wanting to make the world a better place aren't mutually exclusive. Quite the opposite, in fact. A sustainable company is a long-term venture, which lays the foundations for good profitability over time.

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ANNUAL REPORT

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In 2010 ÅF made a number of acquisitions in Europe in line with its strategy of becoming number one or two in the markets where the company is active.

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The board works to continuously improve the effectiveness of its routines and working methods in order to be able to devote as much time as possible to important strategic discussions.

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THE YEAR AT A GLANCE

Operating income excluding
capital gain totalled SEK

4,338

million (2009: SEK 4,684 million)

Operating profit excluding
capital gain totalled SEK

317

million (2009: SEK 380 million)

Profit after tax amounted to SEK

717

million (2009: SEK 275 million)

Earnings per share before dilution: SEK

21.02

(2009: SEK 7.93)

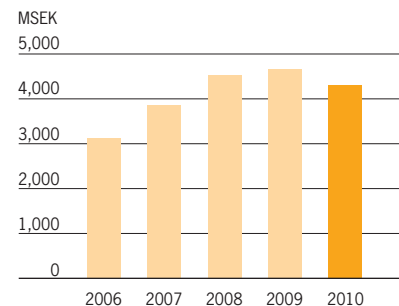
Financial summary

	2010	2009
Operating income, MSEK	4,795.9	4,692.0
Operating income excl. capital gain, MSEK	4,338.0	4,684.2
Operating profit, MSEK	805.8	388.3
Operating profit excl. capital gain, MSEK	317.0	380.5
Operating margin, percent	16.8	8.3
Operating margin excl. capital gain, percent	7.3	8.1
Capacity utilisation, percent	71.9	71.3
Profit after net financial items, MSEK	798.1	377.0
Profit margin, percent	16.6	8.0
Employees (FTEs)	3,966	4,182
Equity per share, SEK	69.47	53.68
Equity/assets ratio, percent	59.8	51.0
Return on equity, percent	32.5	15.8
Return on equity excl. capital gain, percent	12.5	15.4
Earnings per share before dilution, SEK	21.02	7.93
Dividend per share, SEK ¹⁾	4.00 ²⁾	4.00

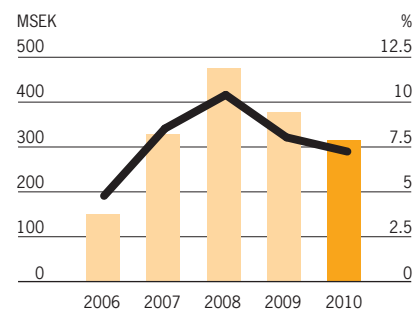
¹⁾ A 2:1 share split was implemented on 2 June 2010. Comparative figures adjusted.

²⁾ Proposed dividend.

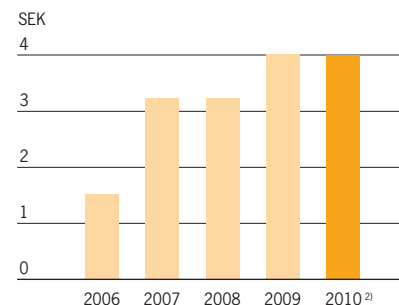
Group operating income, excl. capital gain (in millions of SEK)



Group operating profit and operating margin, excl. capital gain



Dividend per share ¹⁾



¹⁾ A 2:1 share split was implemented on 2 June 2010. Comparative figures adjusted.

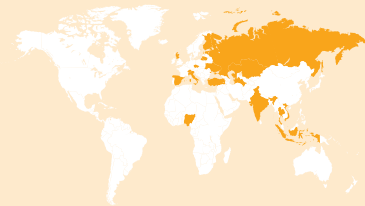
²⁾ Proposed dividend.

THIS IS ÅF

Division

Energy

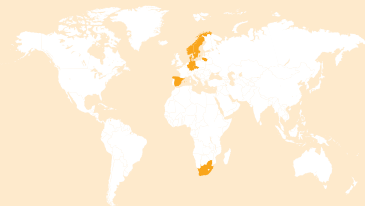
The Energy Division offers technical and financial consulting services for the energy sector and is a world leader in the field of nuclear power.



ÅF offices

Industry

The Industry Division is a leader in consulting services in the fields of process technology, energy efficiency, environmental engineering, industrial IT, automation, electrical power systems and mechanical engineering.



Infrastructure













The Infrastructure Division holds a leading position in the field of consulting services for infrastructure development in Scandinavia.



Technology

The Technology Division offers solutions and consulting services in fields that include telecommunications, defence and development.



Clients	Operating income	Operating profit	Employees (FTEs)	Operating profit per FTE
<ul style="list-style-type: none"> Power industry and energy companies Government bodies Financial institutions 	 23 % MSEK 1,012	 25 % MSEK 83.1	 24 % 906	SEK 92,000
<ul style="list-style-type: none"> All sectors of industry: in Scandinavia, also energy and nuclear power 	 31 % MSEK 1,340	 35 % MSEK 119.9	 32 % 1,200	SEK 100,000
<ul style="list-style-type: none"> Road and rail Property sector 	 29 % MSEK 1,233	 20 % MSEK 69.0	 28 % 1,065	SEK 65,000
<ul style="list-style-type: none"> All industries and sectors 	 17 % MSEK 719	 20 % MSEK 69.1	 16 % 616	SEK 112,000
Total, all divisions	MSEK 4,304	MSEK 341.1	3,787	SEK 90,000
Other/Eliminations^{*)}	MSEK 492	MSEK 464.7	179	—
Total including eliminations	MSEK 4,796	MSEK 805.8	3,966	SEK 203,000

Divisional contributions to Group totals for 2010 are shown as a percentage.

^{*)} Includes the Inspection Division, which was sold in Q1 2010.

A MESSAGE FROM THE PRESIDENT

A more focused ÅF – ready to serve a stronger market

CEO Jonas Wiström explains how ÅF sharpened its focus in 2010 and what is top of the agenda over the next few years. The key themes are profitability, growth and sustainability.

So, Jonas Wiström, how would you summarise 2010?

“For ÅF, 2010 was a year of strategic realignment. The decision to sell our Inspection Division, ÅF Kontroll, proved a good move for us and the division's 500 co-workers, but more important still, it underlined our strategy to become number one or two in our fields of expertise in our chosen markets. The inspection market is dominated by a handful of big global players, so the opportunities for us to expand our operations in this segment were limited. Moreover, ÅF's growth, particularly in nuclear power, was making it increasingly problematical to combine the dual roles of project implementation and independent inspection under one and the same corporate banner. The decision also meant we had to sell our share in ÅF-TÜV Nord, but the income from these divestments helped to fund a number of strategic acquisitions during the year in our focus areas of industry, energy and infrastructure. The acquisitions of Energo, Gatubolaget i Göteborg, Platom and VPC Mining in Sweden, Meacont in the Czech Republic and Mercados in Spain added the strengths of more than 550 highly qualified new co-workers to our core competences. This represents a significant reinforcement of our market position and leaves us very well placed to grow further and to cap-

ture new market share at the start of what we hope is an upturn in the economy.”

What has been happening in the various divisions?

“As far as market developments in general are concerned, the recovery in 2010 turned out to be slower than we had initially anticipated. We didn't witness any real increase in client activity until the autumn. The Energy Division won several important assignments in 2010, but was also affected by clients deferring their investment plans and by structural shifts in the market. The Industry Division reported a continuous improvement in the level of profitability, and earnings were good towards the end of the year. Growth was good in the Infrastructure Division, especially in infrastructure planning, where the division demonstrated its strengths by securing some major assignments in connection with the Stockholm Bypass Project. However, profitability in the division was undermined by the costs of major restructuring work in Norway. The Technology Division developed in a highly positive direction, reporting good capacity utilisation, healthy profitability and good growth. Overall, ÅF increased its market shares over the course of the year.”

ÅF is committed to doubling its consulting workforce and increasing turnover significantly over the next five years. How do you aim to go about achieving that?

“We will achieve our vision through what, in the longer term, will be a more or less evenly balanced mix of organic and acquired growth. As our strategy is to be a market leader in our chosen areas of expertise, most of the initial growth will be in countries and fields where we have already made a name for ourselves. It's clear to me that our recent successes have been built on a strong, well-known brand and the ability to consistently exceed our clients' expectations.”

“Our first-class offers in global growth areas will produce good results.”

How do you make sure that rapid growth doesn't undermine profitability?

"Personally, I can't see why growth and profitability should not be compatible. On the contrary, the lines of business that have been most profitable at ÅF are those that have grown most rapidly. Growth creates an entrepreneurial spirit and fosters a corporate culture whose hallmarks are creativity, a willingness to listen and the ability to deliver. Our clients benefit from this in the form of intelligent solutions that, in turn, increase demand for our services."

"Olympic Green Advisor" is a new concept. What does it actually mean?

"As Olympic Green Advisor, ÅF acts as a consultant to the national Olympic Committees in Finland, Norway, Sweden and Switzerland on issues relating to sustainability. In Sweden, for example, we have begun the process of educating leaders and athletes on sustainability issues. We have already carried out a sustainability study for the Swedish Olympic Committee and, in the longer term, we hope to be able to play our part in helping to make the Olympic Games greener. Our aim is to make a difference and to influence general opinion by nudging it in the right direction. The broader but related concept of 'ÅF Green Advisor' places us in a unique position to market a number of strong offers across our client base."

Tell us about ÅF's work with sustainability.

"The world needs new technology, creativity and strong political action to meet the challenges facing humanity. We must embrace the technological solutions that lead to a better, more prosperous and more environmentally sustainable world. And it will be engineers who lead us along this path.

For ÅF, sustainability is the basis for long-term profitability. Economic, environmental and social sustainability are the cornerstones on which we need to build in order to be able to continue to deliver the best solutions to clients who want their business operations to be sustainable, successful and profitable.

For the first time ÅF is reporting its sustainability performance over the past year with reference to the guidelines of the Global Reporting Initiative (GRI). In the autumn ÅF also launched its own tough targets for the company's internal sustainability work: these include halving climate impact by 2015 (calculated per individual, with 2009 as the baseline year) and aiming to ensure that ÅF always offers clients an alternative 'green' solution to every challenge we

are asked to solve. In 2010 we also launched a web-based sustainability training programme for all ÅF employees."

Where does the focus lie in 2011?

"After the slowdown in business that followed the financial crisis, it's now time for us to start to grow again. We did capture new shares of the market during the economic downturn, but our sights are now firmly set on growth in absolute terms, where the most important thing is to grow organically. We have first-class offers in global growth areas and these will produce results."

What is the best thing about ÅF?

"The accumulated knowledge and experience of our 4,500 or so co-workers. It's truly fantastic. And I would argue, too, that our ability to make systematic use of the knowledge we gain is quite unique. It means our clients always have fast-track access to tried-and-tested methods and techniques."

And finally...?

"The sale of ÅF-Kontroll was an important milestone in our corporate evolutionary process. It has sharpened the focus within ÅF and given us the financial resources to grow in our core activities. Today we have an organisation that is fully focused on and geared to meeting our commercial targets. I believe the market will improve in 2011, and the ÅF brand is now stronger than ever. Add that to ÅF's ever greater appeal as an employer (ÅF was recently voted one of Europe's top 50 employers in a major survey of engineering students), and I'm convinced that the outlook for the future is good.

Finally I would like to say thank you to all the co-workers who have contributed to ÅF's success. I look forward to continuing to work with you all in building the corporate values that are so important to our clients, shareholders and other stakeholders."

Stockholm, Sweden –
March 2011

Jonas Wiström
President and CEO



MISSION, VISION, STRATEGIES AND OBJECTIVES

Mission

ÅF's joint pool of expertise and experience creates solutions that are profitable, safe and sustainable.

ÅF contributes to the sustainable development of industry and society as a whole. More than 100 years' experience in the business has taught us to raise our sights.

Our collective experience places ÅF firmly in the front rank of technological progress. Even so, the solution ÅF delivers is not necessarily the most technically sophisticated – but it's always the best! ÅF never experiments with its clients or their businesses, especially when their interests are best served by tried and tested technology.

Our total independence from suppliers and other partners is every client's guarantee of an optimum solution.

That's why ÅF creates solutions that are profitable, safe and sustainable for its clients.

ÅF's core values:

- Great people
- Teamwork
- Indisputable independence

Our motto

Innovation by experience.

Vision

The best partner for the best clients

- ÅF meets every technical challenge.
- ÅF's business model outperforms all competitors.
- ÅF sales will total 1 billion euros by 2015.

ÅF meets every technical challenge

ÅF has access to more than 100 million hours of engineering experience – know-how and solutions that are documented in "ONE", our unique knowledge database that is available to every ÅF employee. This means that:

- every ÅF employee can make use of the full, combined strength of ÅF.
- ÅF is ready to tackle every technical challenge, now and in the future.

ÅF's business model outperforms all competitors

ÅF does not charge for its time, but for the value it creates. That increases the productivity in our projects and reduces costs for the clients. Partnership plays a central role in our assignments, because it is as a partner that ÅF can deliver real value – the right quality at the lowest overall cost.

Our outstanding co-workers are one step ahead in terms of technical expertise, business acumen and total independence.

For our clients and competitors it is clear that here at ÅF we demand more of ourselves. We have the will to win.

ÅF sales will total 1 billion euros by 2015

ÅF will become Europe's leading technical consultant. For us, that means becoming the most profitable company among our biggest competitors in the business.

Our rate of growth will be high. We will grow both organically and through corporate acquisitions, but we will also be careful to ensure that the companies we acquire make a positive contribution to our profitability and to the ÅF culture.

Strategies

Operations will be decentralised

- under one and the same brand
- with common processes and systems
- with shared values and a common corporate culture in order to concert efforts and fully exploit the potential of all the experience that is represented within the ÅF Group.

ONE ÅF is a huge, shared bank of knowledge available to all ÅF co-workers that enables ÅF to improve profitability for its clients by proposing safe, sustainable solutions to a wide variety of challenges.

ONE ÅF is a common workplace where co-workers are encouraged to pursue their career within ÅF, for example in a different country or with new, technical challenges.

ONE ÅF is a joint sales organisation through which clients are offered the entire range of ÅF's services.

ONE ÅF is the firm base for the corporate culture and shared values of ÅF.

Acquisitions strategy

ÅF's acquisitions policy is based on the above. Every effort will be made to develop the business when the right opportunities arise, but expansion will not take place at the expense of profitability.

Business support and shared processes

ÅF is continuously developing its consulting business and its capacity to carry out its assignments in the best possible way. The ambition is clear: to safeguard successful, long-term sustainable development for ÅF's clients and for ÅF itself.

One example of this is ONE, ÅF's recently developed IT platform. At the same time as it acts as a driving force for collaboration within ÅF and with clients and subcontracted suppliers, ONE also guarantees a modern approach to working with processes, projects and knowledge retrieval at ÅF, freeing up time for development and innovation in client assignments.

ONE is a web-based tool, mostly in English, that is accessible to employees throughout the ÅF Group.

ONE also serves as ÅF's business support system, a central operational control system that makes ÅF's business operations considerably more cost-effective while assuring quality and consistency in the company's approach.

The system includes tools for shared processes, project documentation and a searchable database of engineering and business experience that pinpoints any similarities between the many assignments undertaken by ÅF. When a client commissions ÅF to perform an assignment, the chances are great that ÅF has already successfully completed a similar assignment elsewhere.

ONE enables ÅF management to control and support operations and meet the criteria for certification for environmental and quality management in accordance with ISO 14001:2004 and ISO 9001: 2008.

Long-term objectives

Financial objectives

ÅF shall be the most profitable company among its closest comparable competitors in the industry and achieve an operating margin (EBIT) of at least 10 percent over a business cycle.

ÅF shall have net debt over a period of time, but net indebtedness shall not exceed 40 percent of equity.

Growth objective

Sales of 1 billion euros by 2015.

Human resources objectives

Better balance in the gender ratio. An initial target is for at least 25 percent of the company's consultants and managers to be women.

Staff turnover, based on resignations, to be 7–13 percent.

All employees to take part in a personal development interview each year.

Sustainability objectives

In 2010 ÅF adopted a plan for the company's sustainability work for the period up to 2015 and embraced three overarching sustainability objectives:

By the year 2015 ÅF aims to:

- have halved its direct climate impact (baseline year 2009, calculated per individual).
- include a proposal in every offer or tender that ÅF submits, to enhance the sustainability aspect of the project.
- be perceived as the technical consulting firm that, from a sustainability perspective, best solves the technical challenges that its clients are faced with.

In 2010 ÅF began the work of producing a sustainability framework for the entire ÅF Group that comprises a sustainability policy, including revised tools for managing risks. The plan is to launch this sustainability framework in spring 2011.

For further details of ÅF's work with sustainability issues and the company's GRI report, please refer to pages 51–56.

OLYMPIC GREEN ADVISOR

ÅF has embarked on an important joint venture with the Olympic Committees in Finland, Norway, Sweden and Switzerland, assuming the role of Olympic partner and Green Advisor to all four of these national organisations.

ÅF provides consulting and advisory services on green issues and takes an active role in developing Olympic sporting activities from a sustainability perspective. Sustainability is an issue that is rapidly growing in importance in the Olympic movement,

particularly when it comes to choosing host cities for future Olympic events. The focus is on policies, strategies and action programmes, and on the education of staff, coaches and the athletes themselves.

ÅF is also a sponsor for the national Olympic Committees in Finland, Norway, Sweden and Switzerland. A sponsorship agreement has been signed for the period 2010–2014 that will cover three Olympic Games.

The Olympic rings and the exclusive title of Green Advisor have been integrated into ÅF's external communications. The Olympic rings and the Olympic Association are the world's strongest and most fiercely protected non-commercial brand.



World-class managerial conference

Among those gathered for the annual ÅF Managers' Conference were three of the world's top names in ice hockey and athletics – Peter Forsberg, Sanna Kallur and Andreas Thorkildsen. All three took the stage to explain the importance of focus, mental training, and the drive and desire to be best in the world at what you do.





Martin Jonsson works in Stockholm as a section manager for Rock Engineering & Measurement Technology in the Infrastructure Division. He likes to spend his spare time with friends, and enjoys cooking, running in the Swedish mountains and long walks in the woods.

"I want a stimulating environment with people who set me the kind of challenges that help me to grow as a person. I love solving problems. The best thing about ÅF is the positive atmosphere – and the challenges! Nothing is impossible and we set ambitious targets. It's an approach that runs through the entire organisation."

MARKET TRENDS AND BUSINESS REVIEW

ÅF's services in brief

ÅF is a leader in technical consulting. Our work focuses on energy and the environment, infrastructure and projects for industry.

Our base is in Europe, but our business and clients extend right across the globe. What makes us unique is our co-workers and the technical consulting industry's greatest bank of collective experience. It's all summed up in our corporate motto: "ÅF – innovation by experience."

ÅF is made up of four specialist divisions

The Energy Division focuses on technical and financial consulting for the energy sector, from advice on business models to implementing investments in power plants and the many related environmental issues.

The Industry Division is Northern Europe's leading industrial consultant offering services in process technology, automation, industrial IT, electrical power systems and mechanical engineering. In Scandinavia, the division is also responsible for ÅF's offers to the energy market.

The Infrastructure Division is a leader in the consulting industry for infrastructure development in Scandinavia and has clients in industry, the public sector and the property sector.

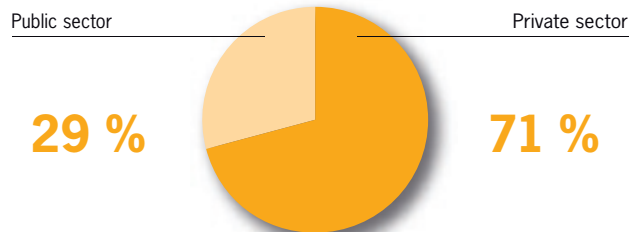
The Technology Division works mostly with assignments in Sweden, where it is a leading name in product development and defence technology. The division also enjoys a strong position in the market for telecommunications and IT consulting services.

Clients

Each year ÅF performs more than 30,000 assignments for some 10,000 clients. Assignments vary in length from just a few hours to hundreds of thousands.

ÅF's ten largest clients in 2010 together accounted for approximately 23 percent of total invoiced sales. They were Ericsson, the Swedish Defence Materiel Administration (FMV), Ringhals nuclear power plant, the Swedish National Rail Administration (Banverket), the Stockholm municipal water utility Stockholm Vatten, ATEL, Gusinoozersk CHP, the Danish Road Directorate (Vejdirektoratet), Stockholm's regional transport authority (SL), and Siemens.

Client base – sales by sector 2010



Geographical spread of ÅF business

Number of employees per country, December 2010



ÅF's operations are becoming increasingly international. It has offices in more than 20 countries, but conducts business activities and attracts clients throughout the world.

Market

In 2010 the market for ÅF's services began to stabilise after the financial crisis. However, while demand in the energy and infrastructure sectors remains high, elsewhere the recovery has been relatively slow as companies continue to be cautious about major new investments in industrial production capacity.

In the energy sector the recovery was worldwide, enabling companies to restart many projects that they had previously suspended.

In the Nordic region, demand from process industries and the energy and nuclear power sectors was generally good during 2010, particularly towards the end of the year, and most especially in Sweden. Demand from industry was chiefly driven by the need for efficiency improvements in manufacturing plants, environmental engineering projects, the development of alternative fuels and conversion to efficient energy management.

The market for consulting services to the pulp and paper industry remained weak in Europe in 2010, although the situation was better in South America, Asia and Africa. ÅF has relatively large business interests in Chile, so it was encouraging to note signs of a recovery in that market after the major earthquake there at the start of the year.

Demand was good throughout 2010 for services to the property, construction and industrial plant sectors. The property sector in particular really took off during the autumn. Publicly financed projects proceeded according to plan, with new business picking up again after a slight slowdown in the wake of the financial crisis.

Demand from the defence sector remained steady in 2010, while the market in telecoms and the automotive industry improved as the year progressed, particularly from the second quarter onwards.

Outlook – Nordic countries

It appears that growth in the Nordic energy market will continue to be driven mainly by investments in nuclear power in Finland, preparations for the expansion of nuclear power facilities in Sweden, and renewable energy sources in the other Nordic countries. Alongside major new investments that have already been approved, there is a constant need for a large number of efficiency improvement projects, upgrades, capacity increases and environmental improvements in existing plants, in both the power industry and elsewhere.

Nordic industry will continue to need to significantly improve the efficiency of its production facilities and to make energy-saving investments. The outlook in the mining, petrochemical, energy, food and pharmaceutical industries is particularly good. The engineering sector, including the automotive industry, is recovering after several difficult years, but growth is coming from a low level.

The energy sector is undergoing a period of major adjustment to new types of energy, the need for greater efficiency and increased competition. These factors are likely to drive demand for technical consulting services for many years to come.

The forest industry is restructuring, with several companies expanding their operations from solely pulp and paper processing to include biofuels and electricity.

Nordic industry leads the way when it comes to incorporating sustainability into business operations. This gives it a competitive edge internationally and generates considerable demand for technical consulting services.

In purely geographical terms, the Öresund region is likely to undergo considerable growth, thanks in part to the very large ESS project, an inter-disciplinary research facility for materials studies. There is also good potential for growth in the north, where the mining sector is a key driver of business.

There are many similarities between Sweden, Norway and Denmark when it comes to the market for services that support public-sector investment in roads and railways. These three countries have strong government finances and their infrastructures are becoming increasingly integrated with each other at the same time as investments are being made at a similar rate and to a similar extent. The prospects appear to be very rosy for all three countries.

In the construction and property sectors, demand for energy efficiency initiatives is expected to remain high across the region.

The automotive industry seems to have bottomed out and is expected to show stable growth, albeit from what are historically very low levels.

Outlook – other markets

Demand in the energy sector in Western and Central Europe continues to be driven primarily by the expansion of new nuclear power and biofuel facilities. Older coal-fired power stations urgently need to improve their efficiency and environmental performance. In Eastern Europe and Southeast Asia, the markets look capable of recovering slightly after the significant downturn triggered by the financial crisis.

Asia is a strong engine that affects growth in many other markets, which suggests that demand for energy and raw materials

should continue to be good. Europe also requires vast amounts of energy, which, for ÅF, translates into continued demand for services in both power generation and distribution. Strong global demand for raw materials means that future growth in the mining sector is also likely to be considerable.

Demand from projects to improve environmental performance and increase energy efficiency in industry is likely to continue to be healthy, in line with developments in recent years.

Growth in the pulp and paper sector is expected to come from Asia, South America and Africa. Europe is tending to invest more in recycled paper processing and general efficiency gains than in new production plant.

Increased internationalisation

In recent years ÅF has expanded through acquisitions and organic growth, becoming increasingly international. Parallel with this development, a great deal of effort has been made to standardise the structure of our competence development work, internal databases, intranet, and brand identity, and to establish an understanding within the organisation of our shared corporate values and aims. Each part of ÅF enjoys considerable autonomy, and this helps secure strong local roots while the company's global structure contributes strength and stability.

Innovation means daring to challenge old ideas

In 2010, for the fourth consecutive year, ÅF was involved in "The Swedish Innovation Award", together with the Swedish business magazine *Veckans Affärer* and VINNOVA, the Swedish Governmental Agency for Innovation Systems, and Almega, the employer and trade organisation for the Swedish service sector. The SEK 100,000 prize for 2010 went to Daniel Ek, the founder of Spotify, for "achieving the impossible by persuading people to pay for music-streaming services". The music industry is relieved: in two years Spotify has grown from nothing to a company with 10 million users worldwide, and two million in Sweden alone.

The first in a new category of Student Innovation Awards, also worth SEK 100,000, went to Solarcool, the brain-child of Mikael Andersson and Robert Lyngman, two students at Sweden's KTH Royal Institute of Technology. Combining the sun as a source of energy with revolutionary nanotechnology, the duo have developed a low-cost refrigerator that runs entirely on solar power.

The Swedish Innovation Awards are funded with support from ÅForsk, Ångpanneföreningen's Foundation for Research & Development.



HUMAN RESOURCES

An increasingly attractive employer throughout Europe

ÅF has a strong corporate culture and a brand that is becoming increasingly well known. These are essential attributes for any company that aims to be an industry leader in Europe and needs to be able to recruit and retain co-workers of outstanding calibre. ÅF has many years' experience of solving technical challenges, and both the technical and commercial aspects of its consultants' work are continuously being developed. Every ÅF co-worker has an important part to play in consistently conveying the right image of the company to clients and other stakeholders.

- ÅF is an international workplace with offices in more than 20 countries.
- ÅF currently employs a total of some 4,500 co-workers.
- In 2010 ÅF co-workers performed projects in more than 70 countries.

Corporate culture and core values

The company's culture, values and working methods are described in the ÅF Blue Book (2.0), which is aimed at all co-workers and serves as a tool for pooling the company's strengths as "One ÅF".

The ÅF core values – great people, teamwork and indisputable independence – are the bedrock of the day-to-day work of ÅF co-workers and their attitudes to clients and colleagues. ÅF employees exceed their clients' expectations in terms of the solutions they offer and their combination of technical expertise and business-mindedness. But ÅF employees are also good communicators, good team players and good listeners. They are positive in their outlook, deliver on their promises and show respect in their dealings with clients.

A workplace where you can feel at home

ÅF wants employees to take pride in their work and the company, to feel confidence in their managers and to enjoy working alongside their colleagues. To meet the demands made on a modern employer, ÅF adopts a highly focused, long-term approach to HR issues at all levels within the company and conducts regular co-worker surveys to assess the prevailing mood within the Group.

To make clear its position on a number of employment-related issues, ÅF has formulated guidelines in key areas such as human resources, pay, equal opportunities and the working environment.

HR activities differ from country to country, but the aim remains the same: to foster a sense of togetherness and create a pleasant atmosphere at work.

ÅF works hard to create a good gender balance, an ambition that is reflected in the company's recruitment activities. The first step towards a better gender balance is to raise the proportion of female consultants and managers to 25 percent by 2015. Whenever a managerial post becomes vacant, at least one woman must be short-listed. By the end of 2010, the proportion of female consultants was 19 percent (2009: 17 percent). The proportion of female senior consultants was 17 (15) percent, while female employees made up 23 (21) percent of the total workforce. Three of the eight ÅF directors elected by the Annual General Meeting are women: this corresponds to a 38 percent representation on the board.

ÅF Recruiter – fast-tracking candidates with the right profile

ÅF has a web-based recruitment tool that enables external and internal candidates to register their interest in a searchable

database used by ÅF managers when recruiting new members to their team. The system handles the entire chain of administrative recruitment procedures, from job advert to contract of employment. Simple interfaces mean that the tool can be used both via the ÅF website and by external recruitment agencies.

Many development opportunities

ÅF has set itself the target of having approximately 10,000 employees by 2015. But such growth means being able to offer an attractive working environment with good opportunities for development. Working as an ÅF consultant offers enormous opportunities to develop, for example, in different professional roles, through different levels of expertise, in a wide range of locations and through international assignments.

ÅF has identified three distinct career paths within the company – as project manager, specialist/expert and manager – each offering a variety of roles, levels and development stages. Whichever path you choose, there are plenty of opportunities to develop within your role or to switch between roles, for example, from project leader to specialist and back again. Career paths provide support for setting individual targets and action plans, often as part of the annual personal development interviews between managers and their co-workers.

ÅF, Sweden's favourite technical consultant is more popular than ever in Europe

In the 2010 Career Barometer survey of professional engineers, ÅF was ranked as Sweden's third most popular employer overall and the number one choice among technical consulting companies. In the European survey of students at Europe's top universities, ÅF came 48th in the overall employer rankings.

The Career Barometer is an annual attitude survey conducted by Universum Communications. All respondents are "young professionals" no more than 40 years old, with an engineering degree from a university or college plus two to eight years of working experience in their specialist area. More than 3,000 engineers took part in the Swedish survey, while the European survey canvassed 6,000 technology students.

Universum's Career Barometer 2010	Ranking
IKEA	1
Google	2
ÅF	3
ABB	4
Volvo Group	5
Ericsson	6

ÅF Academy

The ÅF Academy is ÅF's own training organisation, providing support for the ÅF career paths and the development of the consultant's role. This includes comprehensive foundation courses for new consultants as well as specialised advanced courses and training tailored to individual requirements. Lecturers and facilitators come both from within ÅF and from external service providers. The 2010 programme included courses in sales training, commercial skills and service, all firmly founded on the ÅF approach to sound entrepreneurial skills.

Certification

At the ÅF Academy, ÅF project managers undergo training to obtain certification in accordance with the European accreditation standard, IPMA. At the time of writing, ÅF has 232 certified project managers at four different levels of certification: A, B, C and D. For project managers involved in international projects, the certification process is conducted in English.

Education and training in nuclear power

The ÅF Nuclear Academy is a competence development initiative designed to prepare consultants to meet the increasingly stringent requirements of the nuclear power industry and its regulatory bodies. Courses lead to certification at four levels, and 16 individuals received certification in 2010. The initiative has stimulated considerable interest in the industry and gives individual employees outstanding opportunities for professional development. Courses are also open to clients and other industry stakeholders.

Variable salaries and Group bonus

The four ÅF divisions have adopted different systems for variable remuneration packages, either based on the results of the division as a whole or on individual performance.

To underline the relationship between the efforts made by each individual co-worker and the profitability of the ÅF Group in the short term and the long term, a bonus model has been introduced. Under the current system, part of all profit generated at Group level is shared out in the form of a bonus payment that is the same for all co-workers in the company.

Other benefits

Alongside exciting opportunities for professional development, other benefits open to ÅF employees, such as occupational pensions, favourable insurance deals, company cars, etc., vary from country to country depending on local practice and national tax regimes.

All ÅF Group employees are entitled to rent one of the cottages or apartments that are owned, managed or leased by the ÅF Staff Foundation.

Sickness absence

Sickness absence among ÅF employees was 2.1 percent in 2010 (2009: 2.2 percent).

Growing our most important asset

**Charlotte Witt, ÅF's Director
for Human Resources,
Stockholm, Sweden:**



"Our greatest challenge is to focus on efficient processes and intelligent ways of working. We need to be service-oriented, knowledgeable and able to work closely with the client. Successful growth will require recruiting more co-workers and making sure that we have managers who set clear targets and aims together with their teams. And this, of course, will bring in even more interesting and stimulating projects."

**Liselotte Trösch, HR manager,
ÅF-Colenco in Baden,
Switzerland:**



"Our biggest challenges are to recruit highly educated and experienced engineers who speak several languages, and to sort out the complexities of international social insurance, labour law and tax issues for our employees working abroad."

**Liisa Mäki, HR manager,
ÅF in Vantaa, Finland:**



"One key aspect of our work is to support managers so that we can create the best possible management culture and safeguard our good reputation as an employer. This will enable us to recruit the best co-workers from among both experienced engineers and young people who are just embarking on a career. We also invest a lot of effort in motivational issues, to achieve a whole that is greater than the sum of its parts."

**Elena Kozhevnikova, Business
Development manager,
ÅF in St Petersburg, Russia:**



"It's exciting to be part of the era of knowledge capital. My main responsibility is developing the organisation in terms of professional and social skills, knowledge accumulation and integration between our various units. The ÅF Group is a fantastic example of rapid yet balanced growth. If we want to stay on top, however, it's crucial that we continue to make use of the experience and expertise we have in different sectors and geographical areas. We need to make the best possible use of our synergies."

Growth needs good leaders



ÅF's Business Executive Leadership Programme is a joint venture with IFL Executive Education that is aimed at selected managers within the ÅF Group. Training is spread over a 12-month period during which participants acquire a deeper understanding of ÅF as a company. Among the topics covered are strategic planning, international leadership and communication skills. January 2011 marked the end of the first programme, in which Maria Åkesson and Dieter Müller were two of the 18 participants.

Maria Åkesson, section manager at Telecom East, Technology Division

What has the leadership programme given you?

"It's bolstered my business expertise. It's also developed my leadership skills and given me lots of good communication skills. What's more, I've built up a fantastic network within ÅF."

What would be a typical day at work?

"My working days tend to start early. That way, I can make sure I have a quiet period before everything really gets going. I generally spend this time on admin, such as e-mail and other odds and ends. During the day I'll be involved in a variety of things, ranging from meetings with clients, lunchtime meetings with consultants who are working in the field, job interviews and project follow-ups. I go home in the afternoon with my head held high, really proud of my consulting team and the work we do for our clients."



Dieter Müller, PhD, manager of the Hydro-power unit at ÅF-Colenco in Switzerland

What has the leadership programme given you?

"I've gained new insights into interesting subjects that support the long-term strategy for our business. I liked all the great communication and leadership ideas, which are useful in my day-to-day work. But I also appreciated the chance to network and find out more about ÅF's business."

What would be a typical day at work?

"My working day generally starts with checking my e-mail. If I'm in the office I'll have internal meetings with our project managers on decisions relating to current projects or I'll discuss various proposals, agreements or recruitment matters with other members of the management group. Then there are meetings with, or phone calls to, clients and partners. During breaks I schedule in brief conversations with my staff about their various challenges. Early mornings or late afternoons are generally spent preparing for meetings or reading through documents."



Age distribution

Age group, years	Percentage		
	2008	2009	2010
–29	14	14	14
30–39	30	29	30
40–49	27	27	27
50–59	19	19	19
60–	10	11	11
Average age	43.1	43.4	43.3

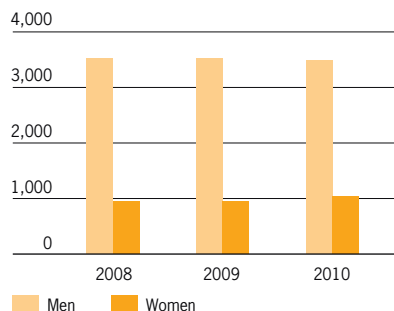
Length of employment

Years of employment	Percentage		
	2008	2009	2010
–2	34	26	22
3–5	21	27	33
6–10	19	19	18
11–20	16	17	16
21–	10	11	11
Average length of employment	7.8	7.9	7.9

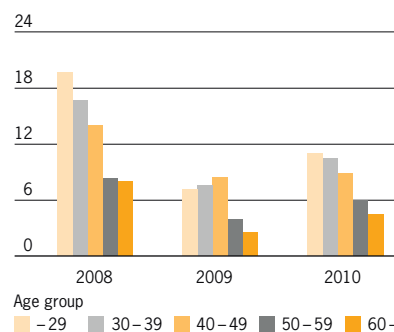
Education, %

	2008	2009	2010
Postgrad. licentiate or Ph.D studies	3.2	3.6	3.2
University degree	43.8	46.6	53.2
Other post-secondary education	13.4	13.7	15.0
Secondary	39.6	36.1	28,6

Number of employees (all forms of employment)



Staff turnover (resignations) %



Staff turnover based on resignations.
Total 2010: 8.9 percent (2009: 6.3 percent).

Calling all students!

ÅF is working actively on employer branding to present itself as a good employer for potential employees and strengthen its image in general. In 2010 ÅF was the main sponsor together with Ericsson of the Armada Career Days event at Sweden's Royal Institute of Technology. Armada is Sweden's largest careers fair for engineering students. Here's how we got on!

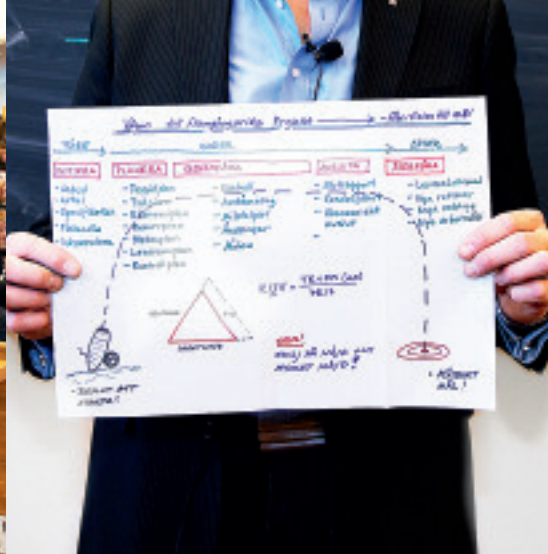
10:00 Armada opens. ÅF welcomes students with an informal chat, fresh fruit and a great cup of coffee. The day combines lots of information with opportunities for making contacts and networking.

Armada

- Sweden's largest careers fair for technology students.
- Organised by the student union at the Royal Institute of Technology in Stockholm.
- In November 2010 some 8,000 visitors came into contact with around 150 companies over two days.
- Various peripheral events over a two-week period include the Enova and Armada Challenge problem-solving competitions.



11:37 Jenny Voss, an electrical engineer who works in technical sales at ÅF's Nynäshamn office, meets Sawayos Jaynutapong who is studying for a master's degree in sustainable technology. She advises him on where his skills could take him.



12:18 “If you don’t know where you’re going, then you’ll never get there.” The excitement is palpable when an ÅF project management veteran talks about what it takes to be a successful project manager. ÅF’s lunchtime presentation is packed with over 200 students who are totally tuned into this taste of reality.

ÅF employer branding activities

- A number of external activities are carried out every year at universities, both IRL (“in real life”) and via social media.
- This work strengthens ÅF’s profile not only among potential employees, but also among future clients and competitors.
- Students come away with good contacts for degree project placements and careers enquiries in their specialist field. ÅF attaches considerable importance to meeting students’ needs and putting them in touch with the right person quickly.
- 2010 marked the start of the “Sustainability Case Tour”, an opportunity for students from Chalmers University of Technology in Gothenburg, the Royal Institute of Technology in Stockholm and the technical universities in Linköping and Lund to test their problem-solving skills in infrastructure planning and sustainability.
- ÅF took part in the new “Career Days” event in Stockholm’s Globen Arena in order to meet more practising engineers.

14:22 “I think ÅF has made a major impression on the students who’ve come along to these career days,” says Moa Mossberg (right), student union project manager for Armada. Although it is a hectic day, she manages to exchange a few words with Zahra Parsa. Zahra, a civil engineering graduate specialising in geotechnical engineering, is a business developer at ÅF in Borlänge.

22:07 “Armada 2010, what a fair! Every company wants to be there. Apply to us, apply to us. Come and share your genius!” At the closing banquet, Sofia von Celsing, who is responsible for employer branding at ÅF, thanked the project group – in verse! – for all its hard work.



ENERGY

A catalyst for ÅF's international growth

The Energy Division offers technical consulting services for the energy sector. It has operations in large parts of the world and is a market leader in the Nordic region, Switzerland and the Baltic countries. In 2010 ENR magazine (Engineering News Record) ranked ÅF as the world's sixth-largest international energy consultant.

The offer – consulting for the entire investment cycle

The Energy Division offers technical and financial consulting services for the energy sector, with the emphasis on power generation and district heating. Services include everything from advice on energy markets and their regulations to the implementation of investments in power plant new-builds.

Already a market leader in Finland, Switzerland and the Baltic countries, the division is also enjoying rapid growth in Russia and Central Europe. 2010 brought the acquisition of the Czech consulting company Meacont, strengthening the division's market position in the Czech Republic and Slovakia. At the end of the year the division acquired Mercados Energy Markets Interna-

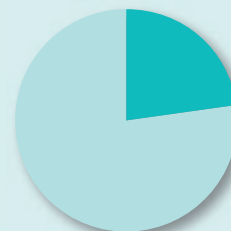
Key figures

	2010	2009
Operating income (in millions of SEK)	1,012.1	1,192.2
Operating profit (in millions of SEK)	83.1	126.5
Operating margin, %	8.2	10.6
Contribution to Group income %	23	27
Number of employees (FTEs)	906	841
Operating profit per FTE (in thousands of SEK)	92	150

The historical figures above have been adjusted, proforma, to take account of the corporate restructurings implemented on 1 January and 1 October 2010.

Contribution to Group sales

23 %



tional, a Spanish-based consulting company. Energy has also established a firm foothold in the growth regions of India and Southeast Asia.

The division's specialist expertise, breadth of experience and ability to take projects from the drawing board to implementation are some of the key factors behind its success.

The Energy Division offers a broad spectrum of services that includes aspects of technology, financing, management and energy consulting. While assignments are frequently connected to major investment projects, the division also takes on projects to increase the efficiency and capacity of existing plants and offers strategic advice at managerial level on energy markets and power deals. It also carries out environmental and safety investigations.

Most of Energy's turnover is derived from services relating to investments in power plants. Consultants offer support throughout the life cycle of a project: analyses and feasibility studies in the initial stages, pre-engineering and engineering once the investment decision has been made, and project management during the implementation phase. This includes services such as project steering, the basic design of process solutions, procurement negotiations, manufacturing, design and installation inspec-

Meet **Eero Auranne** President, Energy Division

What are you happiest about in 2010?

"We made two strategic acquisitions: Czech Meacont Praha in May and Spanish Mercados EMI in December. The former will strengthen our business both internationally and in nuclear power, while Mercados will bring a new strategic dimension to the division's range through its strong presence in the international energy markets."

What's top of your agenda for 2011?

"To consolidate our rapid acquired growth and integrate the new operations so that we can offer a cohesive international ÅF range."

What's the best thing about ÅF?

"ÅF has expanded its international operations considerably over the last five years. At the same time we have consistently delivered sound financial results and are now the world's sixth-largest international consultant in power and energy."

Energy Division – facts at a glance

- Consulting services for all types of energy.
- Global operations.
- 1,100 co-workers in the Czech Republic, Estonia, Finland, India, Lithuania, Nigeria, Russia, Spain, Switzerland, Thailand and Vietnam.
- Contribution to total Group sales: 23 percent.
- All assignments are conducted outside Sweden. (Please see Industry Division for energy assignments in Scandinavia.)



ENERGY

tions, and functionality testing. Once the plant is fully operational the division can also assist with a range of other services, from troubleshooting to maintenance planning.

Clients – large-scale projects and partnerships

Energy's clients are private and publicly owned energy companies, energy-intensive industries, public institutions and financial institutions. These clients' investments are usually large-scale and extend over many years. As such, client relationships are long-term and often characterised by a sense of partnership. Thanks to the fact that the division has established a presence in many different locations, geographical proximity to clients is good.

- The division currently has several hundred clients.
- A large proportion of clients come back with repeat business.
- The ten largest clients account for 39 percent of the division's sales.
- Clients include Alpiq (Switzerland and Central Europe), Fortum (Nordic countries and Russia), Energo Service and Remenergomontazh (Russia), CEZ (the Czech Republic and Eastern Europe) and many national power companies such as Eesti Energia, Latvenenergo, Lietuvos Elektrine and Electrobras Nuclear Brazil.

Market and trends – healthy order books and market recovery

The division began 2010 with major projects on its books, which ensured a satisfactory level of capacity utilisation. However, economic uncertainty meant that the markets in Russia, the Baltic countries, Finland and Southeast Asia suffered a downturn after the orders had been secured, which resulted in reduced investments in energy and tougher price competition. Nonetheless, 2010 brought clear signs of recovery to the investment markets, and many projects that had been put on hold resumed.

Despite the global recovery in the power sector, the downturn in other process industries led to excess capacity and pressure on prices for some engineering services in Finland and the Baltic countries. Furthermore, the sharp drop in the value of the euro relative to the Swiss franc caused problems for the Swiss operation.

Despite these short-term difficulties, the world still has a fundamental need for more energy, primarily electricity. Consumption is increasing in many countries, driving a relentless quest for additional capacity that must be met by both conventional and renewable forms of energy. Furthermore, existing plant needs to be made more efficient in order to increase capacity and improve environmental performance. Sustainability issues relating to energy consumption have become a natural part of companies' business opportunities in more and more markets.

The division expects the energy sector to remain a growth area with considerable potential.

Important events in 2010

Major expansion in the Czech Republic

In May ÅF acquired Meacont, a Czech technical consulting company headquartered in Prague. While the company's market focus is the Czech Republic and Slovakia, it also carries out projects internationally. Meacont has worked for many years with ÅF on various international projects. The acquisition will strengthen ÅF's position as a leading consulting company in the energy sector, especially nuclear power.

Significant energy project in Latvia

In the spring the Latvian state energy company Latvenergo appointed ÅF as technical consultant for the construction of a new gas-fired power station in Riga, scheduled to start operations in the summer of 2013. ÅF is responsible for project management, design review, commissioning services and quality control.

Important energy projects in northern Finland and Lithuania

At the beginning of the year Energy won a major energy contract in Finland for design and project management services for the new Uleåborg Energi power station in the north of the country. It is what is known as a "waste-to-energy" unit, where electricity is generated from incinerating household and industrial waste.

In Lithuania ÅF won a similar project for Fortum for technical consulting services and project management for the construction of a new power station in Klaipeda.

Both of these waste-incineration facilities are the first of their kind in their region.

Expansion in Spain

December saw ÅF's acquisition of the international energy and management consultancy Mercados Energy Markets International. Headquartered in Madrid, Spain, the company also has offices in Russia, the UK, Turkey, India and Italy. Mercados EMI has established an international reputation as a technical consultant with extensive experience in the areas of energy studies, policy design, payment models and energy reforms for government agencies and energy companies in more than 40 countries.

New power stations in Estonia

In November the Energy Division signed an agreement with the Estonian state power company Eesti Energia AS on technical consulting services for the construction of a new steam turbine plant in Narva. The project will draw on the expertise and resources of ÅF's offices in Finland, Sweden, Estonia and the Czech Republic.

In December Eesti Energia went on to appoint ÅF as lead technical consultant on the construction of a new waste-to-energy power station in Maardu, Estonia.

International hydropower projects

During the year ÅF signed contracts to work on several international hydropower projects in countries that included India and Switzerland.

ENERGY





Transforming the Alps into storage batteries

The Nant de Drance pumped-storage facility was conceived to exploit the enormous hydro-electric potential of the Swiss Alps. The plant is jointly owned by two listed energy utilities and a railway operator. ÂF-Colenco's engineers were assigned responsibility for all phases of the project, from design engineering and issues relating to permits to commissioning. The new underground facility makes use of a difference in height of more than 350 metres between two reservoirs connected via a system of subterranean channels, and will have a capacity of 900 megawatts. Between the reservoirs a huge gallery is being excavated to house a power station with six 150-megawatt pump-turbines. When demand for electricity is low, the turbines will pump the water from the lower to the upper reservoir in a process similar to that of charging a battery. When demand increases, the water that has previously been pumped up can be used to produce electricity. In all, some 14 kilometres of tunnels and chambers need to be excavated in the mountainside to provide access and house the logistics.

"We chose an external specialist with the competence to design, plan and assist in all aspects of the project development and implementation. ÂF-Colenco was one of the forerunners throughout the selection process because of the company's previous experience from similar major projects. ÂF-Colenco works across a wide spectrum of engineering activities, offering specialist expertise in disciplines such as civil engineering, deep mining, electromechanics, electrical engineering, automation and construction technologies. The company has a proven track record of its ability to deliver and to act promptly if delays occur. Everyone knows what they have to do and how to do it, and a strong team spirit has always been one of the distinguishing characteristics of the company."

**Eric Wuilloud, CEO Nant de Drance Ltd.,
Martigny, Switzerland.**

Switzerland
Photo: Jean-Luc Lugon

INDUSTRY

Boosting client profitability throughout the business cycle

The Industry Division is the leading technical consultant for industries in the Nordic region and enjoys a unique standing in industrial automation. This is a field in which consulting services are in demand throughout the business cycle, as automation provides excellent opportunities for clients to improve profitability and reduce their environmental impact. Geographical proximity to clients, a thorough understanding of the sectors in which they

work and experience gained from previous projects pave the way for long-term client relationships.

The offer: from pre-study to commissioning – and more full-service projects

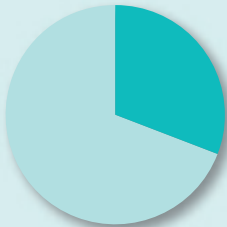
The Industry Division is the largest independent consultant in its field in the Nordic region, with responsibility for energy and nuclear power assignments in Scandinavia, where it cooperates closely with the Energy Division. In all other sectors of industry the division operates worldwide.

Key figures	2010	2009
Operating income (in millions of SEK)	1,340.0	1,386.8
Operating profit (in millions of SEK)	119.9	129.9
Operating margin, %	9.0	9.4
Contribution to Group income %	31	32
Number of employees (FTEs)	1,200	1,222
Operating profit per FTE (in thousands of SEK)	100	106

The historical figures above have been adjusted, proforma, to take account of the corporate restructurings implemented on 1 January and 1 October 2010.

Contribution to Group sales

31 %



The Industry Division provides experienced process engineers with skills in most sectors, multidisciplinary project leaders for major projects, technical specialists and a broad spectrum of engineering expertise, to take care of every link in the chain, from feasibility studies to the finished plant. The division's main focus areas are process technology, design and analysis calculations, control technology, industrial IT, automation, electrical power systems, mechanical engineering, piping design and inspections.

Services are aimed at companies with industrial production facilities. Consultants can work as an integral part of the client's own organisation; alternatively, the division can assume total overall responsibility for the delivery of a specific function or even an entire project. Most contracts involve modernising existing facilities or making them more efficient, but the division is, of course, also involved in building new industrial plants. The division's long experience and cutting-edge know-how are proving a valuable combination as various aspects of sustainability become increasingly important for clients in industry.

Industry Division – facts at a glance

- Responsible for energy and nuclear power assignments in Scandinavia and other industrial contracts worldwide.
- Offers engineering consulting services in all fields and in all sectors of industry.
- 1,300 co-workers in some 50 offices in Sweden, Norway, Denmark, Germany, Spain, Estonia and South Africa.
- Contribution to total Group sales: 31 percent.
- Approximately 20 percent of assignments are conducted outside Sweden.

Meet **Per Magnusson** President, Industry Division

What were you happiest about in 2010?

"I'm proud of the fact that – despite tough times for industry and growth that had stagnated in absolute terms – we succeeded in winning new assignments and developing our existing business. This meant that we increased our market share from nine percent to eleven percent."

What's top of your agenda for 2011?

"Strong growth! I'm convinced there's a very great need for our services. I'm counting on the lion's share of growth in 2011 being organic. We will be placing great emphasis on this in all areas of the division throughout the year."

What's the best thing about ÅF?

"The people who work here! They're outstanding. There's a unique mix of experience and pioneering spirit at ÅF that I've never encountered anywhere else. When we work together, we're more than a match for every challenge. That creates the basis for close relations with our clients – a kind of partnership, with vested interests in one another's development and successes."



INDUSTRY

Typical assignments include technology and financial impact assessments to produce the documentation on which clients base decisions on future investments, control technology for production lines, the integration of production systems and business management systems, and design engineering projects for bio-fuel furnaces or nuclear power plants.

Clients – a broad cross-section, low sensitivity to the economic cycle

The Industry Division offers services to all sectors of industry but enjoys a particularly strong standing in energy, nuclear power, mining, food technology, pharmaceuticals, pulp and paper, and other process industries. Not only does this diverse client base across a range of industries leave the division relatively unscathed by ups and downs in the business cycle, the division's offer also remains attractive whatever the health of the economy: industry has a constant need for improvements in productivity, environmental adaptations and measures to save energy and improve safety.

The division works in geographical proximity to its clients and collaborates closely with them. The strategy is for around 80 percent of the division's business to be generated by local clients, while the remaining 20 percent derives from joint projects with other units within the division or with other ÅF divisions. This creates flexibility within the organisation and the ability to accommodate clients' expansion ambitions. Consequently, relationships with clients are increasingly assuming the character of partnerships, where the division shoulders a great deal of responsibility for the delivery of the projects as a whole.

- The division has approximately 3,400 active clients.
- The ten largest clients account for 30 percent of the division's earnings.
- The largest single client accounts for 8 percent of earnings.
- Major clients include ABB, Fortum, Korsnäs, LKAB, Novo Nordisk A/S, Rexcell Tissue, Siemens, SSAB, the municipal water utility Stockholm Vatten, Sweden's nuclear power plants at Forsmark and Ringhals, and Westinghouse.

Market and trends – efficiency improvements and redeployment of resources

The Industry Division is a market leader in the Nordic region with a market share of eleven percent.

The division's strengths in automation proved invaluable during the economic downturn: with the main emphasis of most new assignments on making existing operations more efficient, Industry won new shares of a market that, as a whole, had more or less stagnated.

After a sluggish start to the year, by September there were at last clear signs of a recovery in the business cycle. While this was evident in all sectors, demand remained strongest for efficiency improvements in production plants, environmental projects, the development of alternative fuels and energy-efficiency conversions. In geographical terms, operations are strongest in the mining industry in the north of Sweden and in the energy and pharmaceutical industries in the south of Sweden.

Important events in 2010

Continued investment in focus area of nuclear power

During the autumn ÅF acquired the technical consulting company Platom AB. The acquisition will strengthen the Industry Division's offer in the field of nuclear power with high-quality process and analysis services.

Major investment in mining

The summer saw the acquisition of the technical consulting company VPC Mining from Vattenfall. The company provides high-quality engineering services for the mining industry and will enable ÅF to consolidate its position as one of pre-eminent technical consulting companies in the north of Sweden. The mining sector grew strongly during the year, and ÅF coordinates and develops projects through its Mining Competence Centre. ÅF is involved in a number of projects, including a major prospecting project in Pajala for Northland Resources.

Important project in energy/pulp and paper

In April ÅF was appointed lead technical consultant for the investment in a new block heat power plant on the Korsnäs industrial site in Gävle, Sweden, adjacent to the Korsnäs pulp and paper mill. The client is Bomhus Energi AB, which is jointly owned by forestry group Korsnäs and municipal power company Gävle Energi. This ÅF assignment is a multidisciplinary EPCM project that covers all areas of technology relating to the investment, including project management and administration. Read more overleaf.

Strategic investment in hydropower and electricity networks

The end of the year brought the acquisition of Energo, which has operations in Stockholm, Malmö and Helsingborg. This will strengthen Industry's position in hydropower, dam safety, windpower, electrical networks and power supply. The Infrastructure Division and Technology Division also stand to benefit from Energo's specialist expertise.

Stronger position in Swedish energy

At the end of the year ÅF signed a four-year contract as an 'A' supplier to Vattenfall. In doing so, ÅF strengthened its position as a strategic partner in nuclear power, hydropower and windpower. The agreement relates to the provision of technical consulting services in all disciplines. ÅF intends to step up its recruitment of personnel with experience in the energy sector as a consequence of the agreement.



INDUSTRY



A nighttime photograph of a city skyline, likely Gävle, Sweden, reflected in a body of water. The city lights are warm and yellow, contrasting with the dark blue and purple sky. The reflection in the water is clear and vibrant.

Municipality and industry join forces on district heating

Bomhus Energi is a new energy company that is jointly owned by forestry company Korsnäs AB and municipal power company Gävle Energi. The two teamed up to build a joint power plant when Korsnäs wanted to make its energy process more efficient and Gävle Energi needed to guarantee a good price for its district heating. ÅF was assigned to run the project, which involves overall project management, project planning, financial follow-ups, HSE work and quality follow-ups, and process, pipe, low-voltage and instrument project engineering.

“Korsnäs has been working with consultants from ÅF for many years on both environmental and pulp and paper projects that have required expertise in process engineering and energy. In our opinion, ÅF has highly skilled employees. They are easy to work with and can make a quick start on projects as they know our industry so well. We’ve always been pleased with the work they’ve done for us, which is why we’ve gone back to them time and again. ÅF won the important job of lead consultant for the construction of the new power plant primarily because of the company’s track record in the industry and its undisputed ability to deliver.”

Mats Törnkvist,
Technical Director, Korsnäs AB

INFRASTRUCTURE

Market leader with sustainable solutions for tomorrow's world

The Infrastructure Division leads the Scandinavian market for technical solutions for infrastructure projects. The division's strengths include a strong sales organisation, sound commercial skills and a portfolio of services with a firm focus on sustainability. The division is continuously enhancing its market potential by developing innovative solutions that boost client profitability and support clients' target fulfilment aspirations.

The offer – sustainability integral to all services

The Infrastructure Division comprises five business areas: Installations, Environment, Rail, Roads and Sound & Vibrations.

Installations is the largest of the division's business areas and Sweden's number one technical consultant for qualified services related to the construction and modernisation of commercial, industrial and public-sector premises. Many of its assignments revolve around improving functionality, reducing operating costs and enhancing environmental performance.

Rail offers everything from surveys and investigations to more technically oriented installations assignments where the focus is on track-laying, electrical and signalling systems, and

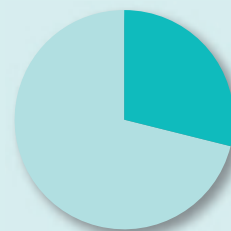
Key figures

	2010	2009
Operating income (in millions of SEK)	1,233.1	1,167.6
Operating profit (in millions of SEK)	69.0	101.9
Operating margin, %	5.6	8.7
Contribution to Group income %	29	27
Number of employees (FTEs)	1,065	994
Operating profit per FTE (in thousands of SEK)	65	103

The historical figures above have been adjusted, proforma, to take account of the corporate restructurings implemented on 1 January and 1 October 2010.

Contribution to Group sales

29 %



traffic communications. Land improvement services and geotechnical consulting for railway embankments, etc. come under the remit of the Roads business area.

Sound & Vibrations possesses unique cutting-edge expertise in acoustics and vibrations to meet needs within industry, infrastructure planning, property management and product development.

Environment offers services related to environmental impact assessments and licensing procedures to the full spectrum of ÅF clients.

Roads' portfolio of services extends from land improvements, geotechnical and rock engineering assignments to investigations and analyses of traffic solutions and other infrastructure planning projects in which roads play an important part.

Clients – long-term projects limit sensitivity to the economic cycle

The Infrastructure Division has a number of very large clients in the property sector, which have substantial shares of their respective markets. One such client is Skanska, for whom ÅF is involved in a major project engineering assignment for the new Karolinska University Hospital in Solna.

Infrastructure Division – facts at a glance

- Clients in the property market, construction and industrial plant, and the public sector.
- Services include both one-off projects and full-service solutions, from initial conceptualisation to implementation.
- Infrastructure planning and energy efficiency are growth areas that are given top priority.
- Approximately 1,400 members of staff in some 40 offices in Denmark, Norway and Sweden. Individual project activities are carried out all over the world, including Russia and China.
- Contribution to total Group sales: 29 percent.

Meet **Mats Pålsson** President, Infrastructure Division

What were you happiest about in 2010?

"I'm delighted that, thanks to good organic growth and strategic acquisitions, ÅF has established such a prominent place for itself in the field of infrastructure consulting. We have also won some major new assignments and have a portfolio of many satisfied clients eager to develop their collaboration with us."

What's top of your agenda for 2011?

"To make sure we remain the number one choice for clients looking for sustainable solutions. By being best in the fields of energy-efficiency, rail traffic and other infrastructure developments, we can take a big share of the strong growth we expect in these areas."

What's the best thing about ÅF?

"The broad appeal of the ÅF brand. It helps us attract the best co-workers, make good acquisitions and keep our clients happy."



INFRASTRUCTURE

Public-sector assignments tend to be major tax-funded investments over many years. This leads to long-term relationships with clients and a more or less continuous inflow of orders.

Many major infrastructure projects extend beyond the horizon of a single business cycle, thus reducing the division's sensitivity to fluctuations in the economy. However, there is a slowdown in orders during periods of low economic activity and competition intensifies as more foreign players enter the arena and prices come under pressure.

Other factors that mitigate the division's sensitivity to the economic cycle are its broad client base and the fact that many projects are driven by the need to improve efficiency, which always has a direct impact on clients' profitability regardless of the state of the economy.

- The division serves approximately 6,000 clients.
- Approximately 30 percent of clients are from the public sector and approximately 70 percent from the private sector.
- Between them, the ten largest clients account for just under one third of the division's earnings.
- Important clients include the Danish Road Directorate, the Swedish Transport Administration, Skanska, Statbygg (Norway), Stockholm's regional transport authority (SL), and local and regional authorities.

Market and trends – strong market and good prospects

The market for infrastructure consulting services remained good throughout 2010, underpinned by a steady increase in the number of major investments in new roads and railways funded by the public purse. ÅF has reported good growth in this sector.

Towards the end of the year, the division also saw clear signs of an upturn in the property sector, which had been very badly affected by the financial crisis. This is a sector where many projects are driven by the need to make energy-efficiency gains.

As far as the economy is concerned, the outlook remains good. We assume continuing keen interest in environmental investments and energy-efficiency projects and, thanks to political decisions that have already earmarked funds for long-term investments in the Nordic road and rail network, demand from that sector is also expected to be good for many years to come.

Important events in 2010

Stronger position in infrastructure planning

In the summer of 2010 ÅF acquired the consulting operations of the City of Gothenburg's highways and traffic management department, Göteborgs Gatuaktiebolag. This municipal consulting company has approximately 100 employees engaged in investigations, project engineering and project management of existing and new infrastructure investments in the rapidly expanding Gothenburg region.

Market leader in energy-efficient properties

The end of the year brought the acquisition of Energo, which has operations in Stockholm, Malmö and Helsingborg. This will strengthen ÅF's position as a leader in the growing Swedish market for improving the energy efficiency of buildings. The division will also gain considerable technical installation know-how. The Industry Division and Technology Division also stand to benefit from Energo's specialist expertise.

Major Stockholm Bypass project

In collaboration with the engineering consultancy Scott Wilson UK, ÅF was awarded two of the four contracts from the Swedish Transport Administration to provide technical consulting services for the major Stockholm Bypass project. The project involves project planning and project engineering work for the interchanges at Akalla and Häggvik and the rock tunnels.

New organisation for sharper focus on growth

On 1 October the former Infrastructure Division was split into two new divisions: Infrastructure and Technology.



INFRASTRUCTURE



A Nordic castle should have Nordic lighting

Denmark's army officers will all pass through the Royal Danish Army Academy during their training. Based at Frederiksberg Castle, the academy wanted to light up the external facades so that this national treasure could be appreciated around the clock. ÅF Denmark was commissioned to devise a lighting proposal that exemplified the Nordic concept of light. Lighting up a dark Nordic castle requires a completely different approach from illuminating a similar building in Southern Europe. Natural simplicity works better in the Nordic countries, without theatrical productions and clever lighting effects. The new lighting was ready in time for Queen Margrethe's birthday in April 2010. Frederiksberg Castle is now Copenhagen's only historical building with lighting that is founded on a holistic approach.

"Providing beautiful and functional external lighting for old castles isn't exactly one of the army's core skills. We were therefore looking for a consultant that could handle both the technical and formal aspects of this kind of project. We chose ÅF, and the experience has been positive in every sense for the academy. The consultants were open and professional with a 'can-do' approach that played a crucial role for the success of the end result. There were, of course, a few misgivings along the way, but I think that everyone is now more than happy with the impression the castle gives in the dark."

Lieutenant Colonel Jan Stoltenborg,
deputy commander at the Royal Danish
Army Academy

TECHNOLOGY

Green-tech specialists and high-tech solutions

The Technology Division is active mainly in Sweden, where it is a leading name in product development and defence technology. A firm base and a long track record of success provide stability and give clients peace of mind. The Technology Division also has strong offers within its specialist fields relating to various aspects of sustainability.

Offer – high-tech solutions firmly founded on extensive experience

The Technology Division is active in the fields of telecommunications, defence and product development.

In telecoms and IT, the division assists with everything from coordinating major projects to providing highly specialised services, supporting clients – telecom operators, network owners, municipal authorities and private sector companies – by offering solutions that are both sustainable and profitable. Typical assignments include conducting technical IT security analyses, procuring and implementing new communication solutions, and planning and project engineering broadband networks.

Key figures	2010	2009
Operating income (in millions of SEK)	719.3	636.1
Operating profit (in millions of SEK)	69.1	33.7
Operating margin, %	9.6	5.3
Contribution to Group income %	17	14
Number of employees (FTEs)	616	604
Operating profit per FTE (in thousands of SEK)	112	56

The historical figures above have been adjusted, proforma, to take account of the corporate restructurings implemented on 1 January and 1 October 2010.

Contribution to
Group sales

17 %



The Defence business area offers services in civil security and maintenance technology to public and private sector clients. Typically, clients here are looking for an independent consultant to analyse problems, to provide support in the procurement process and, in many cases, to proceed with the adaptation of systems. Examples of projects undertaken include the development of warning systems for the Swedish Civil Contingencies Agency (MSB), an investigation of the effect of offshore wind farms on radar stations for the Swedish Defence Materiel Administration (FMV), and the installation of mobile command centres, also for FMV.

Product Development offers services related to product development and hi-tech IT applications that include embedded systems, mechanical engineering, programming and product care. The division has the skills needed to follow either a single component or the intended end-product throughout the entire process from pre-study to serial production. Its broad spectrum of activities extends from pacemakers to 3G base stations and train control systems.

Since the manufacturing process frequently accounts for as much as 80 percent of the total environmental impact of a product, making the right choices at the design stage, when a product is still on the drawing

Meet **Johan Olsson** President, Technology Division

What were you happiest about in 2010?

"The fact that our own business developed positively even in the depths of an economic downturn is a sign of strength that bodes well for the future. We've succeeded in growing our business while improving profitability and delivering consistently high quality to our clients."

What's top of your agenda for 2011?

"To make ÅF even stronger in our chosen areas of expertise. We'll do that through new recruitment, stronger sales and strategic acquisitions. Most of the growth will be in Sweden's expansive metropolitan regions around Stockholm, Gothenburg and Malmö."

What's the best thing about ÅF?

"That we're number one – but continue to work as hard as if we were number two! ÅF is never content to rest on its laurels. We always have a goal in our sights and never miss a chance to advance our positions."

Division – facts at a glance Technology

- Clients in the defence sector, telecommunications, the engineering and automotive industries, medical technology and life sciences.
- Assignments include everything from one-off projects to full-service undertakings. Demand for sustainable solutions is increasing across the board.
- Approximately 700 co-workers at 12 offices, most in Sweden's expansive metropolitan regions around Stockholm, Gothenburg and Malmö.
- Contribution to total Group sales: 17 percent.



TECHNOLOGY

board, is of paramount importance. For this reason, interest in the ÅF EcoDesign Center has been steadily rising since the initiative was launched a few years ago. Here ÅF offers clients an eco-friendly product development service aimed at factoring environmental considerations, such as energy efficiency and the right choice of materials and components, into the equation at every stage, from drawing board to finished product. Experiences gained in the ÅF EcoDesign Center are systematically integrated into the division's other product development activities.

Clients – partnerships lead to larger undertakings

The Technology Division is a leading name in product development and defence technology with the bulk of its clientele concentrated in the light engineering and automotive industries, the defence sector, medical technology and life sciences. Especially in the defence sector, customer relations are, without exception, long-term and typically take the form of close collaboration akin to partnerships. Clients for the division's product development services include both the R&D departments of large companies and small, innovative companies that outsource large parts of their development activities.

With no let-up in recent trends towards outsourcing bigger and bigger assignments and even full-service undertakings, it is clear that procurement activities and the clients' project evaluations are increasing in complexity. This, however, bodes well for ÅF, which has the breadth and the experience to be able to offer clients the right option, whatever their needs.

Moreover, clients also benefit from ÅF's strong appeal in the labour market, which means the Technology Division has access to the best consultants in the business at all times.

- The division has around 350 clients.
- The ten largest clients together account for just over 60 percent of sales.
- Key clients include Bombardier, Electrolux, Ericsson, the Swedish Defence Materiel Administration (FMV), Kockums, SAAB, Scania, Visma and Volvo.

Market and trends – improved market and greater demand for green solutions

Demand from the defence sector, which is traditionally largely unaffected by the state of the economy, remained stable throughout 2010.

Demand from the private sector, which includes the telecommunications and automotive industries, picked up during the second quarter and continued to improve steadily throughout the year. This positive development was chiefly the result of recovery in our clients' own markets as the world emerged from the economic downturn, opening up scope for investments in innovations in both new and existing products and IT systems.

Product development and product care activities are, on the whole, relatively resistant to fluctuations in the business cycle; the needs they meet exist regardless of the general health of the economy.

One clear and growing trend is that sustainability is now near the top of every client's agenda: environmental adaptation has become an engine for growth.

Important events in 2010

Important new projects

The year's major orders included new projects from Bombardier, Electrolux and Kockums.

Growth in the public sector

In August the Swedish Legal, Financial and Administrative Services Agency selected ÅF for a framework agreement for the provision of IT project consulting services to various government agencies. The agreement is to run for two years, with the option of a subsequent two-year extension, and will pave the way for further inroads into the public sector. ÅF won the contract primarily thanks to its experience of turnkey deliveries.

Expansion in IT and telecoms

The end of the year brought the acquisition of Energo, which has operations in Stockholm, Malmö and Helsingborg. The Technology Division gained a number of IT and telecoms consultants. The Industry Division and Infrastructure Division also stand to benefit from Energo's specialist expertise.

Investments in client information, project management and business skills

The year involved a number of training courses for consultants in their role as business professionals and project managers. A new organisational structure was launched where various experienced project managers became key account managers for a selection of key clients.


Growth potential in the defence sector

At the end of the year ÅF signed a framework agreement with the Swedish Defence Materiel Administration, FMV, relating to telecommunications. ÅF secured the framework agreements for seven areas of technology out of a total of nine: radio & antenna systems, satellite communication, telecom exchange systems, radar systems, tele-warfare systems, identification systems and frequency planning. The contract is to run for three years, with the option of a subsequent one-year extension.



TECHNOLOGY



A photograph of an offshore wind farm in the United Kingdom. Several large white wind turbines with three blades each are mounted on yellow and black jackets, standing in a deep blue sea under a clear blue sky. The turbines are arranged in a line, receding into the distance.

Windpower and radar surveillance work together at sea

Wind turbines affect the surveillance capability of radar stations. Given that there are plans for huge offshore wind farms, the Swedish Armed Forces needed to look into the matter more closely to ensure that their surveillance operations could continue to work well. ÅF was assigned to carry out a study of the technical, financial and legal options for setting up a radar station adjacent to an offshore wind farm. This project drew on a number of different skills within the group: radar technology, communication systems, encryption, law and project financing. The result was a proposal for a technical solution with costings.

“Getting radar surveillance to work alongside windpower is an exciting challenge that really needs good solutions. ÅF has the relevant radar expertise, good internal quality assurance and the capacity to understand and interpret our directives. ÅF showed an impressive commitment to the project, and on many occasions the company took its own initiatives when it came to contacting the authorities and companies involved. Our working relationship was positive and good humoured, but above all with plenty of constructive dialogue. I like the way ÅF presents its opinions. It stimulates us to rethink and come up with new ideas. ÅF carried out this project by the book.”

**Kjell-Åke Eriksson M.Sc., project manager/
project engineer with the Swedish Defence
Materiel Administration, FMV**

ÅF SHARES

ÅF's class B shares have been quoted on the Stockholm Stock Exchange since January 1986. Prior to this, ÅF traded as a cooperative association from 1895 until 1980, and as a joint-stock company from 1981. ÅF's B shares are traded in Stockholm on the Nasdaq OMX exchange's Mid Cap list under the 'AF B' ticker symbol. At the end of 2009 the combined market capitalisation of the company's shares, including class A shares, was SEK 4,743 million (2009: SEK 3,329 million).

Share movements and turnover

Shareholders at the annual general meeting of the company on 5 May 2010 voted to implement a 2:1 share split. As a result of the split in June 2010, the total number of shares in the company rose from 17,029,501 to 34,059,002. Following the split the quota value of the ÅF share is SEK 5. ÅF's class B shares increased in value by 42.5 percent during 2010, trading at SEK 139.25 at the end of the year: this compares with a value of SEK 195.50 per share at the beginning of 2010, which corresponds to SEK 97.75 when adjusted to take account of the split. During the same period the Stockholm OMXSPI all-share index rose by 23.1 percent. During the year a total of 15,325,671 shares were traded for an aggregate value of SEK 2,197 million (2009: 12,418,178 shares worth SEK 1,770 million). Turnover per trading day averaged SEK 8.7 million (SEK 7.1 million). The share was traded on 100 percent of trading days in both 2010 and 2009.

Dividend policy and dividend

The board has adopted a dividend policy according to which the dividend corresponds to approximately 50 percent of the consolidated profit after tax excluding capital gains. For the company's operations during 2010 the board proposes a dividend of SEK 4.00 per share (2009: SEK 4.00 per share).

Share buy-backs

ÅF holds a total of 284,000 of the company's class B shares relating to the performance-related share programmes for 2008, 2009 and 2010. No further share buy-backs were made in 2010.

Investor relations

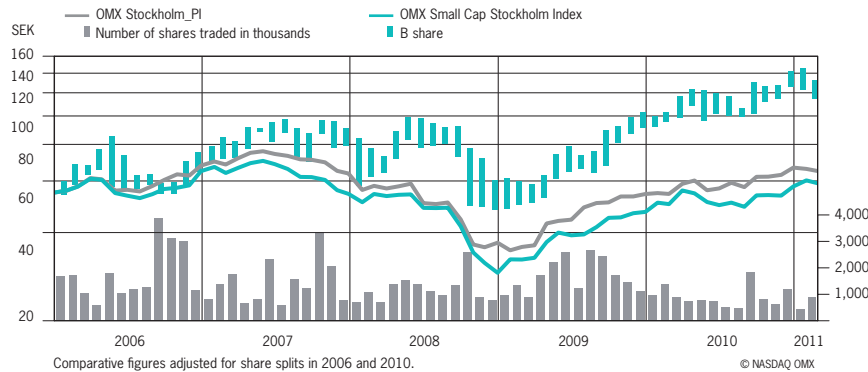
ÅF's positive development is reflected in the interest shown in the ÅF share. The company adopts a long-term approach to its communication with the capital market. In September the year's Capital Market Day focused on the ÅF Vision for 2015 and included an in-depth look at the Infrastructure Division. The event, hosted by ÅF at its head office in Stockholm, attracted around 35 investors, analysts and representatives of the media.

The President/CEO, CFO and/or Director of Corporate Information also took part in a number of "road shows" to Oslo, London, Frankfurt and New York in 2010, that led to approximately 25 meetings with investors. In addition a further 40 or so individual investor meetings were held at the ÅF head office in Stockholm during the year.

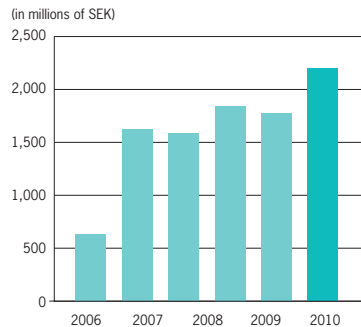
Analysts who regularly monitor the progress of ÅF:

Johan Dahl, Erik Penser Bankaktiebolag
Daniel Djurberg, Nordea
Jan Ihrfelt, Swedbank Markets
David Jacobsson, Öhman Fondkommission
Fredrik Lithell, Carnegie
Stefan Wård, Handelsbanken Capital Markets

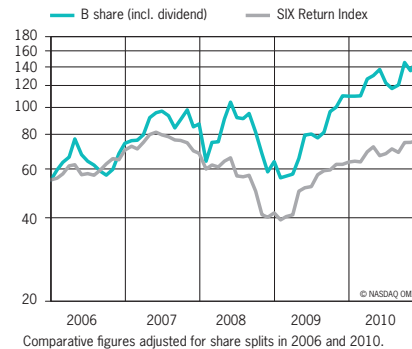
ÅF share – 5-year trend



Annual turnover in ÅF class B shares



Total yield – 5 years



Prize-winning IR work

For the second consecutive year Viktor Svensson, ÅF's Executive Vice President (Corporate Information), was voted Sweden's top Investor Relations manager among medium-sized listed companies. The annual survey, conducted by Regi Research & Strategi and the Swedish daily newspaper *Dagens Industri*, is based on interviews with a large number of Swedish and European financial analysts.

ÅF has earned its "leader's jersey"

David Jacobsson is an analyst at Öhman Fondkommission. He specialises in companies in the engineering and IT sectors and has been monitoring ÅF since 2007.

How do you view ÅF's performance over the last few years?

"There are three key factors that have given ÅF a boost in recent years. Firstly, ÅF management has shown a great deal of resolve when acquiring and disposing of operations. Secondly, sponsorship activities have done a great job in strengthening the brand and helping to stimulate interest in engineering. And last, but not least, ÅF has done well to maintain its margins through the economic downturn. That's a sign of inner strength and discipline in the group, and means that ÅF fully deserves the leader's jersey in the sector."

ÅF's new vision includes continued strong growth with good profitability. For example, sales of EUR 1 billion for 2015. How do you rate ÅF's chances of hitting this target?

"I think they're very good. A strong brand and good profitability will help ÅF to grow organically through recruitment and to make successful acquisitions."

Who should consider having ÅF shares in their portfolio?

"ÅF shares are suitable for long-term investors with faith in Europe's ability to develop infrastructure through investments in energy, transport and the application of technology in industry."

Historical development of share capital

Year	Quota value	Change	Change in number of shares		Numbers of shares		Share total	Share capital SEK '000
			A shares	B shares	A shares	B shares		
1984	50	ÅF issues convertible debentures to employees			727,460		727,460	36,373
1985	50	Redesignation	-42,600	42,600	684,860	42,600	727,460	36,373
1986	50	New issue and B share floated on A list		300,000	684,860	342,600	1,027,460	51,373
1987	20	Bonus issue and split	684,860	1,370,060	1,369,720	1,712,660	3,082,380	61,648
1990	20	Conversion of convertible debentures from 1984	269,420	480,580	1,639,140	2,193,240	3,832,380	76,648
1994	20	Redesignation	-810,475	810,475	828,665	3,003,715	3,832,380	76,648
1996	20	Bonus issue	414,332	1,501,857	1,242,997	4,505,572	5,748,569	114,971
1997	20	Redesignation	-840,778	840,778	402,219	5,346,350	5,748,569	114,971
2004	20	New issue		175,807	402,219	5,522,157	5,924,376	118,488
2005	20	New issue		37,766	402,219	5,559,923	5,962,142	119,243
2006	10	Split 2:1	402,219	5,559,923	804,438	11,119,846	11,924,284	119,243
2006	10	New issue		1,121,527	804,438	12,241,373	13,045,811	130,458
2006	10	New issue		3,232,164	804,438	15,473,537	16,277,975	162,780
2007	10	New issue		90,951	804,438	15,564,488	16,368,926	163,689
2007	10	Conversion of convertible debentures from 2005/2008		566,307	804,438	16,130,795	16,935,233	169,352
2008	10	Conversion of convertible debentures from 2005/2008		94,268	804,438	16,225,063	17,029,501	170,295
2010	5	Split 2:1	804,438	16,225,063	1,608,876	32,450,126	34,059,002 ¹⁾	170,295

¹⁾ Of which 284,000 are held by the company.

Shareholders in Sweden and abroad

31 December 2010	Percent of capital
Sweden	64.7
Other Nordic countries	7.7
Rest of Europe	15.8
USA	11.4
Others	0.4

The number of shareholders rose by 609 during 2010 to a total of 6,691.

Shareholder categories

31 December 2010	Percent of capital
Foreign owners	35.3
Swedish owners	64.7
of which:	
Institutions	88.0
Private individuals (incl. close companies)	12.0

Size of shareholding

31 December 2010		
Number of shares	Number of shareholders	Percentage of shares
<500	4,388	2.3
500–5,000	2,000	9.3
>5,000–	303	88.4
Total	6,691	100.0

The ten largest owners on 31 December 2010

Owner	A shares	B shares	Holding, %	Votes, %
Ångpanneföreningen's Foundation for Research & Development	1,602,876	3,832,576	16.0	40.9
Swedbank Robur investment funds	0	2,817,619	8.3	5.8
Skandinaviska Enskilda Banken S.A., NQI	0	1,970,652	5.8	4.1
Nordea Investment Funds	0	1,687,873	5.0	3.5
Åfond Foundation (ÅF Group Trust)	0	1,335,317	3.9	2.8
Afa Försäkring	0	967,748	2.8	2.0
NTC Various Fiduciary Capacit	0	866,930	2.6	1.8
SSB CL Omnibus AC OM09 (30 PCT)	0	858,626	2.5	1.8
Nordea Bank S.A. Nominee, account	0	709,867	2.1	1.5
Handelsbanken investment funds	0	656,683	1.9	1.4
Total, 10 largest owners	1,602,876	15,703,891	50.8	65.4
Total, other owners	6,000	16,746,235	49.2	34.6
Total 31 Dec 2010	1,608,876	32,450,126	100.0	100.0

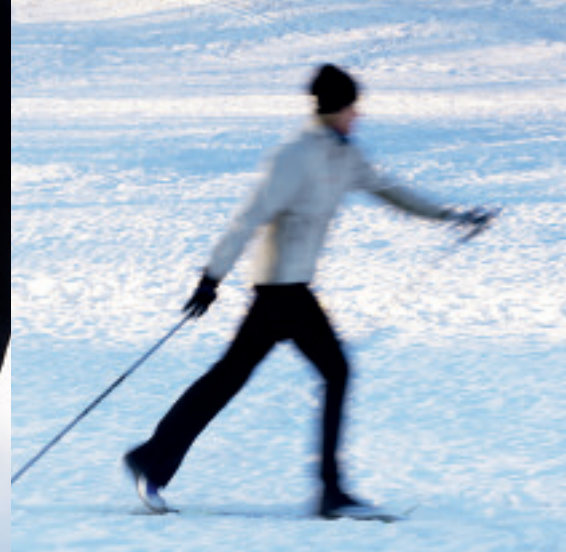
Key ratios per share

SEK	2006	2007	2008	2009	2010 ¹⁾
Share price, 31 Dec.	73.00	84.50	59.50	97.75	139.25
Pre-tax profit	5.41	9.63	13.42	10.87	23.34
Profit after tax	3.69	6.58	9.54	7.93	21.02
Profit after tax, after dilution	3.58	6.56	9.54	7.91	20.95
Equity, excluding non-controlling interests	33.56	39.41	49.73	53.68	69.47
Yield, percent	2.1	3.8	5.5	4.1	2.9 ²⁾
Dividend	1.50	3.25	3.25	4.00	4.00 ³⁾
Annual turnover rate, times	95.3	59.7	75.0	76.0	60.1
Market capitalisation (MSEK)	2,376.6	2,862.1	2,026.5	3,329.3	4,742.7

¹⁾ A 2:1 share split was implemented on 2 June 2010. Comparative figures adjusted.

²⁾ Based on proposed dividend

³⁾ Proposed dividend.



Ulrica Johansson is a process consultant with the Industry Division in Stockholm. She spends her free time dancing, singing in a choir, wine tasting, skiing, cycling and motorcycling.

"In my job I am constantly coming into contact with new people, cultures and challenges. That stimulates me and helps me develop. I'm able to organise my own workload and think for myself, but I can still turn to all the wise old owls I have around me when I need to. I really appreciate the fact that no two days are the same."

SUSTAINABILITY IS PROFITABILITY

ÅF's chairman Ulf Dinkelspiel and sustainability manager Alice Bah Kuhnke talk about sustainability, profitability and targets.

How do you view sustainability in the context of ÅF?

Ulf Dinkelspiel: "Our approach to sustainability incorporates three different perspectives – financial, environmental and social. Our range of services is designed for other companies which, like us, want to work as a sustainable, long-term operation."

Alice Bah Kuhnke: "Although the word sustainability is a relatively new and modern concept, the ideas it encompasses have always played an important role at ÅF. These days we are clearer about the way we communicate these ideas and we link our sustainability work more directly to our business targets."

Is sustainability better for the conscience than it is for the cash-box?

Ulf Dinkelspiel: "Striving for profitability and wanting to make the world a better place aren't mutually exclusive. Quite the opposite, in fact. A sustainable company is a long-term venture, which lays the foundations for good profitability over time."

Alice Bah Kuhnke: "ÅF has clear profitability targets, and our sustainability work is an important tool for generating profit both now and in the future. Links with the business side of things are very strong."

You launched what are perhaps the industry's toughest internal sustainability targets in 2010. Can you tell us more about this?

Alice Bah Kuhnke: "We launched three main targets in March. First, by 2015, we aim to halve our climate impact from 2009 levels."

"Secondly, we aim to offer an additional sustainable option in the tenders that we submit to clients so that they have more solutions for their challenges. And thirdly, we want to be perceived as the very best technical consulting company when it comes to providing sustainable solutions to the technical challenges our clients face."

Ulf Dinkelspiel: "Our vision is to be the most profitable company in our sector. If, in addition, we are seen as the best in terms of sustainability, then we will really have succeeded. To this end, we've worked hard to make our sustainability targets clear, quantifiable and communicable."

What can clients expect from their ÅF consultant?

Alice Bah Kuhnke: "Clients can expect ÅF to come up with the very best technical solution. Our consultants already take sustainability into account in their projects. But clients will notice that we are taking things a step further when they are presented with even more green options and alternative investment calculations that create profitability over the long term."

Ulf Dinkelspiel: "Yes, we're really serious about this. And we aim to practise what we preach. That will be evident from our documentation and the way we achieve our targets."



SUSTAINABILITY REPORT

For ÅF, sustainability is a fundamental concern. ÅF seeks to improve its clients' operations and make them more efficient by offering solutions that are sustainable – environmentally, economically and socially – over the long term. But that's not all. As a company and an important corporate member of society for 115 years, ÅF also understands that sustainability is the key to its own success and continuing development.

ÅF has set itself tough targets for its internal sustainability work. The frequently new and louder calls for sustainability from the company's various stakeholders serve as milestones on the road towards these ambitious targets. In the long term, investments in sustainability are investments in profitability, which is one reason why work with sustainability plays such a key role at ÅF.

In March 2010 ÅF launched "The ÅF Green Advisor Plan", a roadmap for the company's sustainability work. Prior to this, a pre-study had been undertaken based on what was then the current situation, and a reference group of employees from

different positions in different parts of the company had formulated three sustainability goals aimed at paving the way towards a more sustainable ÅF. Within five years from the 2009 baseline, ÅF will have halved its carbon footprint per co-worker, ÅF will always give clients a "green" alternative in the form of a more sustainable solution to every assignment, and ÅF will be perceived as the technical consultant that, from a sustainability perspective, best addresses the challenges its clients face. The greatest positive impact that ÅF can have on society is through the assignments it performs for its clients.

One important aspect of the work preceding "The ÅF Green Advisor Plan" was to identify the interests of key stakeholders: owners, directors, employees, clients, the local community and global society. The indicators presented in this sustainability report follow the materiality principle and have been chosen to reflect the main objectives of ÅF's sustainability work for the period 2010–2015, the results of the pilot study, the dialogue conducted with stakeholders and the fact that the ÅF Group is an international company with subsidiaries in more than 20 countries and a workforce of more than 100 people in seven of them (the Czech Republic, Denmark, Finland, Norway, Russia, Sweden and Switzerland). The figures reported by these countries constitute the current basis for what has been identified as relevant to the report.

ÅF Green Advisor Report

Since communication plays a crucial part in successful sustainability work, 2010 saw the launch of the first two issues of the "ÅF Green Advisor Report", a journal that describes some of the assignments undertaken by ÅF and the positive effects that these have on communities around the world.



Economic indicators of sustainability

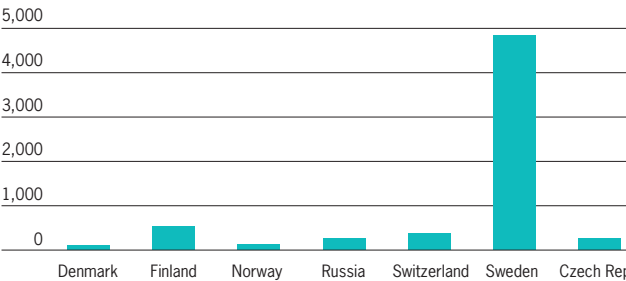
For ÅF, the process of becoming a more sustainable company is predicated on being a profitable company. One of the challenges of economic sustainability is to make sure that the company's profitability is the result of striking a long-term balance between individual interests, the environment and healthy corporate finances.

EC 1: Direct economic value generated and distributed

The table below shows the economic value generated by ÅF in a selected number of areas. The information has been compiled from the audited annual accounts for 2010, which include all significant financial reporting.

Direct economic value generated, (in millions of SEK)	Stakeholder	2010
Revenues	Clients	4,796
Operating costs, incl. depreciation/amortisation	Suppliers	-1,469
Employees' wages and benefits	Employees	-2,529
Taxes	State	-81
Economic value retained	Owners	717

Indirect emissions – tonnes of CO₂ equivalents per country*



*Indirect emissions from ÅF's energy consumption. As ÅF neither owns nor controls any sources of greenhouse gas emissions, no direct GHG emissions are reported.

Environmental performance indicators

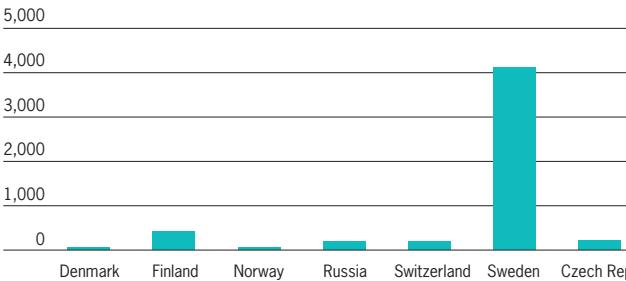
For ÅF, the challenge that environmental sustainability poses is to make sure that the company contributes to the long-term conservation of the ecosystem's production capacity and of eco-diversity. This includes all of Earth's biological environments, including the seas and lakes, as well as the forests and open landscapes.

EN 16 and EN 17: Total direct and indirect greenhouse gas emissions by weight and other relevant indirect greenhouse gas emissions by weight. See diagrams below.

EN 18: Initiatives to reduce GHG emissions and reductions achieved

In 2010 ÅF launched a new vehicle policy for its organisation in Sweden, building on a dialogue with representatives for ÅF's stakeholders (owners, employees and organisations representing the interests of the local and global community). The new policy formulated a clear ambition to achieve a significant reduction in emissions of greenhouse gases by 2015; this was to be

Other relevant emissions – tonnes of CO₂ equivalents per country*



*Indirect energy use from ÅF travel/transport and consumption of materials.

achieved by progressively reducing emissions limits per gram for vehicles leased through the company by ÅF employees who need use of a car to carry out their assigned duties.

The table below shows the reduction in carbon dioxide per gram that ÅF has achieved through the new policy's limits. The average emissions values of all vehicles purchased by ÅF in 2010 have been compared with the values for vehicles purchased in 2009.

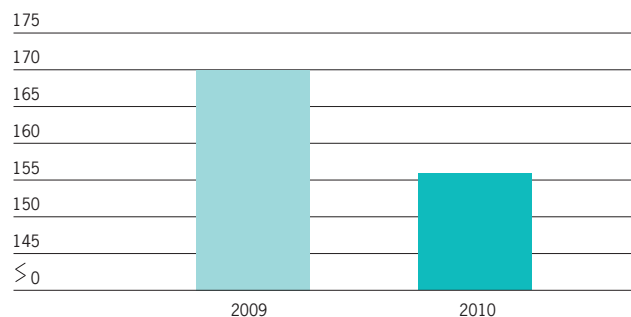
EN 28: Non-compliance with environmental laws and regulations

No fines or penalties have been reported during 2010 for non-compliance with environmental legislation and regulations.

Social performance indicators

For ÅF, the challenge that social sustainability poses is to make sure that the company contributes to every human being's right to a decent life and to the process of creating societies in which fundamental human needs and rights are respected.

CO₂ emissions per new vehicle, g/km



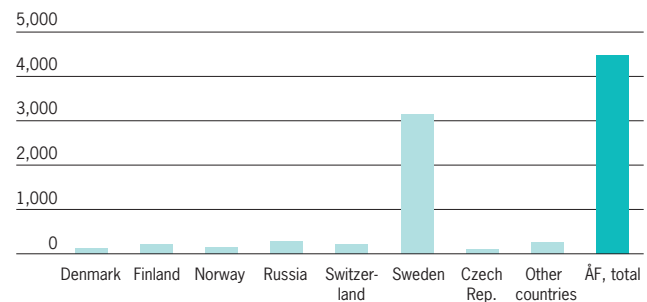
LA 1: Total workforce

The total number of employees in ÅF during 2010 was 4,475. The distribution of employees in the seven countries that form the basis of this report is shown in the table below:

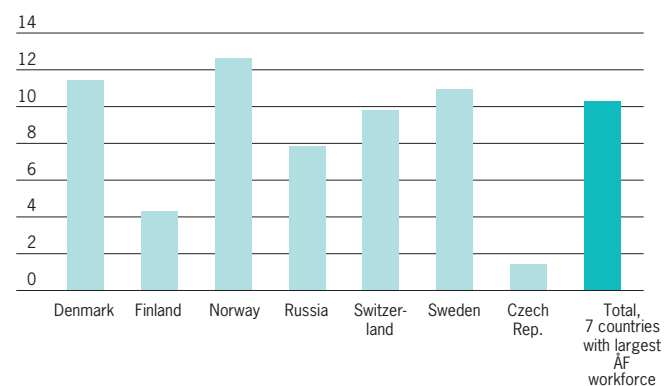
LA 2: Employee turnover

Employee turnover (resignations and redundancies/lay-offs) in the seven countries where ÅF has the largest numbers of employees was 10.5 percent in 2010. A total of 413 people (83 women and 330 men) left the company. Employee turnover for the different geographical regions is shown in the table below.

Total number of employees, 31 Dec 2010



Employee turnover by region, %



LA 7: Work-related injuries and sick days

Absence due to sickness is very low at ÅF. For 2010, it was 2.1 percent. The number of work-related injuries and days lost through injury are shown in the tables below.

LA 10: Average hours of training per employee by employee category

Competence development is crucial for the continued success of ÅF. Training for new employees, various types of managerial train-

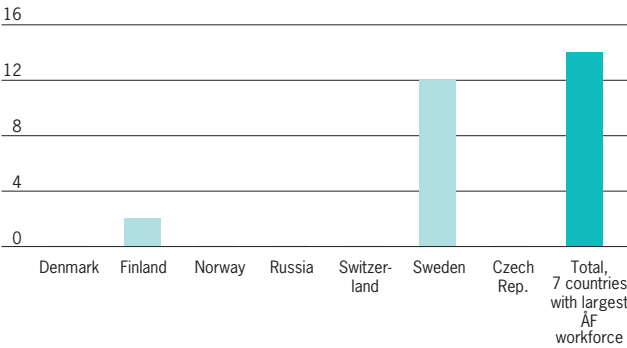
ing courses and training in new legislation, regulations and directives are conducted continuously. During the reporting period, each employee received an average of 37 hours' training.

LA 13: Composition of board and senior management

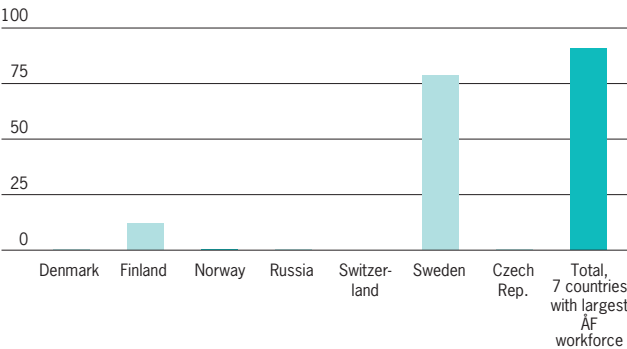
ÅF is a technical consulting company and therefore most of its employees are engineers.

ÅF's senior management team comprises 2 women and 8 men (20 percent female representation). The ÅF Board of Directors comprises 3 women and 5 men (38 percent female representation).

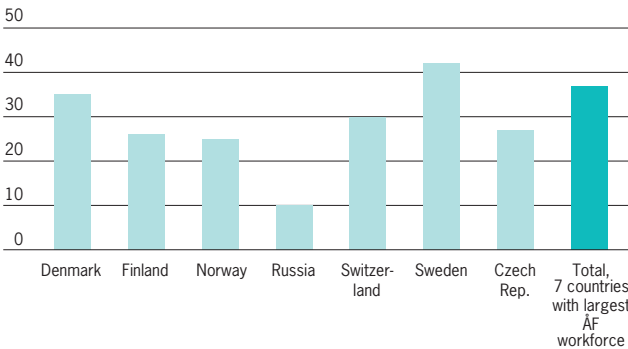
Number of work-related injuries



Days lost through injury



Number of hours of training per employee



About the Sustainability Report

This is the first year that ÅF has chosen to report on its sustainability performance as an integral part of the Group's annual report with reference to the guidelines formulated by the Global Reporting Initiative (GRI). The report follows the criteria for GRI application level C. ÅF's ambition is to develop the Group's sustainability work and to expand the scope of its reporting over the next few years. For further information about GRI and

a full explanation of the guidelines and indicators, please see www.globalreporting.org.

Contact

The contact person for the ÅF Sustainability Report is Alice Bah Kuhnke, Director of Sustainability and CSR at ÅF AB. Email alice.bah.kuhnke@afconsult.com or tel. +46 10 505 00 00.

Application level		C	C+	B	B+	A	A+
Obligatory	Self-assessment		Report externally assured		Report externally assured		Report externally assured
	Third-party declaration						
	Inspected by GRI						
Voluntary							

Reporting with reference to GRI guidelines must, depending on the level chosen, be done in accordance with the criteria laid down for application level C, B or A.

Below is a list of all the disclosures that are mandatory for level C reports and of the relevant performance indicators that ÅF has chosen to report. The listing also specifies whether the

report is full ● or partial ► with reference to the GRI guidelines for each individual indicator, and shows where to find this information in the annual report

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* This is the company's first report using GRI guidelines.

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Jorma Vihavainen is a project manager with the Energy Division in Vantaa, Finland. He devotes much of his spare time to his two school-age children and their interests. Judo is also an important part of his life. He is now a judo coach and referee.

"Getting the right work/life balance is important to me. The ÅF Group gives me the opportunity to get involved in lots of interesting and challenging projects. Clients appreciate and respect our advice and recommendations, and that is a constant source of motivation. I really admire the energy and willpower our team shows when it comes to creating professional and innovative solutions."

RISK MANAGEMENT AND SENSITIVITY ANALYSIS

Risk is inherent in all commercial activity. Risks that are managed well can open up business opportunities and increase the value of a company, while those that are managed badly can lead to losses that undermine the stability of a business. In recent years ÅF has worked on making risk management an integral part both of the Group's strategic planning processes and its operational activities.

Risk management at ÅF seeks not only to minimise risks but also to make sure that the company makes the best possible use of the opportunities that present themselves. In 2010 ÅF started to work with Enterprise Risk Management (ERM). This integrates risk management into day-to-day activities by linking it to the strategic and operational objectives that the company has set up.

Work with risks can be divided into requirements and expectations, identifying and assessing risks, managing and monitoring them and reporting back to executive management, committees and the board of directors.

What follows is a description of the risks with which ÅF has to deal.

Operational risks

Business-cycle dependence

The Nordic region is ÅF's largest market, where clients operate in a number of industries, including the energy sector, the public sector, industry, property and construction. This means that ÅF

is dependent on reasonably stable trends in these areas to achieve its targets. The general economic situation and propensity to invest are also highly significant, but ÅF's diversification over a number of markets and in areas that experience different business cycles reduces any risk. To reduce dependence on the Nordic market and take advantage of opportunities for growth, ÅF is expanding outside the Nordic region. ÅF's strategy is to grow in the segments in which the Group is already a Nordic market leader. Increasing the geographical spread will help to offset the effect of local business cycles.

Capacity utilisation and hourly rates

A consulting firm's capacity utilisation rate is a key factor behind its ability to generate a profit. Every percentage point difference in the invoiced-time ratio equates to a rise or fall of around SEK 47 million in ÅF's annual earnings. The hourly rate itself is also, of course, another essential component for the profitability of a consulting company. Increasing the hourly rate by SEK 10 would, if all other factors remained unchanged, improve profits for ÅF by some SEK 48 million a year. Various approaches are adopted to reduce sensitivity, including employing sub-consultants, increasing the variable component in salaries, broadening expertise and markets, and packaging services to increase competitiveness and reduce client sensitivity to pricing. ÅF is also increasingly taking over the management of large-scale projects for its clients and liaising directly with subcontractors with regard to the detailed project planning services that are necessary during the various phases of the project.

Fixed-price contracts

Fixed-price contracts for carefully specified consulting services can be beneficial to both parties. Often consultants are able to make use of past experience to serve their clients more efficiently

and are well placed to make an accurate assessment of the time and resources required. A fixed-price contract may, however, involve an increased risk for client and consultant alike, if the time required to complete the assignment is not correctly estimated. In the event that the fixed price is exceeded, ÅF suffers a write-down in its fee. Training and tuition in factors such as project management and the formulation of appropriate terms and conditions are the key to reducing the risks associated with this kind of agreement. Continuous monitoring and evaluation of the amount of work remaining in fixed-price contracts also reduce this risk. Major fixed-price assignments may be led only by assignment managers who have received the requisite training.

Acquisition risks

Over the past decade or so the technical consulting sector has undergone a process of consolidation and this process continues unabated. Failure to follow this industry trend could result in the gradual erosion of competitive strength. While ÅF remains committed to taking an active part in this process, it also recognises that growth and the takeover of other consulting companies is not risk-free.

To minimise the risks, ÅF has adopted a systematic approach to acquisitions with strict criteria for obligatory documentation and thorough reviews. The ÅF board conducts an annual evaluation of any companies that have been taken over, and an Acquisitions Unit has been set up to ensure a proactive and systematic approach to corporate acquisitions and expansion into new geographical markets.

Employees

To achieve the targets that have been set, it is crucial that employees in a consulting company are motivated and possess the relevant skills and knowledge. There is always a risk that

highly competent employees may join competitors or clients, or set up their own businesses. The risk is exacerbated if these people are able to use their inside knowledge of the company to cherry-pick the best of their skilled colleagues. A situation like this could make it difficult for ÅF to deliver the services it is contracted to supply and lead to extra costs for the company. In order to attract and retain co-workers of the right calibre, ÅF invests (for example via the ÅF Academy) in continuous professional development, skills development and management training. It is highly unusual for large numbers of employees in key positions to leave the ÅF Group, and annual co-worker surveys show that employees are largely happy in their work. ÅF is able to offer the opportunity to work on large and highly sophisticated international projects, which is attractive to potential employees. Competition for qualified members of staff at all levels is increasing, and with it the pressure on ÅF to present itself as an attractive employer. For this reason ÅF invests large sums each year in recruitment and induction activities.

Competitors

Competition in the technical consulting industry comes from a number of major international companies and various small local competitors in each individual market. Competition is fierce, both for projects and for the best personnel, and consulting companies in countries with significantly lower cost structures are also attracting certain clients. However, thanks to ÅF's breadth and depth of skills, its competitive appeal is steadily increasing.

Business support system

ÅF has its own business support system, ONE, for managing, following up, controlling and documenting both fixed-price and open-account assignments. ONE has been certified in accordance with ISO 9001: 2008 (quality) and ISO 14001:2004 (envi-

ronment). ONE safeguards cost-control for both fixed-price assignments and those invoiced by the hour.

Environmental risks

Under the provisions of current environmental legislation the ÅF Group does not require any environmental permits nor does it have any obligations to report on its activities. The business's environmental risks are restricted to the possible consequences of contravening existing environmental legislation. However, sophisticated follow-up procedures have been built into ÅF's business support system to ensure that all units within the Group comply with environmental law. ÅF is not involved in any environmental disputes or incidents.

Legal risks

ÅF's business activities do involve a risk of dispute. Disputes may arise if ÅF disagrees with a client about the conditions that apply to a certain assignment. Disputes can also arise in conjunction with takeovers. Drawing up contracts for all assignments with terms appropriate to the project in hand reduces the risk. When taking over another company's business operations, ÅF has a tried-and-tested body of rules and regulations that is used to guide the process. For more complex transactions, legal advice is always sought.

Insurance

In order to reduce risk in its business activities, ÅF has a high level of insurance protection that covers ÅF for the liability involved in any given project. ÅF is covered for loss of contribution and for additional costs in the event that its premises are damaged or its equipment is stolen.

IT risks

The majority of ÅF's IT support has been outsourced to highly reputable suppliers. Although agreement has been reached with these service providers on response and action times, there can be no cast-iron guarantees that unplanned interruptions will not lead to loss of income at one or more of the Group's offices.

Financial risks

Finance policy

Through its operations the ÅF Group is exposed to various types of financial risk in the form of fluctuations in the company's earnings and cash flow as a consequence of changes in exchange rates, interest levels and credit risks. Responsibility for the Group's financial transactions and risks is handled centrally by the parent company's accounting and reporting department in accordance with policies laid down by the Board of Directors. The overall goal is to provide cost-effective financing and to minimise the negative effects of market fluctuations on the Group's earnings. Seen as a whole, the financial risks within the Group are relatively low.

Currency risk

Currency risk comprises the risk that fluctuations in exchange rates will have a negative impact on the consolidated income statement, balance sheet and cash flow. Currency risk can be split into transaction exposure and translation exposure. Transaction exposure is the net of operating and financial inflows and outflows in foreign currencies. Currency risks related to changes in expected and contracted payment flows are relatively limited for ÅF, as the majority of sales and expenses are invoiced in local currencies. In accordance with current policy, payment

flows in foreign currencies are hedged only when it is possible to determine the amount and time of the transaction with a great degree of certainty. In the event of an incoming payment in foreign currency that involves a net exposure in excess of 100,000 euros the risk is hedged through derivatives. The risk is also hedged through derivatives in the event of an outgoing payment in foreign currency that involves a net exposure in excess of 50,000 euros. Translation exposure comprises foreign subsidiaries' net assets and profits/losses in foreign currency. In line with established policy ÅF does not hedge translation exposure.

Interest rate risk

Interest rate risk comprises the risk that changes in interest rates will affect the Group's net interest income/expense and/or cash flow. The Group's financing expense is affected by changes in market interest rates. For the purpose of reducing the effect of changes in interest rates on the Group's performance, ÅF's policy is that the average fixed-rate period on loans taken out must be between three and twelve months. During 2010 the fixed-rate period for the company's borrowing averaged one month. With current borrowing requirements, the effect on the Group's profit/loss of a change of 1 percent in interest rates would be in the region of SEK 3 million. ÅF's policy is for cash and cash equivalents to be deposited in bank accounts with local banks.

Credit risks

Financial credit risk

ÅF's financial transactions give rise to credit risks in relation to financial counterparties. The risk of a counterparty being unable to fulfil its obligations is reduced through the careful selection of creditworthy counterparties and the capping of involvement with each counterparty.

Bad debt risk

This form of credit risk relates to the outstanding accounts receivable at any given time: in other words, the credit extended to ÅF's clients. This risk is limited through ÅF's highly effective credit policy, which specifies how the company's credit management procedures are to be implemented to avoid any uncontrolled assumption of risks and prevent any unnecessary bad debt losses. This includes, for example, rules on advance payments and advice on how to avoid clients who are likely to have payment problems. Historically, the Group has reported only very limited credit losses. ÅF's ten largest clients, who account for a total of 23 percent of the Group's sales, are all large listed companies or publicly owned institutions. There are, therefore, no exceptional credit risks in relation to any one major client.

Sensitivity analysis

Factor	Change (all other factors unchanged)	Effect on earnings SEK/share (after tax)
Capacity utilisation	±1 %	±1.04
Hourly rate	±1 %	±0.75
Payroll costs	±1 %	±0.58
Overheads	±1 %	±0.19
Number of co-workers (FTEs)	±1 %	±0.06



My Andersson is Eco Manager with the Technology Division in Stockholm. Outside work, she enjoys travelling and spending time with friends, but more often than not you will find her in the stable or out riding.

"I love challenges! I want to have fun at work and feel that it is fulfilling and has a purpose. The best thing about ÅF is that I get to try out different things. I work with companies that develop completely different types of product and help them to reduce their environmental impact. It's great to be a part of something bigger."

DEFINITIONS

Operating margin

Operating profit/loss in relation to operating income.

Profit margin

Profit/loss after net financial items, in relation to operating income.

Equity ratio

Equity including non-controlling interests in relation to the balance sheet total.

Current ratio

Current assets in relation to current liabilities and current provisions.

Return on equity

Profit/loss after tax in relation to average shareholders' equity including non-controlling interests.

Return on total capital

Profit/loss after net financial items and restoration of interest expense, in relation to the average balance sheet total.

Return on capital employed

Profit/loss after net financial items and restoration of interest expense in relation to the average balance sheet total, minus non-interest-bearing liabilities and net deferred tax.

Interest cover

Profit/loss after net financial items and restoration of interest expenses, in relation to interest expense.

Earnings per share

Earnings attributable to the parent's shareholders relative to the average number of shares.

Dividend yield

Dividend per share in relation to the year-end share price.

Equity per share

Equity attributable to the parent's shareholders relative to the total number of shares.

Cash flow per share

Cash flow from operating activities in relation to the average number of shares.

Invoiced-time ratio

The time invoiced to clients as a percentage of the total time all employees are present at work.

Full-time equivalents (FTEs)

Number of employees during the year converted to the equivalent number of year-long, full-time positions. The actual number of employees is higher, owing to part-time employment and the fact that some employees work only part of the year.

FIVE-YEAR FINANCIAL SUMMARY, SEK

Values in millions of SEK unless otherwise stated	2010	2009	2008	2007	2006
Operating income and profit					
Operating income	4,796	4,692	4,570	3,862	3,134
Operating profit	806	388	479	332	168
Operating profit excluding capital gain	317	374	478	331	148
Profit after net financial items	798	377	461	322	158
Profit for the year	717	275	328	220	108
Capital structure					
Non-current assets	2,016	1,733	1,728	1,320	997
Current assets	1,934	1,850	1,882	1,476	1,303
Equity including non-controlling interests	2,361	1,827	1,699	1,339	1,091
Non-current provisions	177	120	190	90	97
Non-current liabilities, excluding provisions	8	41	183	186	118
Current provisions	14	31	8	10	1
Current liabilities, excluding provisions	1,392	1,564	1,530	1,171	993
Balance sheet total	3,950	3,583	3,610	2,796	2,300
Equity (average)	2,205	1,740	1,482	1,200	820
Total capital (average)	3,678	3,518	3,090	2,487	1,860
Capital employed (average)	2,508	2,192	1,921	1,579	1,161
Key figures					
Operating margin, percent	16.8	8.3	10.5	8.6	5.4
Operating margin excluding capital gain, percent	7.3	8.1	10.5	8.6	4.8
Profit margin, percent	16.6	8.0	10.1	8.3	5.0
Equity ratio, percent	59.8	51.0	47.1	47.9	47.5
Current ratio, times	1.4	1.2	1.2	1.2	1.3
Return on equity, percent	32.5	15.8	22.1	18.3	13.1
Return on total capital, percent	22.0	11.1	15.6	13.8	9.7
Return on capital employed, percent	32.2	17.8	25.2	21.8	15.6
Interest cover, times	31.1	30.0	21.5	19.9	9.3
ÅF share ¹⁾					
Earnings per share, SEK	21.02	7.93	9.54	6.58	3.69
Earnings per share after dilution, SEK	20.95	7.91	9.54	6.56	3.58
Yield, percent	2.9	4.1	5.5	3.8	2.1
Equity per share, SEK	69.47	53.68	49.73	39.41	33.56
Equity per share after dilution, SEK	69.25	53.53	49.65	39.40	33.86
Cash flow from operating activities per share, SEK	6.0	9.02	9.46	9.47	4.16
Cash flow from operating activities per share after dilution, SEK	5.9	9.00	9.44	9.42	4.02
Buying rate 31 December, SEK	139.25	97.75	59.50	84.50	73.00
Market capitalisation	4,743	3,329	2,027	2,862	2,377
Ordinary dividend per share, SEK	4.00 ²⁾	4.00	3.25	3.25	1.50
Other					
Invoiced-time ratio, percent	71.9	71.3	74.1	75.1	72.9
Investment in equipment, excluding leasing ³⁾	40	40	96	54	52
Investment in property ³⁾	5	3	38	102	—
Investment in intangible assets ³⁾	434	68	196	253	738
FTEs excluding associates	3,966	4,182	3,948	3,623	3,167

¹⁾ A 2:1 share split was carried out on 2 June 2010. The comparative figures have been adjusted.

²⁾ Proposed dividend.

³⁾ Including acquired businesses.

FIVE-YEAR FINANCIAL SUMMARY, EUR

Values in millions of EUR unless otherwise stated	2010	2009	2008	2007	2006
Exchange rate at the end of the reporting period	9.00	10.35	10.94	9.47	9.05
Average exchange rate	9.54	10.62	9.61	9.25	9.25
Operating income and profit					
Operating income	503	442	476	418	339
Operating profit	84	37	50	36	18
Operating profit excluding capital gain	33	35	50	36	16
Profit after net financial items	84	35	48	35	17
Profit for the year	75	26	34	24	12
Capital structure					
Non-current assets	224	167	158	139	110
Current assets	215	179	172	156	144
Equity including non-controlling interests	262	176	155	141	120
Non-current provisions	20	12	17	9	11
Non-current liabilities, excluding provisions	1	4	17	20	13
Current provisions	2	3	1	1	0
Current liabilities, excluding provisions	155	151	140	124	110
Balance sheet total	439	346	330	295	254
Equity (average)	231	164	154	130	89
Total capital (average)	385	331	322	269	201
Capital employed (average)	263	206	200	171	125
Key figures					
Operating margin, percent	16.8	8.3	10.5	8.6	5.4
Operating margin excluding capital gain, percent	7.3	8.1	10.5	8.6	4.8
Profit margin, percent	16.6	8.0	10.1	8.3	5.0
Equity ratio, percent	59.8	51.0	47.1	47.9	47.5
Current ratio, times	1.4	1.2	1.2	1.2	1.3
Return on equity, percent	32.5	15.8	22.1	18.3	13.1
Return on total capital, percent	22.0	11.1	15.6	13.8	9.7
Return on capital employed, percent	32.2	17.8	25.2	21.8	15.6
Interest cover, times	31.1	30.0	21.5	19.9	9.3
ÅF share ¹⁾					
Earnings per share, EUR	2.20	0.75	1.00	0.71	0.40
Earnings per share after dilution, EUR	2.20	0.75	1.00	0.71	0.39
Yield, percent	2.9	4.1	5.5	3.8	2.1
Equity per share, EUR	7.72	5.19	4.55	4.16	3.71
Equity per share after dilution, EUR	7.69	5.15	4.54	4.16	3.74
Cash flow from operating activities per share, EUR	0.62	0.85	0.99	1.03	0.45
Cash flow from operating activities per share after dilution, EUR	0.62	0.85	0.98	1.02	0.44
Buying rate 31 December, EUR	15.47	9.44	5.44	8.92	8.07
Market capitalisation	527	322	185	302	263
Ordinary dividend per share, EUR	0.44 ²⁾	0.39	0.30	0.35	0.17
Other					
Invoiced-time ratio, percent	71.9	71.3	74.1	75.1	72.9
Investment in equipment, excluding leasing ³⁾	4	4	10	6	6
Investment in property ³⁾	1	0	4	11	—
Investment in intangible assets ³⁾	45	6	20	27	80
FTEs excluding associates	3,966	4,182	3,948	3,623	3,167

¹⁾ A 2:1 share split was carried out on 2 June 2010. The comparative figures have been adjusted.

²⁾ Proposed dividend.

³⁾ Including acquired businesses.

ADMINISTRATION REPORT

ÅF AB (publ)

Corporate identity number 556120-6474

The Board of Directors and the President of ÅF AB (publ) herewith submit their annual report for the year 2010. ÅF AB, which has its registered office in Stockholm, is the parent company of the ÅF Group.

Group and Parent company

ÅF is a leading company in the technical consulting industry, with expertise founded on more than a century of experience. ÅF offers highly qualified services and solutions in fields of expertise that include industrial processes, infrastructure projects and the development of products and IT systems. The Group's operational base is in the Nordic region, but its business and clients are found all over the world.

ÅF bases its consulting business on the development of systems and products, and on investments, maintenance measures and ongoing modification work relating to industrial plant, processes, machinery and buildings, as well as infrastructure projects. The majority of projects originate in Swedish and international industrial companies, service companies, government authorities and the real estate sector.

Sales and earnings

Net sales for the year fell by 7 percent. Organic growth was negative at -2 percent. The structural effect was also negative, -4 percent, chiefly as a consequence of the sale of the subsidiary, ÅF-Kontroll. The strengthening Swedish krona resulted in a negative translation difference of 1 percent. Operating profit fell by 18 percent, first and foremost as a consequence of the sale of ÅF-Kontroll and of losses incurred by ÅF's Norwegian business operations.

- Net sales totalled SEK 4,334 million (2009: SEK 4,678 million).
- Operating profit excluding capital gains was SEK 317 million (SEK 380 million).
- The operating margin excluding capital gains was 7.3 percent (8.1 percent).
- The capacity utilisation rate was 71.9 percent (71.3 percent).
- Profit after tax was SEK 717 million (SEK 275 million).
- Earnings per share before dilution were SEK 21.02 (SEK 7.93).

Organisational changes

On 1 January 2010 the Swedish process and environmental operations were transferred from the Energy Division to the Industry Division. Parallel with this structural change, operations in Finland, Estonia and the Czech Republic were transferred from the Industry Division to the Energy Division.

On 1 October 2010 the Infrastructure Division was split into two separate divisions, namely Infrastructure and Technology. The purpose was to clearly identify two areas of long-term commercial opportunity and to increase the focus on profitability and growth in the years ahead. At the same time, ÅF's Engineering Division changed its name to the Industry Division. As a consequence, from 1 October 2010, ÅF comprises four divisions: Energy, Industry, Infrastructure and Technology.

Divisional Performance

Energy

Operating income Q1-Q4: SEK 1,012 million (2009: SEK 1,192 million)

Operating margin Q1-Q4: 8.2 % (10.6 %)

The Energy Division is a leading consultant in the energy sector with ongoing assignments in some 40 countries worldwide.

The market for energy consulting services remained good throughout 2010, with the exception of the nuclear power sector where there were postponements to a number of projects. Invoiced sales for the Energy Division dipped, partly as a result of shrinking

sales in Russia due to reductions in material deliveries to clients, and the negative effect of changes in exchange rates. This, together with increased pressure on prices in Finland, dragged down profits.

Orders exceeded expectations as the year drew to a close, boosted by a number of major contracts linked to new hydropower plants in Switzerland, India and Germany. The market for hydropower is expanding across a broad front. New orders were also signed on the back of strong demand for project competence and expertise relating to CHP plants in Europe that are fuelled by biomass and waste.

The highest levels of profitability were reported by our operations in the Czech Republic, where we now have more than 100 consultants.

Industry

Operating income Q1-Q4: SEK 1,340 million (2009: SEK 1,387 million)

Operating margin Q1-Q4: 9.0 % (9.4 %)

The Industry Division is the leading industrial consultant in Northern Europe.

The market for the services of the Industry Division showed a continued improvement as the year progressed, and the division benefited from the strength of the Swedish economy and increased production volumes in industry. Demand continued to be strongest from the mining, steel and energy sectors, but brisker demand from the food processing and pharmaceutical industries brought further good news for the division's operations in Denmark and the south of Sweden.

ÅF signed a four-year strategic contract as an 'A' supplier to Vattenfall that will run from 2011 to the end of 2014. The agreement relates to the provision of technical consulting services in everything from project management, analysis and investigations to technical calculations, mechanical construction and design in all areas of technology. As a result of the agreement, business with Vattenfall is expected to expand significantly. The Industry Division is planning to step up its recruitment of personnel.

Towards the end of the year the Industry Division was reinforced with an additional 75 or so consultants following the acquisition of Energo, a specialist in windpower, dam safety, hydropower, electrical networks and power supply. This line of business makes the Industry Division one of Sweden's leading suppliers of all-round consulting services in hydropower and electrical networks.

Infrastructure

Operating income Q1-Q4: SEK 1,233 million (2009: SEK 1,168 million)

Operating margin Q1-Q4: 5.6 % (8.7 %)

The Infrastructure Division holds a leading position in consulting services for infrastructure development in Scandinavia.

The market for infrastructure consulting services remained good, underpinned by the steady increase in the number of publicly funded projects for major investments in new roads and railways.

Profitability for the year as a whole was, however, unsatisfactory. Earnings were pulled down by further delays to ÅF's extensive consulting assignments linked to the Stockholm Bypass Project pending the result of an appeal, and by continued losses in the division's Norwegian operations. A new management team has been appointed in Norway and, towards the end of the year, far-reaching cost-cutting programmes were implemented and sales and marketing activities were ramped up. The aim is for ÅF Norway to return to profitability with effect from the first quarter of 2011.

The strongest performance came from the division's property consulting operations, the Installations business area, and its Swedish operations, which now comprise a workforce of almost 700 consultants following the acquisition of Energo. The operating margin for Installations approached 15 percent, with growth fuelled by strong demand for consulting services to make properties more energy efficient.

Technology

Operating income Q1–Q4: SEK 719 million (2009: SEK 636 million)

Operating margin Q1–Q4: 9.6 % (5.3 %)

The Technology Division holds a leading position in Sweden in the fields of Communication and Software Development for technical applications.

The Technology Division was created on 1 October 2010 from part of what was previously the Infrastructure Division. It comprises approximately 700 employees who together constitute ÅF's core competence in the fields of telecommunications, advanced product development, defence technology and IT. The division's consultants work primarily with software, electronics, mechanical engineering, project management and systems integration. Major clients are found in the telecom and defence industries.

The market for the Technology Division was good during the year, particularly in the fourth quarter and the division's capacity utilisation rate rose. There were signs of increased needs for investment and consulting services among a large number of clients, particularly in the metropolitan regions of Stockholm, Gothenburg and Copenhagen–Malmö. Several new framework agreements were signed, for example with Kammarkollegiet (Sweden's Legal, Financial and Administrative Services Agency with responsibility for more than 20 authorities), Electrolux, FMV (the Swedish Defence Materiel Administration), GE Healthcare, Scania and Visma.

Over the year as a whole organic growth for the division rose to more than 10 percent.

Acquisitions, disposals and alliances

The past twelve months have seen some major structural changes in the Group in line with our strategy to become number one or two in the markets where we are active.

In December 2010 ÅF acquired the international energy and management consultancy Mercados Energy Markets International. The vendor was the company's senior management. Headquartered in Madrid, Spain, the company has a total of more than 60 employees. In 2010 Mercados sales totalled EUR 9 million and the operating margin was approximately 7 percent. ÅF paid EUR 4.1 million for 100 percent of the shares in the company. Agreement has been reached on an additional consideration to be based on earnings over the next three years. ÅF estimates that this additional consideration will amount to EUR 3.5 million.

In November ÅF acquired the technical consulting company Energo AB from Bure AB and Bure's corporate management. Energo is a well-established consulting company with extensive expertise and experience in the fields of energy and electrical power systems, technical installations in buildings, information technology and telecommunications. The company has almost 300 employees, most of them based in Stockholm, Malmö and Helsingborg. Energo's sales for 2010 totalled just over SEK 300 million and the company had an operating margin of 8.5 percent. Based on an enterprise value of SEK 300 million, ÅF paid SEK 260 million for the shares.

In October ÅF acquired the technical consulting company Platom AB with 10 employees in Oskarshamn and Västerås in Sweden. Platom is a consulting company that offers qualified process and analysis services to the nuclear power industry.

In September ÅF sold its 50 percent stake in ÅF-TÜV Nord, which provides services relating to third-party inspections for the nuclear power industry. The purchaser was the other joint owner, the German technical inspection company, TÜV Nord. The purchase sum agreed was SEK 33 million, which resulted in a capital gain for ÅF equivalent to SEK 31 million.

In September ÅF acquired the consulting operations of the City of Gothenburg's highways and traffic management department, Göteborgs Gatuaktiebolag, with approximately 100 employees engaged in consulting activities relating to investigations, analyses and the project engineering and project management of existing and new infrastructure investments in the Gothenburg region. The purchase price was SEK 26 million.

In July ÅF acquired the technical consulting company VPC Mining i Skellefteå with 10 employees, from the Swedish state-owned energy company, Vattenfall. VPC Mining is a well-established consulting company, offering high-level engineering services to the mining industry.

In May ÅF acquired the Czech technical consulting company Meacont. The company, which is headquartered in Prague, has 90 employees and clients who are active in the energy sector, including the nuclear power industry. The purchase sum was SEK 50 million, plus an additional consideration of an estimated SEK 28 million, based on future earnings. Meacont sold services for approximately SEK 80 million in 2009 and reported an operating margin of 8 percent for the year.

In March ÅF signed an agreement to transfer 100 percent of the shares in the ÅF Inspection Division, ÅF-Kontroll and its subsidiaries, to DEKRA AG in Germany. Based on an enterprise value of SEK 610 million, DEKRA paid SEK 550 million for the shares in ÅF-Kontroll. The transaction led to a capital gain of SEK 458 million in the ÅF accounts. The Inspection Division was deconsolidated from ÅF with effect from 25 March 2010.

Goodwill

When consulting businesses are acquired, the payment does not relate only to the carrying amount of tangible assets in the company, but also includes a premium to reflect, for example, the benefit of acquiring relations with new clients and with expert, well-qualified and experienced consultants. This premium in the form of human capital, which is not recorded as an asset in the acquired company, is recognised primarily as goodwill in the ÅF Group.

On the acquisition of Energo, the goodwill item was SEK 238 million. Other acquisitions gave rise to goodwill of SEK 159 million, while the sale of ÅF-Kontroll reduced the total amount of goodwill in the ÅF Group by SEK 68 million. In total, ÅF's goodwill increased during the year by SEK 288 million to SEK 1,626 million, with changes in exchange rates corresponding to SEK –32 million. For further information about goodwill and other intangible assets, please see Note 13.

Research and development

The divisions carry out research and development work in conjunction with universities and trade organisations, but also internationally with EU funding. In-house method development also forms part of this R&D work. For the Group as a whole, R&D costs during the year totalled SEK 21 million (2009: SEK 41 million). This item consists mostly of costs for time spent on R&D projects by ÅF's own salaried employees and has fallen following the sale of ÅF-Kontroll.

Cash flow and financial status

Cash flow for January–December 2010 was SEK –10 million (2009: SEK 66 million). Cash flow for the year was affected by costs for acquisitions and additional considerations totalling SEK –514 million (SEK –40 million), by income amounting to SEK 625 million (SEK 20 million) from the sale of subsidiaries, and by dividends to shareholders of SEK –139 million (SEK –112 million). Over the course of the year amortisation of loans to credit institutions has totalled SEK 150 million net (SEK –33 million).

The Group's liquid assets totalled SEK 328 million (SEK 345 million).

The Group's net cash balance at the end of 2010 totalled SEK 35 million (SEK –44 million).

Equity per share was SEK 69.47 and the equity/assets ratio was 59.8 percent. At the beginning of 2010 equity per share was SEK 53.68 and the equity/assets ratio was 51.0 percent.

Investment

Not taking into account acquisitions, gross investment in tangible and intangible assets for 2010 totalled SEK 34 million (2009: SEK 58 million).

Parent company

Parent company sales for the year totalled SEK 330 million (2009: SEK 294 million) and relate chiefly to services and rent for premises within the Group. Profit after net financial items was SEK 760 million (SEK –4 million). The parent made a profit of SEK 501 million on the sales of ÅF-Kontroll and ÅF-TÜV Nord. Other income from participations in Group companies totalled SEK 281 million (SEK 4 million). Cash and cash equivalents on 31 December 2010 totalled SEK 54 million (SEK 4 million), and gross investment in machinery and equipment for the year amounted to SEK 7 million (SEK 10 million).

Environmental work

Together with its stakeholders and society in general, ÅF has an important duty to work towards more sustainable development. In many instances, ÅF is tasked with introducing new and better technology, implementing rationalisation measures and reducing emissions. With more than a century's experience as an established name in technical consulting, ÅF adopts a long-term perspective to business and has its sights firmly set on making a positive contribution to long-term sustainable development.

ÅF frequently participates in environmental collaboration between different players in trade and industry, the public sector and the world of research. Its role as a consultant is to act as a bridge by facilitating understanding and the exchange of knowledge among those involved.

ÅF also acts as an expert resource for ISO in the development of international guidelines for Corporate Social Responsibility, ISO 26000. For ÅF's Sustainability Report, please see pages 51–56 of the annual report.

Employees

The number of FTEs was 3,966 (2009: 4,182).

During the course of 2010 more than 1,000 co-workers left or joined ÅF as a result of the process of selling and acquiring companies that reflects the strategy of creating an organisation with a greater focus on technical consulting and with strong business divisions, each with the potential to be a market leader in its field. The total number of employees at the end of the reporting period was 4,475 (4,428): 3,148 in Sweden and 1,327 outside Sweden.

ÅF adopts an active, long-term perspective to HR work in order to attract and retain skilled employees. This approach involves marketing ÅF as an employer externally, but also providing clear information about the various career paths and opportunities for development available at ÅF, and offering all employees the kind of work that develops them as individuals.

ÅF improved its market standing in 2010, particularly in the fields of energy and infrastructure, and maintained its strong appeal as an employer. In Universum's annual Career Barometer survey of some 3,500 practising engineers, ÅF secured an overall third place among Swedish companies in the "ideal employer" rankings. ÅF works hard with employer branding activities to market itself as a good employer among potential co-workers and to bolster the company's image in general. During the year a number of outreach activities were conducted at universities and technical colleges. ÅF also works to achieve a good gender balance within the company. Whenever a managerial post becomes vacant, at least one woman must be selected as a possible candidate. The proportion of female consultants was 19 percent at the end of 2010 (2009: 17 percent).

The "Five of Five Thousand" project has identified and defined three main career paths within ÅF: specialist/expert, project manager and manager. Parallel with this, the internal training organisation, ÅF Academy, has been established to support the development of co-workers in their specific professional role within the company and to assist managers in this development work. All the courses that are offered by this internal training organisation include modules on entrepreneurial skills. For further details about ÅF's work with human resources, please see pages 14–21 in the Group's annual report.

Risk management and sensitivity analysis

The capacity utilisation rate is a crucial factor behind a consulting company's ability to generate a profit. Every percentage point change in this figure affects ÅF's results by plus/minus approximately SEK 47 million. The hourly rate, of course, is also a key component in the results of a consulting company. An increase in the hourly rate of SEK 10 would, if all other factors remained unchanged, improve profits for ÅF by around SEK 48 million. Methods of increasing flexibility and reducing sensitivity include the use of sub-consultants, fixed-term employment contracts and increases in the variable salary component, along with measures to broaden expertise and markets and to productise services, which involves packaging a number of services to improve competitiveness and reduce price sensitivity.

While most ÅF assignments are carried out on an open-account basis, fixed price contracts are also agreed in a many cases. This does, of course, represent a financial risk in the form of write-downs if the costs involved in a project are miscalculated. Careful estimates of costs and follow-ups of fixed-price assignments are carried out to minimise the risk of impairment.

If the set targets are to be reached, it is absolutely crucial for a consulting company that staff are motivated and possess the relevant skills and expertise. There is always a risk that skilled employees may leave ÅF to set up their own company or be headhunted by the competition. In order to attract and retain staff, ÅF invests in continual training, skills development and leadership development. ÅF's ambition is to make every employee perceive some form of added value in working for ÅF.

ÅF's business activities involve a risk of dispute. Drawing up contracts for all assignments and specifying in detail the terms of the agreement reduces the risk.

ÅF's ambition is to augment growth by acquiring other consulting companies. The increased risk that this entails is minimised by adopting a systematic approach to acquisitions and insisting on the relevant documentation and reviews. An annual evaluation of recent acquisitions is carried out by the ÅF Board over a period of at least three years after the acquisition has been made.

Through its operations, ÅF is exposed to various financial risks, such as currency risk, interest rate risk, financial credit risk and client credit risk. Responsibility for the Group's financial transactions and risks is held centrally by the parent company's accounting and reporting department in accordance with the policies adopted by the board. The overriding goal is to provide cost-effective financing and to minimise the negative impact of market fluctuations on the Group's earnings. To minimise the currency risk in contracted payment flows in foreign currencies, large contracts are hedged using derivatives. For a more detailed description of risk management and sensitivity analysis, please see Note 25 and pages 58–61.

Shares

ÅF's B shares have been quoted on Nasdaq OMX Stockholm (Mid Cap) since January 1986. Prior to that, ÅF traded as a cooperative association (Ångpanneföreningen) from 1895 until 1980 and as a joint-stock company from 1981.

ÅF shares traded at SEK 139.25 at the end of 2010, an appreciation of 42.5 percent in value over the year. The Stockholm OMXSPI all-share index rose by 23.1 percent during the same period.

ÅF's market capitalisation as at 31 December 2010 was SEK 4,743 million (31 Dec 2009: SEK 3,329 million).

During the year there was a turnover of 15,325,671 (12,418,178) shares, valued at a total of SEK 2,197 million (SEK 1,770 million). The average turnover per trading day was SEK 8.7 million (SEK 7.1 million). Shares were traded on 100 percent (100 percent) of trading days.

The total number of ÅF shares on 31 December 2010 amounted to 34,059,002, of which 1,608,876 were class A shares and 32,450,126 were class B shares. On 31 December 2010 ÅF AB held 284,000 of its own class B shares. A 2:1 share split was implemented on 2 June 2010.

The ten largest shareholders in ÅF are listed on page 48 of the Group's annual report. The largest single shareholder is Ångpanneföreningen's Foundation for Research & Development, which holds 1,602,876 class A shares and 3,832,576 class B shares: this equates to 16.0 percent of the total number of shares and 40.9 percent of the voting rights in the company.

On 5 May 2010 the Annual General Meeting of shareholders authorised the Board of Directors to buy back shares so that the company's own holding amounts to a maximum of 10 percent of the shares in the company. The board was also authorised to issue new shares that correspond to an increase of a maximum of SEK 15,000,000 in the company's share capital.

The board has not made use of these powers during 2010.

There are no limitations, neither in law nor in the company's articles of association, relating to the transfer of shares.

Performance-related Share Programme 2010

At the Annual General Meeting held on 5 May 2010 shareholders in ÅF AB resolved to implement a new three-year performance-related share savings programme for up to 119 key individuals in the company, including the President/CEO.

Participants in the programme were given the opportunity to reserve a sum corresponding to a maximum of 5 percent of their gross salary for the purchase of ÅF shares on Nasdaq OMX Stockholm over a 12-month period from the date of implementation of the programme. On expiry of the application period, 98 ÅF employees in key positions had expressed an interest in purchasing approximately 36,000 shares for the entire 2010 programme.

In the event that the preset performance targets are met in full, some 189,000 shares will be transferred to these employees through matching and free of consideration between 2010 and 2013. This can lead to dilution of a maximum 0.6 percent of earnings per share.

Board of Directors

Following the recommendation of the Nomination Committee eight directors (without deputies) were elected by the Annual General Meeting to serve in 2010: Ulf Dinkelspiel, Patrik Enblad, Eva-Lotta Kraft, Jon Risfelt, Helena Skåntorp, Anders Snell and Lena Treschow Torell were re-elected, and Björn O Nilsson was elected to serve a first term as a director of the company.

Ulf Dinkelspiel was re-elected as Chairman of the Board.

Patrik Tillack and Fredrik Sundin were appointed as employee representatives on the board.

At its inaugural meeting following the AGM, the board elected Lena Treschow Torell as its Deputy Chair.

Please turn to pages 128–129 in this annual report for a more detailed presentation of board members and directors.

Work of the Board of Directors

During the 2010 financial year, the board held nineteen (19) meetings, one of which was the board's inaugural meeting. The work of the board focuses chiefly on strategic issues, business plans, financial statements, major investments and takeovers and other decisions which, according to the written rules of procedure, are to be dealt with by the board. A presentation of developments with regard to the company's business operations and financial position is a standing item on the agenda. In conjunction with each ordinary meeting of the board, one business area within the company is also scrutinised in greater detail. At the board meeting in September a strategy seminar was arranged which included a thorough review of each division.

Other ÅF employees have participated in board meetings to present reports. Viktor Svensson, ÅF's Executive Vice President, Corporate Information, has served as secretary to the board.

An evaluation of the board's work during the year has been carried out.

ÅF's Corporate Governance Report is presented separately on pages 123–127 in this annual report.

Senior management

In 2010 the ÅF Group's senior management team comprised Jonas Wiström (President and CEO), Jonas Ågrup (CFO), Viktor Svensson (Executive Vice President, Corporate Information), Charlotte Witt (Director, Human Resources), Jacob Landén (General Counsel) and the Divisional Presidents, Eero Auranne, Per Magnusson, Mats Pålsson and Johan Olsson. Marie Edman is the secretary to the senior management group.

Please turn to pages 130–131 for a presentation of the senior executives in the company.

Guidelines for the remuneration of the senior executives of the Company

The 2010 Annual General Meeting resolved that the principles below relating to remuneration and other conditions of employment for senior executives of the company will apply for contracts of employment signed or amended after the AGM. By "senior executives of the company" is meant the President/CEO and other members of the senior management group.

ÅF Group policy is that remuneration should be on competitive market terms, as this will facilitate recruitment and enable the Group to retain senior executives with the requisite skills and experience. ÅF applies the "grandfather principle", according to which remuneration terms must always be approved by each manager's immediate superior.

The remuneration package for senior executives consists of basic salary, a variable salary element, pension, use of a company car, other remuneration and long-term incentive programmes.

Remuneration is based on factors such as duties, expertise, experience, position and performance. The apportionment between basic salary and variable remuneration is also related to the executive's position and duties. The annual variable element for the CEO is a maximum of 65 percent of the fixed annual salary, and for other executives normally a maximum of 60 percent of the fixed annual salary. The fixed annual salary is the current monthly salary multiplied by 12.2. The variable remuneration paid is the amount after the deduction of social security expenses. The variable element is based on outcomes in relation to targets. The targets and salary for the CEO are determined by the Board of Directors. Targets and salary for other senior executives are set by the CEO in consultation with the Remuneration Committee.

Senior executives have defined-contribution pension plans with market contributions. All pension benefits are vested, and are not, therefore, dependent on future employment. The retirement age for the CEO is 60, and for other senior executives, 65 (with the exception of contracts signed before 2002).

For information regarding previously approved remuneration which has not become due for payment, please refer to Note 8 in this annual report.

The Board of Directors proposes that the 2011 Annual General Meeting resolves that the principles for remuneration and other conditions of employment for senior management for 2011 shall be in line with the principles that have been applied during 2010.

Dividend

The Board proposes a dividend for 2010 of SEK 4.00 per share (2009: SEK 4.00 per share).

Prospects for 2011

The outlook for 2011 appears to be favourable. ÅF has a clear corporate structure and a strong brand and, for the first time since the onset of the financial crisis, the trend for capacity utilisation is positive. The inflow of orders exceeded expectations in the fourth quarter, and it is our opinion that the market for ÅF's services will become progressively stronger as the year unfolds. Most of the signs suggest that 2011 will be a better year for ÅF than 2010.

Proposed appropriation of profits

Non-restricted profits of SEK 1,996,291,789 are at the disposal of the Annual General Meeting. The Board of Directors and CEO propose that these profits be appropriated as follows:

To the shareholders:	
a dividend of SEK 4.00 per share	135,100,008
To be carried forward	1,861,191,781
Total, SEK	1,996,291,789

The board's explanation of the proposed appropriation of profits will be posted on the company's website, www.afconsult.com. It can also be ordered from the company.

CONSOLIDATED INCOME STATEMENT

1 January – 31 December (in millions of SEK)	Note	2010	2009
Operating income			
Net sales	2	4,334.1	4,677.9
Other operating income	5	461.8	14.1
		4,795.9	4,692.0
Operating expenses	6		
Other external costs	7, 26	-1,430.5	-1,564.2
Personnel costs	8	-2,528.7	-2,671.9
Depreciation/amortisation and impairment of tangible and intangible assets	13, 14	-50.8	-61.6
Other operating expenses	9	-13.1	-7.6
Profit attributable to participation in associates	15	33.1	1.6
Operating profit	2	805.8	388.3
Result from financial investments			
Financial income		13.5	12.2
Financial expenses		-21.3	-23.5
Net financial items	10	-7.7	-11.3
Profit after financial items		798.1	377.0
Tax	22	-80.9	-101.6
Profit for the year		717.2	275.3
Attributable to:			
Shareholders in the parent		709.9	268.7
Non-controlling interest		7.3	6.6
		717.2	275.3
Earnings per share with regard to profit attributable to shareholders in the parent	12		
before dilution (SEK)		21.02	7.93
after dilution (SEK)		20.95	7.91

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

1 January – 31 December (in millions of SEK)	Note	2010	2009
Change in translation reserve for the year		-43.6	-56.7
Change in value of cash flow hedging		2.1	-0.4
Pensions (actuarial gains and losses)		-4.4	44.1
Tax		0.5	-8.7
Other comprehensive income		-45.4	-21.7
Profit for the year		717.2	275.3
Total comprehensive income for the period		671.8	253.7
Attributable to:			
Shareholders in the parent		665.9	247.4
Non-controlling interest		5.9	6.3
		671.8	253.7

CONSOLIDATED BALANCE SHEET

As at 31 December (in millions of SEK)	Note	2010	2009
Assets	3, 4		
Intangible assets	13	1,677.0	1,369.8
Tangible assets	14	292.7	332.9
Participations in associates	15	5.9	12.4
Financial investments	16	0.7	1.2
Non-current receivables		18.5	5.7
Deferred tax asset	22	21.7	10.9
Total non-current assets		2,016.4	1,732.9
Accounts receivable	24	1,078.3	881.8
Revenue generated but not invoiced		370.8	457.1
Current tax assets	22	19.0	15.1
Other receivables		64.7	92.0
Prepaid expenses	17	73.4	59.0
Cash and cash equivalents		327.9	344.7
Total current assets		1,934.0	1,849.6
Total assets		3,950.4	3,582.5

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December (in millions of SEK)	Note	2010	2009
Equity and liabilities			
Equity	18		
Share capital		170.3	170.3
Other contributed capital		469.8	467.7
Reserves		81.9	122.4
Retained earnings including profit for the year		1,624.4	1,052.6
Equity attributable to shareholders in parent		2,346.3	1,813.0
Non-controlling interest		14.4	13.6
Total equity		2,360.7	1,826.6
Liabilities	3, 4		
Liabilities to credit institutions	19, 25	6.5	39.7
Provisions for pensions	20	62.8	62.4
Other provisions	21	68.0	27.3
Deferred tax liabilities	22	45.9	30.0
Other liabilities		1.3	1.6
Total non-current liabilities		184.5	161.0
Liabilities to credit institutions	19, 25	224.1	289.4
Work invoiced but not yet carried out		252.9	256.6
Accounts payable – trade		293.5	264.9
Current tax liability	22	4.0	31.8
Other liabilities		237.8	310.9
Accrued expenses and prepaid income	23	379.4	410.6
Provisions	21	13.6	30.7
Total current liabilities		1,405.2	1,595.0
Total liabilities		1,589.7	1,756.0
Total equity and liabilities		3,950.4	3,582.5

For information about the Group's pledged assets and contingent liabilities, please refer to Note 27.

STATEMENT OF CHANGE IN EQUITY FOR GROUP

In millions of SEK	Equity attributable to shareholders in the parent					Non-controlling interest	Total equity
	Share capital	Other contributed capital	Reserves	Profits brought forward incl. profit for the year	Total		
Equity brought forward 1 Jan 2009	170.3	482.0	179.1	858.6	1,690.1	8.5	1,698.6
Other comprehensive income	—	—	–56.7	35.3	–21.4	–0.3	–21.7
Profit for the year				268.7	268.7	6.6	275.3
Total comprehensive income for the period	—	—	–56.7	304.1	247.4	6.3	253.7
Dividends				–110.2	–110.2	–1.3	–111.5
Share buy-backs		–16.1			–16.1		–16.1
Share savings programme		1.8			1.8		1.8
Equity carried forward 31 Dec 2009	170.3	467.7	122.4	1,052.6	1,813.0	13.6	1,826.6
Equity brought forward 1 Jan 2010	170.3	467.7	122.4	1,052.6	1,813.0	13.6	1,826.6
Other comprehensive income	—	—	–40.6	–3.5	–44.0	–1.3	–45.4
Profit for the year				709.9	709.9	7.3	717.2
Total comprehensive income for the period	—	—	–40.6	706.4	665.9	5.9	671.8
Dividends				–135.1	–135.1	–4.2	–139.3
Acquisition of non-controlling interest				0.5	0.5	–0.9	–0.4
Share savings programmes		2.0			2.0		2.0
Equity carried forward 31 Dec 2010	170.3	469.8	81.9	1,624.4	2,346.3	14.4	2,360.7

For supplementary information, please see Note 18.

STATEMENT OF CASH FLOWS FOR GROUP

1 January – 31 December (in millions of SEK)	Note	2010	2009
Operating activities	31		
Profit after financial items		798.1	377.0
Adjustment for items not included in cash flow and other		-456.3	49.0
Income tax paid		-117.1	-150.2
Cash flow from operating activities before changes in working capital		224.7	275.8
Cash flow from changes in working capital			
Change in operating receivables		-71.2	51.8
Change in operating liabilities		47.8	-21.7
Cash flow from operating activities		201.3	305.8
Investing activities			
Acquisition of tangible assets		-27.9	-42.6
Acquisition of intangible assets		-6.4	-15.7
Acquisition of business operations	4	-391.1	-2.2
Additional considerations paid		-122.4	-37.8
Disposal of business operations	3	624.5	19.9
Acquisition of financial assets		-0.5	-0.8
Disposal of financial assets		1.2	—
Cash flow from investing activities		77.4	-79.1
Financing activities			
Proceeds from borrowing		0.3	6.8
Amortisation of loans		-150.0	-40.2
Dividend paid to parent shareholders and non-controlling shareholders		-139.3	-111.5
Share buy-backs		—	-16.1
Cash flow from financing activities		-289.0	-161.0
Cash flow for the year		-10.3	65.8
Cash and cash equivalents brought forward		344.7	290.3
Exchange difference in cash/cash equivalents		-6.5	-11.5
Cash and cash equivalents carried forward		327.9	344.7

PARENT INCOME STATEMENT

1 January – 31 December (in millions of SEK)	Note	2010	2009
Operating income			
Net sales		225.1	207.4
Other operating income	5	104.5	86.8
		329.6	294.1
Operating expenses			
Other external costs	7, 26	-159.1	-127.0
Personnel costs	8	-66.2	-71.7
Depreciation and impairment of tangible and intangible assets	13, 14	-10.5	-9.3
Other operating expenses	9	-110.5	-91.9
Operating loss		-16.7	-5.7
Result from financial investments			
Result from shares in Group companies and associates	10	782.2	3.7
Interest income and similar profit/loss items	10	2.0	8.1
Interest expense and similar profit/loss items	10	-7.2	-10.4
		777.0	1.4
Profit/loss after financial items		760.3	-4.3
Appropriations	11	-2.7	-13.2
Pre-tax profit/loss		757.6	-17.6
Tax	22	6.3	5.5
Profit/loss for the year		763.9	-12.1

STATEMENT OF COMPREHENSIVE INCOME FOR PARENT

1 January – 31 December (in millions of SEK)	Note	2010	2009
Change in value of cash flow hedges		—	–0.6
Tax		—	0.2
Other comprehensive income		—	–0.4
Profit/loss for the year		763.9	–12.1
Total profit/loss for the period		763.9	–12.5

PARENT BALANCE SHEET

As at 31 December (in millions of SEK)	Note	2010	2009
Assets			
Non-current assets			
Intangible assets	13	4.7	3.3
Tangible assets	14	55.4	57.5
Participations in Group companies	29	2,356.8	2,109.5
Participations in associates	15	7.3	8.0
Receivables from Group companies	28	4.5	2.1
Non-current receivables		15.2	1.3
Total non-current assets		2,443.9	2,181.7
Current assets			
Accounts receivable		3.3	1.9
Receivables from Group companies	28	271.8	192.7
Receivables from associates	28	0.1	0.1
Revenue generated but not invoiced		2.7	3.5
Current tax assets	22	12.1	13.6
Other receivables		15.8	9.4
Prepaid expenses	17	41.1	31.5
Total current receivables		346.9	252.5
Cash and bank balances		53.7	3.9
Total current assets		400.6	256.4
Total assets		2,844.5	2,438.1

PARENT BALANCE SHEET (CONTINUED)

As at 31 December (in millions of SEK)	Note	2010	2009
Equity and liabilities			
Equity	18		
<i>Restricted equity</i>			
Share capital (1,608,876 class A shares and 32,450,126 class B shares: total 34,059,002 shares with a quota value of SEK 5)		170.3	170.3
Statutory reserve		46.9	46.9
<i>Non-restricted equity</i>			
Share premium reserve		441.0	441.0
Profit brought forward		791.4	746.9
Profit/loss for the year		763.9	-12.1
Total equity		2,213.5	1,393.1
Untaxed reserves	30	28.4	25.8
Provisions			
Provisions for pensions and similar obligations	20	26.2	27.1
Other provisions	21	69.8	24.4
Total provisions		96.0	51.5
Non-current liabilities			
Liabilities to Group companies	28	0.2	0.2
Total non-current liabilities		0.2	0.2
Current liabilities			
Liabilities to credit institutions	19, 25	100.0	211.6
Accounts payable – trade		69.0	53.8
Liabilities to Group companies	28	311.2	555.6
Other liabilities		2.2	122.5
Accrued expenses and prepaid income	23	24.0	24.1
Total current liabilities		506.4	967.6
Total equity and liabilities		2,844.5	2,438.1
Pledged assets and contingent liabilities for the parent			
Pledged assets	27	None	None
Contingent liabilities	27	114.9	237.6

STATEMENT OF CHANGE IN EQUITY FOR PARENT

In millions of SEK	Restricted equity		Non-restricted equity				Total equity
	Share capital	Statutory reserve	Fair value reserve	Share premium reserve	Profit brought forward	Profit for the year	
Equity brought fwd 1 January 2009	170.3	46.9	0.4	457.2	681.3	—	1 356.2
Other total loss	—	—	-0.4	—	—	—	-0.4
Loss for the year	—	—	—	—	—	-12.1	-12.1
Total loss for the period	—	—	-0.4	—	—	-12.1	-12.5
Dividends	—	—	—	—	-110.2	—	-110.2
Group contribution	—	—	—	—	236.0	—	236.0
Tax attributable to Group contribution	—	—	—	—	-62.1	—	-62.1
Share buy-back	—	—	—	-16.1	—	—	-16.1
Share savings programme	—	—	—	—	1.8	—	1.8
Equity carried fwd 31 December 2009	170.3	46.9	—	441.0	746.9	-12.1	1,393.1
Equity brought fwd 1 January 2010	170.3	46.9	—	441.0	734.8	—	1,393.1
Profit for the year	—	—	—	—	—	763.9	763.9
Total profit for the period	—	—	—	—	—	763.9	763.9
Dividends	—	—	—	—	-135.1	—	-135.1
Group contribution	—	—	—	—	255.0	—	255.0
Tax attributable to Group contribution	—	—	—	—	-67.1	—	-67.1
Share savings programmes	—	—	—	—	3.7	—	3.7
Equity carried fwd 31 December 2010	170.3	46.9	—	441.0	791.4	763.9	2,213.5

For supplementary information, please see Note 18.

STATEMENT OF CASH FLOWS FOR PARENT

1 January – 31 December (in millions of SEK)	Note	2010	2009
Operating activities	31		
Profit/loss after financial items		760.3	-4.3
Adjustment for items not included in the cash flow and other		-360.2	-6.7
Income tax paid		-59.3	-120.5
Cash flow from operating activities before changes in working capital		340.8	-131.5
Cash flow from changes in working capital			
Change in operating receivables		44.1	818.1
Change in operating liabilities		-46.1	367.9
Cash flow from operating activities		338.8	1 054.4
Investing activities			
Acquisition of tangible assets		-6.7	-9.9
Acquisition of intangible assets		-3.1	-3.7
Acquisition of financial assets		-607.8	-885.3
Disposal of financial assets		575.3	—
Cash flow from investing activities		-42.3	-898.9
Financing activities			
Amortisation of loans		-111.6	-29.2
Dividends paid		-135.1	-110.2
Share buy-backs		—	-16.1
Cash flow from financing activities		-246.7	-155.5
Cash flow for the year		49.8	0.0
Cash and cash equivalents brought forward		3.9	3.9
Cash and cash equivalents carried forward		53.7	3.9

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NOTES WITH ACCOUNTING PRINCIPLES AND COMMENTS

Financial values in the tables of accounts are in millions of SEK unless otherwise stated.

1 Accounting principles

1.1 Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations published by the International Financial Reporting Interpretations Committee (IFRIC) approved by the European Commission for application in the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary Accounting Rules for Groups) has been applied.

The parent applies the same accounting policies as the Group except as stated below in the section "Parent accounting policies". The differences between the accounting policies of the parent and the Group are due to limitations in the parent's scope to apply IFRS imposed by the Swedish Annual Accounts Act and the Pension Obligations Vesting Act (*Tryggandelagen*), and in some cases to tax reasons.

1.2 Basis of preparation of the parent and consolidated financial statements

The parent's functional currency is the Swedish Krona (SEK), which is also the reporting currency for the parent and the Group. This means that the financial statements are presented in SEK.

Assets and liabilities are reported at historical cost, with the exception of various financial assets and liabilities which are carried at fair value. The financial assets and liabilities which are carried at fair value are derivative instruments and financial assets classified as available for sale. Non-current assets held for sale are carried at the lower of previous carrying amount and fair value less costs to sell.

The preparation of financial statements in accordance with IFRS requires management to make judgements and estimates, and to make assumptions which affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on historical experience and a number of other factors deemed reasonable under the circumstances. The results of these estimates

and assumptions are then used to judge the carrying amounts of assets and liabilities where these are not clear from other sources. The actual outcome may differ from these estimates and judgements.

Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which the change is made if the change affects only that period, or in both the period in which the change is made and future periods if the change affects both the current and future periods.

Judgements made by management in applying IFRS which have a significant effect on the financial statements, and estimates made which could result in material adjustments in subsequent years' financial statements are described in more detail in Note 33.

The following accounting policies for the Group have been applied consistently to all periods presented in the Group's financial statements unless otherwise stated below. The Group's accounting policies have been applied consistently in the reporting and consolidation of the parent, subsidiaries and the inclusion of associates in the consolidated accounts.

The annual report and consolidated financial statements were approved for release by the Board of Directors on 11 March 2011. The consolidated income statement and balance sheet and the parent income statement and balance sheet will be put forward for adoption at the Annual General Meeting on 2 May 2011.

1.3 Amended accounting policies and disclosure requirements

1.3.1 Amended and new accounting policies for the year

IFRS 3R Business combinations and IAS 27R Consolidated and separate financial statements

IFRS 3R introduces a number of changes in the treatment of business combinations which affect the size of recognised goodwill, the profit/loss in the period in which the acquisition was completed and future profit/loss.

IAS 27R requires that changes in ownership structure in a subsidiary, in which the majority shareholder does not lose control, are recognised as equity transactions. This means that such transactions no longer give rise to goodwill or generate gains or losses. In addition, IAS 27R alters the treatment of losses which arise in a partially-owned subsidiary and the accounting where controlling influence over a subsidiary is lost.

During 2010, the changes to IFRS 3 have affected the consolidated accounting of transaction costs and additional considerations.

Note 1 cont'd

1.3.2 Future changes in accounting policies

No new accounting policies will come into force in 2011 that will affect the consolidated financial statements for 2011.

1.4 Segment reporting

Segment reporting is based on operating segments which consist of the Group's four divisions. This corresponds to the structure for the senior management team's monitoring and management of operations.

1.5 Classification, etc.

In the financial statements for both the parent and the ÅF Group, non-current assets and non-current liabilities consist essentially of amounts expected to be recovered or settled more than 12 months after the end of the reporting period. Current assets and liabilities consist essentially of amounts expected to be recovered or settled within 12 months of the end of the reporting period.

1.6 Basis of consolidation

1.6.1 Subsidiaries

Subsidiaries are companies over which ÅF AB has a controlling influence. A controlling influence means, directly or indirectly, the power to govern a company's financial and operating policies with a view to deriving economic benefits. Potential voting rights which are currently exercisable or convertible are taken into account when assessing whether a controlling influence is held.

Subsidiaries are accounted for using the acquisition method. This means that the acquisition of a subsidiary is treated as a transaction where the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated cost is determined by means of an analysis undertaken in connection with the acquisition of a business. The analysis determines the acquisition value of participations or businesses, the fair value of acquired identifiable assets and assumed liabilities, contingent liabilities and equity instruments issued as consideration for the net assets acquired.

The difference between the cost of the shares in the subsidiary and the fair value of the assets acquired on the one hand, and liabilities and contingent liabilities assumed on the other, is treated as goodwill.

Subsidiaries' financial statements are consolidated from the date of acquisition until such time as the controlling influence is relinquished.

1.6.2 Associates

Associates are companies over whose operational and financial management the Group exercises a significant but not controlling influence, generally through a holding of 20–50 percent of the votes. Investments in associates are accounted for in the consolidated financial statements using the equity method from the time significant influence is obtained. This means that the carrying amount of the shares in the associate recognised in the consolidated financial statements consists of the Group's share of the associate's equity plus goodwill and any other remaining fair value adjustments. The Group's share of the associate's profit/loss after tax and non-controlling interests, adjusted for any amortisation, impairment or reversal of fair value adjustments, is recognised in the consolidated income statement under "Share of associates' profit/loss". Any dividends received from the associate reduce the carrying amount of the investment.

Any difference at the time of acquisition between the cost of the investment and the investor's interest in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recognised in accordance with IFRS 3 "Business combinations".

If the Group's interest in the recognised losses of an associate exceeds the carrying amount of the shares in the consolidated balance sheet, the carrying amount of the shares is reduced to zero. Losses are also allocated against unsecured non-current financial balances which effectively form part of the investor's net investment in the associate. Further losses are not recognised unless the Group has issued guarantees to cover losses arising at the associate. The equity method is applied until such time as significant influence is relinquished.

1.6.3 Transactions eliminated on consolidation

Intra-group receivables, liabilities, income and expenses, and unrealised gains and losses arising on transactions between Group companies, are eliminated in their entirety when preparing the consolidated financial statements.

Unrealised gains arising on transactions with associates and joint ventures are eliminated in proportion to the Group's interests in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication of impairment.

Note 1 cont'd

1.7 Foreign currency

1.7.1 Transactions in foreign currency

Transactions in foreign currency are translated into the functional currency at the exchange rate ruling on the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate ruling at the end of the reporting period. Exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities carried at historical cost are translated at the exchange rate ruling on the transaction date. Non-monetary assets and liabilities carried at fair value are translated into the functional currency at the exchange rate ruling when their fair value was determined, and changes in exchange rates are then recognised in the same way as other changes in the value of the asset or liability.

The functional currency is the currency of the primary economic environments in which the companies in the ÅF Group operate. The parent's functional currency and reporting currency is the Swedish Krona (SEK). The ÅF Group's reporting currency is SEK.

1.7.2 Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and other fair value adjustments, are translated into SEK at the exchange rate ruling at the end of the reporting period. The income and expenses of foreign operations are translated into SEK at an average exchange rate which approximates the exchange rates on the various transaction dates.

Translation differences arising on the translation of net investments in foreign operations are recognised in other comprehensive income. When a foreign operation is sold, the accumulated translation differences attributable to the operation are realised net of any currency hedging in the consolidated balance sheet.

1.8 Revenue

Revenue from services rendered is recognised in accordance with IAS 18. The percentage of completion method is applied to all assignments whose outcome can be measured reliably. The majority of assignments are performed on an open-account basis, according to which income is entered into the accounts when the work is performed, and clients are normally invoiced one month after the work is carried out. Where assignments are carried out on a fixed-price basis, revenue is recognised in profit or loss on the basis of the stage of completion at the end of the reporting period. The stage of completion of an assignment is determined by comparing the expenditure at the end of the reporting period with estimated total expenditure. If it is probable that the total assignment expenditure will exceed the total assignment revenue, the anticipated loss is immediately recognised as an expense in its entirety. Revenue is not recognised if it is probable that the economic benefits will not flow to the Group. In the event of significant uncertainty about payment or associated expenses, no revenue is recognised.

1.9 Operating expenses and financial income and expenses

1.9.1 Operating lease agreements

Payments under operating leases are recognised in profit or loss on a straight-line basis over the lease term. Benefits received in connection with signing a lease are reported as part of the total lease cost in the income statement. Contingent rents are recognised in the periods in which they arise.

1.9.2 Finance lease agreements

Minimum lease payments are apportioned between a finance charge and a reduction of the outstanding liability. The finance charge is spread over the lease term so that the amount charged in each reporting period corresponds to a fixed rate of interest on the liability recognised in that period. Contingent rents are recognised in the periods in which they arise.

1.9.3 Financial income and expenses

Financial income and expenses consist of interest receivable on bank balances and receivables, interest payable on loans, dividend income and exchange differences on loans.

Interest receivable on receivables and interest payable on liabilities are calculated using the effective interest rate method. The effective interest rate is the rate of interest that makes the present value of all future inflows and outflows over the life of the receivable or liability equal to its carrying amount. The interest component of finance lease payments is recognised in profit or loss by applying the effective interest rate method. Interest receivable includes accrued transaction costs and any discounts, premiums or other differences between the original value of the receivable and the amount received at maturity.

Dividend income is recognised when the right to receive payment has been ascertained.

1.10 Financial instruments

Financial instruments recognised on the asset side of the balance sheet include cash and cash equivalents, trade receivables, shares and other equity instruments, and derivatives. Included in equity and liabilities are trade payables, issued debt and equity instruments, borrowings and derivatives.

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the contractual terms of the instrument. Trade receivables are recognised in the balance sheet when an invoice has been sent. Liabilities are recognised once the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Trade payables are recognised when an invoice has been received.

Note 1 cont'd

A financial asset is derecognised from the balance sheet when the rights in the contract are transferred or expire or the company loses control over them. The same applies to parts of a financial asset. A financial liability is derecognised when the obligation in the contract is discharged or in some other way extinguished. The same applies to parts of a financial liability.

Acquisitions and disposals of financial assets are recognised on the trade date, which is the day when the company makes a binding commitment to buy or sell the asset.

The fair value of quoted financial assets is the asset's quoted bid price at the end of the reporting period. For further information, see Note 24.

1.10.1 Classification and valuation

Financial instruments that are not derivatives are recognised initially at an acquisition value equivalent to the fair value of the instrument with the addition of transaction costs for all financial instruments except those in the financial assets category, which are recognised at fair value excluding transaction costs. A financial instrument is classified on initial recognition on the basis of the purpose for which the instrument was acquired. The classification determines how the financial instrument is to be valued after initial recognition, as described below.

Derivative instruments are recognised initially at fair value, indicating that transaction costs are charged to profit or loss for the period. Subsequent to the initial recognition, derivative instruments are recognised in the manner described below. If a derivative instrument is used for hedging, to the extent that this is effective, changes in value of the derivative instrument are recognised on the same line in the income statement as the hedged item. Even if hedge accounting is not applied, increases or decreases in the value of the derivative are recognised as income or expense in the operating profit/loss or in net financial income/expense depending on the intention behind the use of the derivative and whether the use relates to an operating item or a financial item. With hedge accounting, the ineffective part of the hedge is recognised in the same way as changes in the value of a derivative which is not used for hedge accounting.

1.10.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market. These assets are valued at amortised cost. Amortised cost is determined on the basis of the effective interest rate calculated on the date of acquisition. Assets with a short term are not discounted.

Accounts receivable are recognised at the amount which it is estimated will be received, i.e. after the deduction of bad debts and as the result of individual evaluation. Impairments of accounts receivable are recognised in operating expense.

Other receivables are classified as non-current receivables if the holding period exceeds one year and if it is shorter than other receivables.

Cash and cash equivalents consist of cash, immediately accessible deposits with banks and similar institutions, and short-term liquid investments with a maturity of less than three months from the date of purchase, which are subject to only an insignificant risk of changes in value.

1.10.3 Available-for-sale financial assets

The category of assets described as "available-for-sale financial assets" includes financial assets that are not classified in any other category or financial assets that the company initially chose to designate in this category. Holdings of shares and participations that are not recognised as subsidiaries, associates or joint ventures are recognised here. Assets in this category are valued at fair value, with changes in value recognised in other comprehensive income, except for those due to impairment, interest on debt instruments and dividend income, as well as exchange differences on monetary items, which are recognised in profit or loss. On derecognition of the asset, accumulated gains/losses previously recognised in other comprehensive income are recognised in profit or loss.

Financial investments constitute, depending on the intention with which they are held, either non-current assets if the holding period is longer than one year or current assets if the holding period is less than one year.

1.10.4 Other financial liabilities

Loans and other financial liabilities, e.g. accounts payable, are included in this category. The liabilities are valued at amortised acquisition value. Accounts payable have a short expected term and are valued without discounting at their nominal amount.

Non-current liabilities have an expected term longer than one year, while current liabilities have a term shorter than one year.

Convertible debentures can be converted into shares by the counterparty exercising an option to convert the instrument into shares. Convertible debentures are recognised as a compound financial instrument comprising a liability component and an equity component. The fair value of the liability is calculated by discounting future cash flows using the current market interest rate for an equivalent liability without a conversion right. The value of the equity instrument is calculated as the difference between the issue proceeds when the convertible debenture was issued and the fair value of the financial liability at the time of issue. Any deferred tax attributable to the liability on the date of issue is deducted from the recognised value of the equity instrument. The transaction costs relating to the issue of a compound financial instrument are apportioned between the liability component and the equity component in the same proportions as the issue proceeds. The interest cost is recognised in profit or loss and calculated using the effective interest rate method.

Note 1 cont'd

1.11 Derivative instruments and hedging

ÅF makes only limited use of derivatives to hedge future flows in foreign currencies. Derivatives used for hedging future cash flows are recognised in the balance sheet at fair value. The changes in value are recognised in other comprehensive income until such time as the hedged flow affects profit or loss, upon which the accumulated changes in value of the hedging instrument are recycled into profit or loss simultaneously with the profit or loss effects of the hedged transaction. Flows from both contracted and forecast transactions can be hedged.

To meet the requirements for hedge accounting under IAS 39, there must be an unequivocal link to the hedged item. In addition, the hedging of the item must be effective, hedging documentation must have been prepared and it must be possible for effectiveness to be measured. Gains and losses on hedging are recognised in profit or loss on the same date as gains and losses on the hedged items are recognised.

1.12 Tangible assets

1.12.1 Owned assets

Tangible assets are recognised as assets in the balance sheet if it is probable that future economic benefits will flow to the company, and that the cost of the item can be measured reliably. Tangible assets are recognised in the consolidated financial statements at cost less accumulated depreciation and any impairment losses. Cost is defined as the purchase price plus any additional expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner. Examples of directly attributable additional expenses included in cost are the costs of delivery and handling, installation, title deeds, consulting services and legal services. The accounting policies for impairment are set out below.

Tangible assets which consist of parts with different useful lives are treated as separate components of tangible assets.

The carrying amount of an asset is derecognised from the balance sheet on retirement or disposal or when no future economic benefits are expected to flow from the use or retirement/disposal of the asset. The gain or loss arising on the disposal or retirement of an asset is the difference between the disposal proceeds and the carrying amount less direct costs to sell. The gain or loss is recognised under other operating income/expenses.

Future expenditure

Future expenditure is added to the acquisition value only if it is probable that future economic benefits that are attributable to the asset will flow to the company, and the acquisition value can be measured reliably. All other future expenditure is recognised as an expense in the period in which it arises. In determining when an additional expenditure is to be added to the acquisition value, the decisive factor is whether the expenditure relates to the replacement of identified components, or parts of such components, in which case the expenditure is capitalised. In instances where a new component has been created, the expenditure is also added to the acquisition value. Any undepreciated carrying amount on replaced components or parts of components is retired and recognised as an expense when the replacement is carried out. Repairs are recognised as an expense as they are carried out.

Depreciation principles

Linear depreciation is applied over the estimated useful life of the asset. Land is not depreciated. The ÅF Group applies component depreciation, which means that the estimated useful life of the components forms the basis for depreciation.

1.12.2 Leased assets

Leased assets are accounted for in accordance with IAS 17. Leases are classified as either finance leases or operating leases in the consolidated financial statements. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Otherwise it is classified as an operating lease.

Assets held under finance leases are recognised as assets in the consolidated balance sheet. The liability to make future lease payments is recognised under non-current and current liabilities. The leased assets are depreciated on a straight-line basis, while the lease payments are recognised as a finance charge and a reduction in the liability.

With operating leases, the lease payments are recognised as expense over the lease term on a straight-line basis.

1.12.3 Depreciation

Depreciation is charged on a straight-line basis over the estimated useful life of an asset. Estimated useful lives are:

IT equipment	3 years
Vehicles	5 years
Office equipment	5 years
Office furnishings	10 years
Buildings (business premises)	40–100 years

Business premises consist of a number of components with different useful lives. The primary division is between buildings and land. No depreciation is applied to the land component, which is regarded as having an unlimited useful life. The buildings, however, consist of many components with varying useful lives. The useful lives of these components have been assessed as varying between 40 and 100 years.

The following main groups of components have been identified, which form the basis for depreciation of buildings:

Structure and foundations	100 years
Outer surface finish; facades, roofs, etc.	67 years
Floors, doors and electrical installations	67 years
Installations; heating, water, sanitation, ventilation, lifts, etc.	40 years

The residual value and useful life of an asset are reviewed annually.

Note 1 cont'd

1.13 Intangible assets

1.13.1 Goodwill

Goodwill is the difference between the cost of a business combination (i.e. corporate acquisition, takeover, etc.) and the fair value of the assets acquired and liabilities and contingent liabilities assumed.

When it comes to goodwill arising on business combinations before 1 January 2004, the Group has not applied IFRS retroactively; instead, the carrying amount on that date will continue to be the historical cost of acquisition in the consolidated financial statements, net of impairment losses.

Goodwill is apportioned between cash-generating units and groups of cash-generating units, and is instead tested annually for impairment (see §1.14 below). Thus goodwill is carried at cost less accumulated impairment losses. Goodwill arising on the acquisition of associates is included in the carrying amount of the investment in the associate.

Where the cost of a business combination is less than the net fair value of the assets acquired and liabilities and contingent liabilities assumed, the difference is recognised immediately in the income statement.

1.13.2 Research and development

Expenditure on research aimed at obtaining new scientific or technical knowledge is recognised as an expense as it is incurred.

Expenditure on development where research results or other knowledge is applied to achieve new or improved products or processes is recognised as an asset in the balance sheet if the product or process is technically and commercially feasible and the company has sufficient resources to complete its development and then use or sell the intangible asset. The carrying amount includes the cost of materials, direct payroll costs and indirect costs which can reasonably and consistently be attributed to the asset. Other development expenditure is recognised in profit or loss as expense as it is incurred. Development expenditure recognised in the balance sheet is carried at cost less accumulated amortisation and impairment losses.

1.13.3 Other intangible assets

Other intangible assets acquired by the Group are recognised at cost less accumulated amortisation (see below) and impairment losses (see §1.14 below).

Costs incurred in respect of internally-generated goodwill and internally-generated trademarks are recognised in profit or loss as they are incurred.

1.13.4 Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is recognised as an asset in the balance sheet only if it increases the future economic benefits from the specific asset to which it relates. All other expenditure is recognised as an expense as it is incurred.

1.13.5 Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the asset, unless its useful life is indefinite. Goodwill and intangible assets with an indefinite life are tested for impairment annually or as soon as there are indications that the asset in question has diminished in value. Amortisable intangible assets are amortised from the date they become available for use. The estimated useful lives are as follows:

Capitalised development expenditure	1–3 years
Acquired intangible assets	1–10 years

1.14 Impairment

The carrying amounts of the Group's assets – with the exception of assets held for sale recognised in accordance with IFRS 5 and deferred tax assets – are tested at the end of each reporting period to assess whether there is any indication of impairment. If there is any such indication, the asset's recoverable amount is determined. The carrying amounts of the exceptions stated above are tested in accordance with the relevant standard.

1.14.1 Impairment tests for tangible and intangible assets and participations in subsidiaries and associates

The recoverable amount is the higher of fair value less costs to sell and value in use. When calculating value in use, future cash flows are discounted at a discount rate which reflects the risk-free rate of interest and the risk associated with the specific asset. For an asset which does not generate cash flows that are essentially independent of other assets, the value in use is calculated for the cash-generating unit to which the asset belongs. The impairment loss is the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses in respect of cash-generating units are allocated in the first instance to goodwill and then to the other assets included in the unit on a pro rata basis.

In the case of goodwill, other intangible assets with an indefinite life and intangible assets not yet ready for use, the recoverable amount is calculated annually.

1.14.2 Impairment tests for financial assets

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset or group of assets requires impairment. Objective evidence consists both of observable circumstances that have arisen and which have a negative effect on the ability to recover the acquisition cost, and of significant and long-lasting reductions in the fair value of an investment in an available-for-sale financial asset.

On the impairment of an equity instrument designated as an available-for-sale financial asset, accumulated losses already recognised in equity are reversed through profit or loss.

Note 1 cont'd

The recoverable amount of assets in the loans and receivables category which are recognised at amortised cost is measured as the present value of the future cash flow discounted at the effective interest rate current on the date on which the asset was first recognised. Assets with a short term are not discounted. Impairment is charged to profit or loss.

1.14.3 Reversal of an impairment loss

An impairment loss is reversed if there are indications that the impairment requirement no longer exists and there has been a change in the assumptions which formed the basis for the measurement of the recoverable amount. Impairment of goodwill is never reversed. A reversal is made only to the extent that the carrying amount due to reversal should not be more than the depreciated historical cost would have been if the impairment had not been recognised.

Impairment of loans and receivables that has been recognised at amortised cost is reversed if a subsequent increase in the recoverable amount can be attributed objectively to an event occurring after the impairment had been made.

Impairment losses on equity instruments designated as available-for-sale financial assets that have already been recognised in profit or loss may not subsequently be reversed via profit or loss. The impaired value is the value from which subsequent revaluations are made, and these are recognised in other comprehensive income. Impairment losses on interest-bearing instruments designated as available-for-sale financial assets are reversed in profit or loss if the fair value increases and the increase can be attributed objectively to an event occurring after the impairment had been made.

1.15 Dividends

Dividends are recognised as a liability once they have been approved by the general meeting.

1.16 Employee benefits**1.16.1 Defined-contribution retirement benefit plans**

Obligations to contribute to defined-contribution plans are recognised as an expense in the income statement as they arise.

1.16.2 Defined-benefit retirement benefit plans

The ÅF Group's obligations under defined-benefit plans are calculated separately for each plan by estimating the future benefits earned by employees through their employment in both the current and prior periods. These benefits are discounted to present value. The discount rate is the market yield at the end of the reporting period on a first-class corporate bond with a maturity corresponding to that of the Group's retirement benefit obligations. Where there is no active market for such corporate bonds, the market yield on government bonds with a corresponding maturity is used instead. The calculations are performed by a qualified actuary using the projected unit credit method.

Actuarial assumptions represent the company's best assessment of the different variables which determine the costs involved in providing the benefits. Since actuarial assumptions are used, the actual outcome may differ from the estimated outcome, and the actuarial assumptions may change from one period to another. These differences constitute actuarial gains and losses. They may be caused, for example, by a change in expected lifespans, changes in salaries, changes in the discount rate and differences between actual and estimated returns on plan assets. Actuarial gains and losses are recognised in other comprehensive income for the period in which they arise. The Group's net liability, as shown in the balance sheet, for each defined-benefit plan is the present value of the obligations minus the fair value of the plan assets. If the value of the plan assets exceeds the amount of the obligations, a surplus arises, which is recorded as an asset under other non-current receivables.

When the benefits in a plan are improved, the proportion of the increased benefits attributable to the employees' service in previous periods is recognised as an expense in profit or loss, allocated on a straight-line basis over the average period until the benefits are fully vested. If the benefits are fully vested, the expense is recognised immediately in profit or loss.

When there is a difference between how retirement benefit costs are determined in the Group and in its constituent companies, a provision or receivable is recognised in respect of special employer's contribution to reflect this difference. The provision or receivable is not discounted to present value.

1.16.3 Share-related remuneration

Under the share savings programme adopted by the AGM, employees are eligible to receive performance-related matching shares for shares which they have themselves purchased under the programme. The total number of matching shares issued for each share purchased is dependent on the employee remaining with the Group for three years after the investment date, the shares concerned not being sold and the achievement of other parameters stipulated in advance. For these share programmes, salary expenses for matching shares are recognised during the vesting period (3 years) based on the fair value of the shares on the date on which the employee purchased shares under the programme. When the shares are matched, social security contributions will be paid in certain countries on the value of the benefit to the employee. During the vesting period, provisions are made for these estimated social security contributions. The buy-back of shares to meet obligations under outstanding share programmes is recognised in equity.

1.16.4 Termination benefits

A provision is made for termination benefits only when the company is demonstrably committed to terminating employment before the normal date, or when the benefits are the result of an offer made in order to encourage voluntary redundancy. In the event that the company is obliged to lay off members of staff, a detailed plan is drawn up specifying as a minimum the location, function and approximate number of employees involved, the benefits for each job classification or function, and the time at which the plan will be implemented.

Note 1 cont'd

1.17 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and when it is probable that an outflow of economic resources will be required to meet this obligation, and a reliable estimate of the amount of the obligation can be made. Where the effect of the point in time when payment takes place is significant, provisions are calculated by discounting expected future cash flows at a rate of interest before tax that reflects current market assessments of the time value of money and, where appropriate, the risks associated with the liability.

Provisions for restructuring are recognised once the Group has adopted a detailed and formal restructuring plan, and the work of restructuring has either begun or been publicly announced. No provisions are made for future operating expenses.

1.18 Tax

Income taxes comprise current tax and deferred tax. Income taxes are recognised in profit or loss except where the underlying transaction is recognised in other comprehensive income, in which case the associated tax effect is also recognised in other comprehensive income.

Current tax is the tax payable or recoverable in respect of the current year, based on the tax rates enacted or substantively enacted as at the end of the reporting period, including adjustments of current tax in respect of prior periods.

Deferred tax is calculated using the liability method on the basis of temporary differences between the carrying amount and tax base of assets and liabilities. The following temporary differences are disregarded: temporary differences arising on the initial recognition of goodwill; the initial recognition of assets and liabilities which do not constitute business combinations and affect neither recognised nor taxable income at the time of the transaction; and temporary differences attributable to investments in subsidiaries and associates, in cases where the parent, investor or joint owner can exert some influence over the point in time when the temporary differences will be reversed and when it is not anticipated that this reversal will take place in the foreseeable future. The valuation of deferred tax is based on how the carrying amounts of assets and liabilities are expected to be realised or adjusted. Deferred tax is calculated using the tax rates and tax rules enacted or substantively enacted as at the end of the reporting period.

Deferred tax assets in respect of deductible temporary differences and unused tax losses are recognised only to the extent that it is probable that they can be utilised. The value of deferred tax assets is reduced when it is no longer deemed probable that they can be utilised.

Any additional income tax arising on the payment of dividends is recognised at the same time as the dividend is recognised as a liability.

1.19 Non-current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered primarily through sale and not through use.

When first classified as held for sale, non-current assets are recognised at the lower of carrying amount and fair value less costs to sell.

1.20 Contingent liabilities

A contingent liability is reported when there is a potential obligation relating to past events whose existence will be confirmed only by one or more uncertain future events, or when there is an obligation which is not recognised as a liability or provision because it is not probable that an outflow of resources will be required, or the amount cannot be measured reliably.

1.21 Earnings per share

The calculation of earnings per share is based on the consolidated profit or loss attributable to the parent's shareholders and on the weighted average number of shares outstanding during the year. In calculating earnings per share after dilution, the profit or loss and the weighted average number of shares are adjusted to take account of the effects of potential diluting ordinary shares, which derive during the reporting period from matching shares in the savings programme.

1.22 Parent accounting policies

The parent has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 (Accounting for Legal Entities). RFR 2 requires that the parent's annual report applies all IFRS standards and interpretations approved by the EU as far as is possible within the constraints of the Annual Accounts Act and the Pension Obligations Vesting Act (Tryggandelagen), and while taking into account the relationship between reporting and taxation. The recommendation specifies which exceptions and supplements are to be made with respect to IFRS. The differences between the accounting policies of the Group and parent are presented below.

The accounting principles outlined below have been applied consistently to all periods presented in the parent's financial statements.

Note 1 cont'd

Differences between accounting policies for the Group and the parent

1.22.1 Subsidiaries and associates

Shares in subsidiaries and associates are recognised in the parent using the acquisition method. Dividends received are recognised as income.

1.22.2 Tangible non-current assets

Leased assets

The parent reports all leases on the basis of the rules for operating leases.

1.22.3 Intangible assets

Research and development

The parent recognises all development expenditure as an expense in the income statement.

1.22.4 Non-current assets held for sale

The parent applies IFRS 5 with the exceptions set out in RFR 2, 8–9. Under the provisions of IFRS 5, assets held for sale are recognised separately in the balance sheet, and discontinued operations are recognised separately in the income statement. This does not, however, correspond to the layout in the Swedish Annual Accounts Act. The information referred to, along with other information which must be disclosed under IFRS 5, is, therefore, presented in the form of notes. In addition, the rules in IFRS 5 which prescribe that non-current assets held for sale are not to be depreciated are not applied. Depreciation is calculated in accordance with the Swedish Annual Accounts Act.

1.22.5 Financial guarantees

The parent's financial guarantee contracts consist primarily of guarantees for the benefit of subsidiaries and associates. Financial guarantees mean that the company has an obligation to recompense the holder of a debt instrument for losses incurred due to the failure of a specified debtor to make full payment on the due date in accordance with the terms of the contract. For the recognition of financial guarantee contracts, the parent applies RFR 2, 72, which involves a relief compared with the provisions of IAS 39 in respect of financial guarantee contracts issued for the benefit of subsidiaries and associates. The parent recognises financial guarantee contracts as a provision in the balance sheet when the company has an obligation for which payment will probably be required to settle the obligation.

1.22.6 Employee benefits

Defined-benefit retirement benefit plans

The parent applies a different basis for the calculation of defined-benefit plans to that set out in IAS 19. The parent complies instead with the provisions of the Pension Obligations Vesting Act (*Tryggandelagen*) and the regulations of Finansinspektionen, the Swedish financial supervisory authority, as this is a requirement for tax deductibility. The most important differences relative to the provisions of IAS 19 are the way in which the discount rate is determined, the calculation of defined-benefit obligations on the basis of current salary levels without making assumptions about future wage growth, and the recognition of all actuarial gains and losses in the income statement as they arise.

1.22.7 Taxes

The parent reports untaxed reserves inclusive of deferred tax liabilities. In the consolidated financial statements, untaxed reserves are apportioned between a deferred tax liability and equity.

1.22.8 Group contributions and shareholder contributions for legal entities

The company reports Group contributions and shareholder contributions in accordance with the statement issued by the Swedish Financial Reporting Board. Shareholder contributions are recognised by the recipient in equity and capitalised under shares and participations by the contributor net of impairment losses.

Group contributions are reported on a substance over form basis. This means that Group contributions paid in order to minimise the Group's overall tax liability are recognised in retained earnings net of their current tax effect. Group contributions comparable with dividends are treated as dividends. This means that Group contributions received and their current tax effect are recognised in profit or loss. Group contributions paid and their current tax effect are recognised in retained earnings. Group contributions comparable with shareholder contributions are recognised by the recipient in retained earnings taking account of the current tax effect. The contributor reports the Group contribution and its current tax effect as investment in participations in Group companies, to the extent that impairment is not required.

2 Segment reporting

	Energy		Industry		Infrastructure		Technology		Inspection		Others & elim.		Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Income														
Sales to external clients	1,000	1,179	1,297	1,346	1,210	1,128	715	617	89	402	24	7	4,334	4,678
Other operating income	2	2	1	2	0	9	0	0	0	0	458	—	462	14
Sales between segments	11	11	41	39	23	31	4	19	0	5	-80	-105	—	—
Total income	1,012	1,192	1,340	1,387	1,233	1,168	719	636	89	407	402	-98	4,796	4,692
Operating expenses	-913	-1,051	-1,215	-1,251	-1,155	-1,056	-648	-600	-86	-368	78	83	-3,939	-4,242
Depreciation and impairment of intangible assets	-4	-4	-1	-2	-1	-1	-1	-1	0	-2	-2	0	-10	-10
Depreciation and impairment of tangible assets	-12	-11	-4	-4	-8	-9	-2	-2	-2	-9	-14	-18	-41	-52
Operating profit/loss	83	127	120	130	69	102	69	34	0	29	465	-32	806	388
Operating margin, %	8.2	10.6	9.0	9.4	5.6	8.7	9.6	5.3	0.0	7.0			16.8	8.3
Assets and liabilities														
Intangible assets	664	566	579	506	330	139	99	72	—	84	5	3	1,677	1,370
Tangible assets	177	173	12	12	27	17	10	9	—	32	67	91	293	333
Other assets	713	1,153	575	400	566	497	371	279	—	113	-244	-562	1,981	1,880
Total assets	1,553	1,892	1,166	918	923	653	481	360	—	228	-173	-468	3,950	3,583
Equity	96	537	71	509	175	322	191	112	—	90	1,827	257	2,361	1,827
Total liabilities	1,457	1,355	1,096	409	747	331	289	248	—	139	-2,000	-726	1,590	1,756

The historical figures above are adjusted, proforma, to reflect the organisational changes implemented on 1 January and 1 October 2010.

Operating segments

The Group's operating structure and internal reporting to senior management and the board is based on accounting by divisions. The aim is to classify the divisions on the basis of their clients and their own expertise. Intra-group sales between segments are based on an internal market price, calculated on an arms-length basis, i.e. as between parties who are mutually independent, well-informed and with an interest in completing the transactions.

All of the Group's operating assets and liabilities have been placed directly in divisions or allocated by division. The accounting policies governing operating segments are the same as those applied in the Group in general. There are no individual clients whose sales amount to 10 percent or more of the Group's total sales.

	Sweden		Outside Sweden		Total	
By geographical area	2010	2009	2010	2009	2010	2009
Sales to external clients	2,928	3,069	1,406	1,609	4,334	4,678
Assets	2,170	2,440	1,780	1,143	3,950	3,583

3 Sale of business operations

Net assets of companies disposed of on date of disposal

	2010	2009
Intangible assets	15.9	—
Tangible assets	30.3	1.0
Financial assets	4.1	—
Accounts receivable and other receivables	85.5	11.1
Cash and cash equivalents	10.8	1.9
Accounts payable and other liabilities	-60.7	-6.6
Net identifiable assets and liabilities	85.9	7.4
Consolidated goodwill	68.1	9.7
Adjustment for capital gain or loss	488.9	7.3
Adjustment for realised translation differences	-0.4	-0.9
Selling price	642.5	23.4
Deduct:		
Cash balance (disposed)	10.8	1.9
Selling expenses	7.2	1.6
Net cash inflow	624.5	19.9

Disposals in 2010 refer to ÅF-Kontroll AB and ÅF-TÜV Nord AB.
Disposals in 2009 refer to ÅF-Brekke & Strand Akustikk AS and ITP-Infra Trans Project Ltd.

4 Business combinations

Acquisitions 2010

In 2010, ÅF acquired FastTech, Meacont s.r.o, VVS Energi i Borås AB, VPC Mining i Skellefteå, Gatubolaget Konsult i Göteborg, Platom AB, Energo AB and Mercados EMI S.A. The total number of employees in the companies/business operations acquired was 555. For further details about the business operations of the companies acquired, please see page 67.

The acquisitions of FastTech, VPC Mining i Skellefteå and Gatubolaget Konsult i Göteborg took the form of acquisitions of business operations. In the other companies, all shares were acquired.

Effects of acquisitions

The table below shows the effect of the acquisitions on the consolidated assets and liabilities. The acquisition analyses are provisional since the assets of the acquired companies have not yet been finally analysed.

The consideration on reported acquisitions was greater than the carrying amount of the assets in the acquired companies, as a result of which the acquisition analysis gave rise to intangible assets. On the acquisition of a consulting firm, the primary acquisition is, in fact, human capital in the expertise of the staff, for which reason the majority of the assets of the acquired company are attributable to goodwill. The other intangible assets identified in the acquisition consist mainly of orders on hand and customer relationships.

Net assets of Energo as per acquisition date

	Identifiable assets and liabilities	Fair adjustment value	Fair value recognised in Group
Intangible assets	1.0	27.0	28.0
Tangible assets	9.3	—	9.3
Accounts receivable and other receivables	79.4	—	79.4
Cash and cash equivalents	3.9	—	3.9
Non-current provisions	-4.5	-7.1	-11.6
Interest-bearing liabilities	-44.2	—	-44.2
Accounts payable and other liabilities	-43.0	—	-43.0
Net identifiable assets and liabilities	1.9	19.9	21.8
Consolidated goodwill			237.8
Consideration paid, cash			259.6
Deduct:			
Cash (acquired)			3.9
Net cash outflow			255.7

Net assets of other acquired companies as per acquisition date

	Identifiable assets and liabilities	Fair adjustment value	Fair value recognised in Group
Intangible assets	2.1	8.9	11.0
Tangible assets	7.9	—	7.9
Accounts receivable and other receivables	58.7	—	58.7
Cash and cash equivalents	10.7	—	10.7
Non-current provisions	-0.1	-1.6	-1.7
Interest-bearing liabilities	-19.9	—	-19.9
Accounts payable and other liabilities	-32.4	—	-32.4
Net identifiable assets and liabilities	27.0	7.3	34.3
Consolidated goodwill			158.8
Acquisition cost including estimated consideration			193.1
Deduct:			
Cash (acquired)			10.7
Estimated additional consideration			62.2
Additional:			
Part of additional consideration allocated as blocked funds			15.2
Net cash outflow			135.4

Note 4 cont'd

Total of net assets of acquired companies as per acquisition date

	Identifiable assets and liabilities	Fair adjustment value	Fair value recognised in Group
Intangible assets	3.1	35.9	39.0
Tangible assets	17.2		17.2
Accounts receivable and other receivables	138.1		138.1
Cash and cash equivalents	14.6		14.6
Non-current provisions	-4.6	-8.7	-13.3
Interest-bearing liabilities	-64.1		-64.1
Accounts payable and other liabilities	-75.4		-75.4
Net identifiable assets and liabilities	28.9	27.2	56.1
Consolidated goodwill			396.6
Acquisition cost including estimated consideration			452.7

Deduct:

Cash (acquired)	14.6
Estimated additional consideration ¹⁾	62.2

Additional:

Part of additional consideration allocated as blocked funds	15.2
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Net cash outflow 391.1

¹⁾ The agreed additional consideration in the acquired companies relates to the performance of the respective companies over the next two to three years. The total additional consideration for the acquired companies will not exceed SEK 83 million.

If the above acquisitions had been completed on 1 January 2010, consolidated income would have been SEK 5,243 million and operating profit SEK 831 million as at 31 December 2010.

Acquisitions 2009

Through business acquisitions during 2009, ÅF acquired industrial consulting operations in Gothenburg from Industrikonsult i Göteborg AB, as well as engineering operations in Malmö from Etteplan Industry AB. The total acquisition cost was SEK 2.2 million.

5 Other operating income

Group	2010	2009
Gain on disposal of business operations	457.9	7.8
Other	3.9	6.3
	461.8	14.1

Other operating income of SEK 104.5 million in the parent relates to the invoicing of rental charges to subsidiaries.

6 Research and development

The ÅF Group's costs for research and development totalled SEK 20.7 million (2009: SEK 41.5 million). The amount comprises mostly costs for time spent on research and development projects by ÅF's own salaried employees.

7 Fees and remuneration of auditors

	Group		Parent	
	2010	2009	2010	2009
<i>Accountants</i>				
<i>Ernst & Young</i>				
Audit assignments	3.1	3.6	0.7	0.7
Tax advice	0.1	0.3	0.1	0.2
Other assignments	0.8	1.4	0.6	0.1
	4.1	5.3	1.4	0.9
<i>Other accounting companies</i>				
Audit assignments	0.3	0.6	—	—
Tax advice	0.1	0.4	0.1	0.1
Other assignments	0.3	0.3	—	—
	0.7	1.3	0.1	0.1

"Audit assignments" refer to the auditing of the annual report, the accounting records and the administration by the Board of Directors and the Managing Director, other duties which it is incumbent upon the company's auditors to carry out, as well as advice and other assistance stemming from observations made during such audits or the execution of such other duties.

8 Employees and personnel costs

Total remuneration is included in profit or loss under the heading "Personnel costs".

Average number of employees by gender

	2010		2009	
	Women	Men	Women	Men
Parent				
Sweden	50	20	50	22
Subsidiaries				
Sweden	459	2,268	457	2,488
Finland	33	181	41	190
Norway	28	101	28	112
Denmark	13	89	13	74
Switzerland	49	158	44	155
Czech Republic	10	89	10	79
Russia	163	121	145	115
Estonia	6	28	7	29
Lithuania	9	23	12	32
India	4	36	3	35
Others	5	24	11	30
Group total	829	3,137	821	3,361
Total average number of employees	3,966		4,182	
Total for associates	38		54	
Total average number of employees including associates	4,004		4,236	

Note 8 cont'd

Gender distribution – directors and senior management

Group	Women, %	
	2010	2009
Directors	38	38
Senior management	20	20

Salaries, other remuneration and payroll overheads

	2010		2009	
	Salaries and remunerations	Social costs	Salaries and remunerations	Social costs
Parent				
Board of Directors and senior executives	22.0	12.7	23.8	12.0
(of which annual variable remuneration)	3.8	—	5.6	—
(of which pension expenses) ¹⁾	—	5.7	—	4.6
Other employees	1,779.2	644.0	1,872.6	693.4
(of which annual variable remuneration)	53.7	—	49.5	—
(of which, pension expenses) ¹⁾	—	228.2	—	238.0
	1,801.2	656.7	1,896.4	705.4

¹⁾ Including statutory charges.

Other personnel costs total SEK 70.8 million (2009: SEK 70.2 million).

	2010		2009	
	Salaries and remunerations	Social costs	Salaries and remunerations	Social costs
Parent				
Board of Directors and President/CEO	7,2	4,0	7,6	3,5
(of which annual variable remuneration)	1,3	—	2,5	—
(of which pension expenses) ¹⁾	—	1,7	—	1,1
Other employees	32,8	16,9	35,5	19,0
(of which annual variable remuneration)	2,2	—	3,4	—
(of which, pension expenses) ¹⁾	—	7,6	—	8,8
	40,0	20,9	43,1	22,5

¹⁾ Including statutory charges.

Remuneration to senior executives

See page 69 for guidelines for remuneration of senior executives.

Remuneration to the Board approved by the 2010 AGM

The AGM on 5 May 2010 approved remuneration totalling SEK 1,625,000 for the work of the board in 2010. The Chairman received SEK 400,000 and members of the board not employed in the Group received SEK 175,000 each.

In addition, it was resolved to pay fees for committee work of SEK 35,000 to each committee member who is not employed in the Group, and that a fee of SEK 75,000 be paid to the Chair of the Audit Committee and a fee of SEK 50,000 to be paid to the Chair of the Remuneration Committee. The total remuneration payable to the board is thus SEK 1,890,000, of which SEK 1,625,000 is for the ordinary work of the board and SEK 265,000 for committee work.

Remuneration to the Board in 2010

Remuneration to the board is payable quarterly. This means that the remuneration to the board was at the rate determined by the AGM in 2009 for the first two quarters and at the rate determined by the AGM in 2010 for the remaining two quarters of the year.

During 2010 a total of SEK 1,802,500 (2009: SEK 1,715,000) was recognised as an expense for remuneration to the board in the parent accounts. In addition, the employee representatives on the board received a total of SEK 40,000 (SEK 40,000).

No agreements have been signed concerning future pensions or severance pay for the Chairman or other members of the board.

Information relating to remuneration to members of the board in 2010

Remuneration in SEK			
Director	Board	Committee	Total
Ulf Dinkelspiel	400,000	85,000	485,000
Patrik Enblad	175,000	—	175,000
Eva-Lotta Kraft	175,000	35,000	210,000
Björn O. Nilsson	87,500	—	87,500
Jon Risfelt	175,000	35,000	210,000
Helena Skåntorp	175,000	75,000	250,000
Anders Snell	175,000	—	175,000
Lena Treschow Torell	175,000	35,000	210,000
Total	1,537,500	265,000	1,802,500

Information relating to remuneration to members of the board in 2009

Remuneration in SEK			
Director	Board	Committee	Total
Ulf Dinkelspiel	400,000	85,000	485,000
Patrik Enblad	175,000	—	175,000
Eva-Lotta Kraft	175,000	35,000	210,000
Jon Risfelt	175,000	17,500	192,500
Helena Skåntorp	175,000	75,000	250,000
Anders Snell	87 500	—	87 500
Lena Treschow Torell	175,000	35,000	210,000
Magnus Grill	87,500	17,500	105,000
Total	1,450,000	265,000	1,715,000

President/CEO

Annual variable remuneration is based on the Group's results, as well as a number of preset targets, and may amount to a maximum of 65 percent of fixed basic salary. The fixed basic salary of the President/CEO for 2010 was SEK 3.9 million (2009: SEK 3.3 million). The President/CEO also has the use of a company car.

Note 8 cont'd

The period of notice for the President/CEO of the parent is two years from the company's side. From the President/CEO's side, a period of six months' notice applies. The retirement age for the President/CEO is 60. The President/CEO's retirement benefit plan is defined-contribution, and an annual provision equivalent to 35 percent of the year's basic salary is made for this. Full salary continues to be payable during the period of notice. An obligation to work during the period of notice may apply for a maximum of one year.

ÅF Group senior management, excluding the President/CEO

The ÅF Group senior management team consists of nine (2009: nine) individuals excluding the President/CEO.

Annual variable remuneration may amount to a maximum of 60 percent of fixed basic salary. Members of the ÅF Group senior management team have the use of company cars.

Cost of remuneration of the President/CEO and other senior management

	2010			2009		
	President/CEO	Other senior management	Total	President/CEO	Other senior management	Total
Salaries	3.9	12.0	15.9	3.3	11.8	15.1
Provisions for annual variable remuneration earned during the current year	1.3	2.5	3.8	2.5	3.1	5.6
Provisions for non-current variable remuneration	0.1	0.4	0.5	0.1	1.3	1.4
Pension expenses ¹⁾	1.7	4.0	5.7	1.1	3.5	4.6
Other social security expenses	1.7	4.7	6.4	1.8	5.0	6.9
Total	8.7	23.5	32.3	8.8	24.6	33.5

¹⁾ Including statutory charges.

Annual variable remuneration

Within ÅF's divisions, there are different systems of variable remuneration for co-workers. Remuneration may either be based on the division's performance or linked directly to individual performance.

To demonstrate clearly the crucial importance of the efforts of co-workers to the Group's results in both the long and the short term, a Group bonus has been introduced. The model is based on part of profit that is generated at Group level being shared out in the form of bonus payments that are the same for co-workers in all parts of the Group.

Non-current variable remuneration**Performance-related share savings programme***General conditions*

Performance-related share savings programmes were introduced for key members of staff in 2008, 2009 and 2010.

The aim of the three programmes is to encourage continued loyalty and excellent performance, and also to make the ÅF Group even more attractive as an employer.

To participate in the programmes, employees must invest their own money. Employees who participate in the performance-related share savings programmes for 2008, 2009 and 2010 may save an amount equivalent to a maximum of 5 percent of their fixed salaries. Senior managers, including the senior management team, have been selected and allocated four, five or six shares (matching shares) for every share they buy under the programme. To qualify for performance matching, the individual concerned must also have been employed during the entire three-year period from the beginning of the respective programme.

For members of the senior management team, the period of notice from the company's side is normally 12 months. Full salary continues to be payable during the period of notice. From the individual's side, a period of six months' notice applies.

One of the members of the ÅF Group's senior management team has retirement benefit conditions in line with the ITP occupational pension plan. Others have defined-contribution retirement benefits, towards which an amount equivalent to 27.5 to 30 percent of basic salary is allocated annually.

Determination of remuneration

The level of remuneration paid to the President/CEO for financial year 2010 was set by the Board of Directors following a proposal drafted by the board's Remuneration Committee. Remuneration paid to other senior executives was set by the President/CEO in consultation with the Remuneration Committee.

A condition for performance matching is that ÅF's average annual percentage increase in earnings per share meets certain targets. (See the table for each share savings programme.) The base value for the calculation of the increase in earnings per share is the total of earnings per share for the four quarters immediately preceding the implementation of a new share savings programmes.

Before the number of performance shares for matching is finally determined, the Board of Directors will consider whether performance matching is reasonable with regard to the company's financial performance and position, and the situation on the stock market and in general. Should the board conclude that full matching is not appropriate, it may reduce the number of performance shares to a number it deems appropriate.

The performance targets may not be revised after the end of the three-year period. If the minimum performance has not been achieved, no performance matching shares will be issued.

The expense is arrived at by periodising a straight-line estimated expense over three years.

*Specific conditions***2008 and 2009**

The terms for performance matching are also based on the company's operating margin before extraordinary items in relation to a basket of comparable companies.

2010

In addition to performance matching, employees will be allocated a number of class B shares free of charge, equivalent to the number saved.

Note 8 cont'd

	Share savings programme (PSP)			Total
	2008	2009	2010	
Base value earnings per share, SEK ¹⁾	8.41	8.70	7.08	
Target for annual average increase in earnings per share, %	5–30	5–15	5–15	
Number of participants in the allocation	100	110	98	
Allocation of matching shares, number ²⁾	0–4	0–4	0–4	
	0–5	0–5	0–5	
	0–6	0–6	0–6	
Allocation of number of free shares per share saved	—	—	1	
Maximum number of matching shares	204,000	138,000	189,000	531,000
Maximum dilution of earnings per share, %	0.6	0.4	0.6	1.6
Provision for the year, MSEK	–2.1	0.8	4.5	3.2
Accumulated provision, MSEK	0	2.4	4.5	6.9
Minimum cost, MSEK	0	0	5.4	5.4
Maximum cost, MSEK	21.4	19.7	28.3	69.4
Savings period	July 2008– June 2009	July 2009– June 2010	July 2010– June 2011	

¹⁾ Total for four quarters up to 30 June of the plan year.

²⁾ Senior managers may have the right to performance matching of up to four shares, the Group management team up to five shares and the President/CEO up to six shares for each share purchased.

Absence from work due to sickness

Figures in percent	Parent	
	2010	2009
Total sick leave as a percentage of ordinary working time	2.9	2.3
Portion of total sick leave comprising absences of 60 consecutive days or more	1.2	0.7

Sick leave as a percentage of total ordinary working time for each of the following groups:

By gender:		
Men	0.9	0.6
Women	3.7	3.1
By age:		
29 years old or below	1.0	0.7
30–49 years	1.2	3.0
50 years or above	6.0	2.0

9 Other operating expenses

Group	2010	2009
Exchange losses	13.1	7.6
	13.1	7.6

Other operating expenses of SEK 110.5 million in the parent relate to rental charges.

10 Net financial income/expense

Group	2010	2009
Interest income ¹⁾	11.0	4.8
Profit on sale of investments in securities, etc.	—	0.0
Exchange gains	2.5	7.4
Financial income	13.5	12.2
Interest expense ¹⁾	–10.3	–13.8
Net loss on the disposal of financial assets held for sale	—	–0.1
Exchange losses	–11.0	–9.7
Financial expense	–21.3	–23.5
	–7.7	–11.3
Net financial expense	–7.7	–11.3

Parent

	2010	2009
Interest income, Group companies	0.1	7.7
Interest income	1.5	0.1
Gain on disposals of Group companies and associates	500.8	—
Exchange gains	0.4	0.4
Dividends from Group companies and associates	413.0	3.7
Financial income	915.8	11.9
Interest expense, Group companies	–0.6	–2.5
Interest expense ¹⁾	–5.6	–6.6
Impairment of shares in Group companies	–131.6	—
Exchange losses	–1.0	–1.4
Financial expense	–138.8	–10.4
	777.0	1.4
Net financial income	777.0	1.4

¹⁾ Includes interest on pension provisions.

11 Appropriations

Parent	2010	2009
Difference between recognised depreciation/ amortisation and depreciation/amortisation according to plan	-2.7	-13.2
	-2.7	-13.2

12 Earnings per share

SEK	Before dilution		After dilution	
	2010	2009	2010	2009
Earnings per share	21.02	7.93	20.95	7.91

The calculation of the numerators and denominators used in the above calculations of earnings per share is explained below.

A 2:1 share split was implemented on 2 June 2010. The comparative figures have been adjusted.

Earnings per share before dilution

The calculation of earnings per share for 2010 is based on the profit for the year attributable to the parent's ordinary shareholders amounting to SEK 709.9 million (2009: SEK 268.7 million) and on a weighted average number of outstanding shares that amounted to 33,775,002 during 2010 (2009: 33,898,072).

Weighted average number of outstanding ordinary shares, before dilution

	2010	2009
Total number of ordinary shares 1 January	33,775,002	33,985,002
Effect of share buy-backs in 2009	—	-86,930
Weighted average number of ordinary shares during the year, before dilution	33,775,002	33,898,072

Earnings per share after dilution

In calculating earnings per share after dilution, the weighted number of outstanding ordinary shares is adjusted for the dilution effect of all outstanding potential ordinary shares. When calculating earnings per share after dilution, outstanding ordinary shares have been adjusted for a potential dilution effect for shares in the outstanding share savings programme.

Profit attributable to the parent's ordinary shareholders, after dilution

	2010	2009
Profit attributable to the parent's ordinary shareholders	709.9	268.7
Profit attributable to the parent's ordinary shareholders, after dilution	709.9	268.7

Weighted average number of outstanding ordinary shares, after dilution

	2010	2009
Weighted average number of ordinary shares during the year, before dilution	33,775,002	33,898,072
Effect of outstanding share savings programme	106,701	94,286
Weighted average number of ordinary shares during the year, after dilution	33,881,703	33,992,358

13 Intangible assets

Group	Goodwill	Development expenditure	Other intangible assets	Total
Accumulated acquisition cost				
Balance brought fwd 1 Jan 2009	1,331.9	16.1	54.0	1,402.0
Corporate acquisitions	2.2	—	—	2.2
Additional consideration	50.2	—	—	50.2
Acquisitions	—	—	4.1	4.1
Assets developed in-house	—	11.5	—	11.5
Disposals and retirements	-9.4	-3.1	-2.8	-15.4
Exchange differences for the year	-34.5	-0.5	-1.9	-36.9
Balance carried forward 31 Dec 2009	1,340.4	24.0	53.4	1,417.8
Balance brought fwd 1 Jan 2010	1,340.4	24.0	53.4	1,417.8
Corporate acquisitions	396.6	2.4	41.5	440.5
Additional consideration	-8.4	—	—	-8.4
Acquisitions	—	0.4	4.4	4.8
Assets developed in-house	—	1.6	—	1.6
Disposals and retirements	-68.1	-14.4	-8.5	-91.1
Exchange differences for the year	-31.8	-1.4	-3.3	-36.5
Balance carried fwd 31 Dec 2010	1,628.7	12.6	87.4	1,728.7
Accumulated amortisation and impairment				
Balance brought fwd 1 Jan 2009	-2.6	-14.4	-27.9	-45.0
Corporate acquisitions	—	—	—	—
Depreciation during the year	—	-0.3	-9.6	-9.9
Disposals and retirements	-0.1	3.1	2.3	5.3
Exchange differences for the year	—	0.5	1.0	1.6
Balance carried fwd 31 Dec 2009	-2.7	-11.1	-34.2	-48.0
Balance brought fwd 1 Jan 2010	-2.7	-11.1	-34.2	-48.0
Corporate acquisitions	—	-0.3	-4.4	-4.7
Amortisation during the year	—	-0.4	-9.6	-10.0
Disposals and retirements	—	0.6	6.4	7.1
Exchange differences for the year	—	1.3	2.7	4.0
Balance carried fwd 31 Dec 2010	-2.7	-9.9	-39.1	-51.7
Carrying amounts				
Per 1 Jan 2009	1,329.3	1.7	26.1	1,357.1
Per 31 Dec 2009	1,337.7	12.9	19.2	1,369.8
Per 1 Jan 2010	1,337.7	12.9	19.2	1,369.8
Per 31 Dec 2010	1,626.0	2.7	48.3	1,677.0

Note 13 cont'd

Group

The Group's intangible assets arise primarily from business combinations. These acquired intangible assets consist largely of goodwill, since the main value of consulting companies lies in their human capital, the expertise of their co-workers. Other intangible assets identified in connection with the acquisitions include the outstanding orders, customer lists and reference projects. The useful life of these other intangible assets is 1 to 10 years.

Goodwill and other intangible assets have been allocated to the lowest identifiable cash-generating unit which corresponds to company-specific investments in the appropriate division. Impairment tests on goodwill and other intangible assets are carried out annually, during Q4 or when there are indications that an impairment need has arisen, by discounting the anticipated future cash flow by a weighted average cost of capital per cash-generating unit. The present value of the cash flows, the value in use, is compared with the carrying amount including goodwill and other intangible assets.

In calculating the value in use of the cash-generating units, a number of assumptions on future circumstances and estimates of parameters have been made. Changes in these assumptions and estimates would affect the carrying amount of goodwill.

The forecasts of future cash flows used are based on the forecast made by senior management for the next year, supplemented by an individual assessment of a further four years. From that point onwards the calculation is based on an annual growth rate of 2 percent.

The weighted average cost of capital is based on assumptions about average interest rates on 10-year government bonds, as well as company-specific risk factors and beta values. The Group's average cost of capital, the discount rate, for 2010 has been calculated at 13 percent (2009: 11 percent) before tax and 10 percent (8 percent) after tax. The forecast cash flows have been discounted to present value. The test concluded that no impairment need has arisen since the value in use exceeds the carrying amount including goodwill and other intangible assets. It is the opinion of the company management that no reasonably likely changes in important assumptions for cash-generating units would lead to an impairment need.

The discount rate varies between cash-generating units as shown in the following table.

Country	Discount rate before tax, %	Discount rate after tax, %	Long-term annual growth, %
Baltic countries	14.0	10.5	2
Denmark	13.0	9.8	2
Finland	13.0	9.8	2
Norway	13.0	9.8	2
Russia	16.0	12.0	2
Switzerland	13.0	9.8	2
Sweden	12.7	9.5	2
Czech Republic	14.0	10.5	2
Germany	13.0	9.8	2

At the end of 2010, goodwill amounted to SEK 1,626.0 million (2009: SEK 1,337.7 million).

The carrying amount of goodwill is allocated as follows:

Division	2010	Proforma 2009
Energy	649.8	556.6
Industry	571.0	504.0
Infrastructure	320.5	137.0
Technology	84.7	71.1
Inspection (ÄF-Kontroll)	—	69.0
Total	1,626.0	1,337.7

Parent

Intangible assets

Accumulated acquisition cost

Balance brought fwd 1 Jan 2009	—
Acquisitions	3.7
Balance carried fwd 31 Dec 2009	3.7

Balance brought fwd 1 Jan 2010	3.7
Acquisitions	3.1
Balance carried fwd 31 Dec 2010	6.8

Accumulated amortisation and impairment

Balance brought fwd 1 Jan 2009	—
Amortisation during the year	-0.4
Balance carried fwd 31 Dec 2009	-0.4

Balance brought fwd 1 Jan 2010	-0.4
Amortisation during the year	-1.7
Balance carried fwd 31 Dec 2010	-2.1

Carrying amounts

Per 1 Jan 2009	—
Per 31 Dec 2009	3.3
Per 1 Jan 2010	3.3
Per 31 Dec 2010	4.7

14 Tangible assets

Group	Equipment, tools, fixtures and fittings	Land and buildings	Total
Acquisition costs			
Balance brought fwd 1 Jan 2009	339.8	177.2	517.0
Corporate acquisitions	—	—	—
Acquisitions	64.3	2.7	67.0
Disposals and retirements	-49.2	—	-49.2
Exchange differences	-2.4	-9.4	-11.9
Balance carried fwd 31 Dec 2009	352.4	170.5	523.0
Balance brought fwd 1 Jan 2010	352.4	170.5	523.0
Corporate acquisitions	32.1	6.6	38.7
Acquisitions	34.7	0.1	34.8
Disposals and retirements	-212.4	-6.3	-218.6
Exchange differences	-8.0	6.4	-1.6
Balance carried fwd 31 Dec 2010	198.8	177.4	376.2
Depreciation and impairment			
Balance brought fwd 1 Jan 2009	-172.0	-6.4	-178.4
Corporate acquisitions	—	—	—
Depreciation during the year	-47.4	-4.3	-51.7
Disposals and retirements	38.2	—	38.2
Exchange differences	1.5	0.4	1.9
Balance carried fwd 31 Dec 2009	-179.7	-10.3	-190.0
Balance brought fwd 1 Jan 2010	-179.7	-10.3	-190.0
Corporate acquisitions	-19.8	-1.6	-21.4
Depreciation during the year	-36.5	-4.2	-40.8
Disposals and retirements	161.3	1.3	162.6
Exchange differences	6.6	-0.5	6.1
Balance carried fwd 31 Dec 2010	-68.1	-15.4	-83.5
Carrying amounts			
Per 1 Jan 2009	167.8	170.8	338.6
Per 31 Dec 2009	172.8	160.2	332.9
Per 1 Jan 2010	172.8	160.2	332.9
Per 31 Dec 2010	130.7	162.0	292.7

Group

Finance leases

Equipment held under finance leasing agreements is included in the Group at the carrying amount of SEK 11.0 million (2009: SEK 33.2 million). The difference between the years is attributable chiefly to the sale of ÅF-Kontroll.

Current and non-current liabilities in the consolidated balance sheet include future payments in respect of leasing obligations entered as liabilities. See also Note 19 "Liabilities to credit institutions".

Parent	Equipment, tools, fixtures and fittings
Acquisition costs	
Balance brought fwd 1 Jan 2009	88,2
Acquisitions	9,9
Disposals and retirements	—
Balance carried fwd 31 Dec 2009	98,1
Balance brought fwd 1 Jan 2010	98,1
Acquisitions	6,8
Disposals and retirements	—
Balance carried fwd 31 Dec 2010	104,9
Depreciation	
Balance brought fwd 1 Jan 2009	-31,7
Depreciation during the year	-8,9
Disposals and retirements	—
Balance carried fwd 31 Dec 2009	-40,6
Balance brought fwd 1 Jan 2010	-40,6
Depreciation during the year	-8,9
Disposals and retirements	—
Balance carried fwd 31 Dec 2010	-49,5
Carrying amounts	
Per 1 Jan 2009	56,5
Per 31 Dec 2009	57,5
Per 1 Jan 2010	57,5
Per 31 Dec 2010	55,4

15 Participations in associates

	Group		Parent	
	2010	2009	2010	2009
Carrying amount at start of year	12.4	13.4	8.0	0.6
Acquisition of associates	—	—	—	7.3
Sale of associates	-3.4	-0.4	-0.6	—
Participations in the results of associates after tax ¹⁾	2.1	1.6	—	—
Dividend received	-4.2	-1.9	—	—
Translation difference	-1.1	-0.3	—	—
Carrying amount at end of year	5.9	12.4	7.3	8.0

¹⁾ The gain as a result of the sale of ÅF-TÜV Nord totalled SEK 31.0 million. The overall result with regard to associates was SEK 33.1 million (2009: SEK 1.6 million).

The total earnings, profit, assets and liabilities of associates are specified in the tables below

Associates 2010	Country	Earnings	Profit	Assets	Liabilities	Equity	Ownership %
ÅF-Incepal S.A	Spain	25.4	0.1	27.5	15.5	12.0	47

Associates 2009	Country	Earnings	Profit	Assets	Liabilities	Equity	Ownership %
ÅF-TÜV Nord AB	Sweden	42.3	3.9	15.0	7.6	7.4	50
ÅF-Incepal S.A	Spain	29.5	0.2	36.8	21.8	15.1	47
NDT Training Center AB	Sweden	15.5	0.8	7.9	3.6	4.2	33
		87.4	4.9	59.7	33.0	26.7	

16 Financial investments

Group	2010	2009
Financial assets that are non-current assets		
Unlisted shares and participations	0.7	0.8
Tenant-owner property holdings	—	0.4
	0.7	1.2

Specification of changes in carrying amounts for the year

Group	2010	2009
Carrying amount brought forward	1.2	1.3
Disposals/impairments	-0.4	-0.1
Translation difference	-0.1	0.0
Carrying amount carried forward	0.7	1.2

17 Prepaid expenses

	Group		Parent	
	2010	2009	2010	2009
Rent	33.4	25.9	26.4	22.0
Support and maintenance contracts	2.5	4.3	0.6	0.7
Other	37.5	28.8	14.1	8.8
	73.4	59.0	41.1	31.5

18 Equity

Group

The total number of shares as at 31 December 2010 comprised 1,608,876 class A shares (10 votes per share) and 32,450,126 class B shares (1 vote per share). Holders of ordinary shares are entitled to dividends which are determined in due course. All shares have the same right to the company's remaining net assets. As a result of the share buy-back authorised by the Annual General Meeting, ÅF AB held 284,000 of the company's own class B shares on 31

December 2010. These shares do not participate in dividends. The dividends paid out during 2010 and 2009 totalled SEK 135.1 million (SEK 4.00 per share) and SEK 110.2 million (SEK 3.25 per share) respectively. At the Annual General meeting on 2 May 2011, a dividend in respect of financial year 2010 of SEK 4.00 per share will be proposed, equivalent to a total pay-out of SEK 135.1 million. The proposed dividend has not been recognised in these financial reports.

The quota value of the share for 2010 is SEK 5 (2009: SEK 5). A 2:1 share split was implemented in June 2010. The comparative figures have been adjusted.

Reserves

Group	Translation reserve	Hedging reserve	Total reserves
Balance brought forward as at 1 Jan 2009	178.9	0.3	179.1
Exchange differences for the year	-56.4		-56.4
Cash flow hedges		-0.4	-0.4
Tax		0.1	0.1
Balance carried forward as at 31 Dec 2009	122.4	—	122.4
Balance brought forward as at 1 Jan 2010	122.4	—	122.4
Exchange differences for the year	-42.2		-42.2
Cash flow hedges		2.1	2.1
Tax		-0.4	-0.4
Balance carried forward as at 31 Dec 2010	80.2	1.7	81.9

Other contributed capital

This refers to equity which has been contributed by the shareholders. It includes premium reserve transferred to statutory reserve as at 31 December 2005. Transfers to the premium reserve on and after 1 January 2006 are also recognised as contributed capital.

Translation reserve

The translation reserve includes all exchange differences arising on the translation of financial reports from foreign operations with a functional currency other than the Group's presentation currency. The presentation currency for both the parent and the Group is the Swedish Krona (SEK).

Hedging reserve

The hedging reserve includes the effective portion of the accumulated net changes of fair value of a cash-flow hedging instrument attributable to hedging transactions which have not yet taken place.

Pensions

Pensions include actuarial gains and losses and the employer's contribution on these, which are recognised in other comprehensive income.

Profits brought forward including net profit for the year

Profits brought forward including net profit for the year include profits earned by the parent and its subsidiaries and associates. Previous transfers to the statutory reserve, excluding premium reserve transferred, are included in this equity item.

Parent

Restricted reserves

Restricted reserves must not be reduced through dividends.

Statutory reserve

The purpose of the statutory reserve is to block a portion of net profits, which are not to be used to cover losses brought forward. With effect from 2006, it is no longer obligatory to make transfers to the statutory reserve.

Non-restricted equity

Fair value reserve

The fair value reserve includes the effective proportion of the accumulated net changes in fair value of a cash-flow hedging instrument attributable to hedging transactions which have not yet been entered into.

Premium reserve

When shares are issued at a premium, i.e. when shareholders pay more than the quota value of the shares, an amount equivalent to the amount received in excess of the quota value of the shares is transferred to the premium reserve. Premium reserves attributable to transactions before 1 January 2006 have been transferred to the statutory reserve. Premium reserves which arise after that date are recognised as non-restricted equity.

Profits brought forward

These constitute non-restricted equity from previous years after any transfer to reserves and after the payment of any dividends. Along with net profit for the year and any reserve for fair value, these constitute total non-restricted equity, i.e. the amount available for dividends to shareholders.

19 Liabilities to credit institutions

The note includes information on the company's contractual terms in respect of interest-bearing liabilities.

Group	2010	2009
Non-current liabilities		
Bank loans	0.6	13.9
Finance leasing liabilities	5.9	25.8
	6.5	39.7
Current liabilities		
Short-term bank loans	218.0	280.1
Current portion of finance leasing liabilities	6.1	9.3
	224.1	289.4

For more information on the company's interest rate risk and exchange rate risk, please refer to Note 25.

Parent	2010	2009
Non-current liabilities		
Bank loans ¹⁾	100.0	211.6
	100.0	211.6

¹⁾ Current liabilities have a maturity of between 3 and 12 months from the end of the reporting period. ÅF AB has credit facilities totalling SEK 950 million.

Conditions and amortisation periods

Group	Interest rate, %	Nom. amount in original currency	Carrying amount	Due, year	Fair value
Long-term bank loans					
Spain, EUR, variable interest	3.4	0.1	0.6	2013	0.6
			0.6		0.6
Short-term bank loans					
Norway, NOK, variable interest	4.5	0.5	0.5	2011	0.5
Switzerland, CHF, fixed interest	3.3	2.0	14.5	2011	14.4
Switzerland, CHF, variable interest	0.9	4.0	28.9	2011	28.9
Switzerland, CHF, variable interest	0.6	3.0	21.7	2011	21.7
Spain, EUR, variable interest	2.9	1.1	10.3	2011	10.3
Sweden, SEK, variable interest	3.1	41.8	41.8	2011	41.8
Sweden, SEK, variable interest	1.9	50.0	50.0	2011	50.0
Sweden, SEK, variable interest	1.9	50.0	50.0	2011	50.0
Czech Republic, CZK, fixed interest	13.2	0.6	0.1	2011	0.1
Czech Republic, CZK, fixed interest	15.1	0.4	0.1	2011	0.1
			218.0		217.9

For bank loans taken out by the parent, in all SEK 100 million, the following specific obligations apply:

- Net debt/equity ratio may not exceed 4.5 times.
- The interest coverage ratio may not fall below 2.5 times.
- The equity/assets ratio may not fall below 25 percent.

Finance leasing liabilities

Finance leasing liabilities fall due for payment as shown in the table below:

Group	2010			2009		
	Minimum leasing fees	Interest	Principal amount	Minimum leasing fees	Interest	Principal amount
Within 1 year	6.3	0.2	6.1	9.7	0.4	9.3
1–5 years	6.0	0.1	5.9	26.1	0.3	25.8
	12.3	0.3	12.0	35.8	0.6	35.1

20 Retirement benefit obligations

Group		
Defined-benefit plans	2010	2009
Present value of funded obligations	713.9	678.2
Fair value of plan assets	-713.1	-681.2
	0.8	-3.0
Present value of unfunded obligations	62.0	62.4
Net recognised in respect of defined-benefit plans	62.8	59.4
Recognised as assets	—	3.0
Recognised as liabilities	62.8	62.4
Net	62.8	59.4

Defined-benefit plans exist in Sweden, Switzerland and Finland.

Changes in the fair value of plan assets during the year	2010	2009
At start of year	681.2	333.4
Assets acquired	—	227.6
Expected return	23.7	13.1
Payments made	36.5	97.4
Payments disbursed	-67.1	-20.3
Actuarial gains (+) and losses (-) recognised in other comprehensive income	12.2	48.4
Exchange differences	26.6	-18.5
At close of year	713.1	681.2

Changes in present value of obligations during the year	2010	2009
At start of year	740.6	437.2
Liabilities assumed	—	227.6
Payments made	22.9	84.3
Payments disbursed	-70.3	-23.2
Actuarial gains (+) and losses (-) recognised in other comprehensive income	16.5	4.2
Cost recognised in profit or loss	38.9	30.7
Exchange differences	27.3	-20.4
At close of year	775.9	740.6

Actuarial gains (-) and losses (+) recognised in other comprehensive income	2010	2009
Recognised in other comprehensive income as at 1 January	4.7	50.6
Recognised during the year	4.3	-44.2
Exchange differences	0.0	-1.7
Recognised in other comprehensive income as at 31 December	9.0	4.7

Expenses in equity	2010	2009
Outcome-based adjustments to pension liability	0.7	0.2
Outcome-based adjustments to plan assets	-12.2	-48.4
Effects of changes in actuarial assumptions	15.8	4.0
Actuarial gains (-) and losses (+) for the year, net	4.3	-44.2
Special employer's contribution in respect of actuarial gains and losses	0.1	0.1
Total cost (+)/income (-) for defined-benefit payments recognised in equity	4.4	-44.1

Cost recognised in profit or loss	2010	2009
Current service cost	15.5	15.3
Expected yield	-23.7	-13.1
Interest expense for the obligation	23.4	15.4
Total net cost in the income statement	15.2	17.6

The current service cost is included in the income statement under the heading Personnel costs. Anticipated returns and interest expense on the obligation is recognised under Net financial items. The cost of defined-benefit plans for 2011 is expected to be on a par with the cost recognised in 2010.

Note 20 cont'd

Assumptions for defined-benefit obligations

The most significant actuarial assumptions as at the end of the reporting period.

Sweden	2010	2009
Discount rate as at 31 December, %	3.9	4.0
Future increase in retirement benefits, %	2.0	2.0
Annual increase in paid-up policies, %	2.0	2.0
Anticipated remaining period of service, in years	—	—

Switzerland	2010	2009
Discount rate as at 31 December, %	2.80	3.25
Expected return on plan assets, %	4.84	3.66
Future increase in retirement benefits, %	0.0	0.0
Future increases in salaries, %	1.0	1.0
Expected remaining period of service, years	8.6	8.7

For some of the Group's employees, the obligations in respect of retirement pension and family pension for salaried staff in Sweden are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board (UFR 3) this is a defined-benefit multi-employer plan. For financial year 2010, the company has not had access to the information required to recognise this plan as a defined-benefit plan. The ITP supplementary pensions plan for salaried employees' retirement benefits that is secured through insurance with Alecta is, therefore, recognised as a defined-contribution plan.

Contributions during the year for retirement benefit insurance with Alecta amounted to SEK 103.3 million (2009: SEK 103.3 million). Alecta's surplus may be allocated to the insurance policy holder and/or the insured. At the close of 2010 Alecta's surplus in the form of the collective funding ratio was 146 percent (2009: 141 percent). The collective funding ratio is the market value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's actuarial calculation assumptions, which are not in conformity with IAS 19.

Parent

Defined-benefit plans	2010	2009
Present value of unfunded obligations ¹⁾	26.2	27.1
Net recognised in respect of defined-benefit plans	26.2	27.1
Of which covered by a credit insurance through FPG/PRI	26.2	27.1

¹⁾ In accordance with Swedish principles for calculating pensions obligations.

Change in obligations during the year	2010	2009
Net present value of pension obligations at start of year	27.1	27.2
Cost excluding interest expense charged to profit	-0.2	0.7
Interest expense	1.3	1.1
Pensions paid	-2.0	-1.8
Net present value of pension obligations at end of year	26.2	27.1

Expense recognised in profit or loss	2010	2009
Revaluation of bonus supplement	—	0.8
Other	-0.2	-0.2
Interest expense on obligations	1.3	1.1
Total net expense in the income statement	1.1	1.7

The discount rate for the parent's pension obligations in 2010 is 3.8 percent (2009: 3.8 percent).

Defined-contribution plans

The Group has defined-contribution plans in Sweden and abroad. Contributions to these plans are made continuously in accordance with the regulations for each plan.

	Group		Parent	
	2010	2009	2010	2009
Cost of defined-contribution plans	218.3	227.3	9.5	9.3

Of the Group's total expense for defined-contribution plans, SEK 103.3 million (2009: SEK 103.3 million) refers to the ITP plan financed through Alecta. See above.

21 Provisions

Group		
Provisions which are non-current liabilities	2010	2009
Provision for additional consideration	65.3	25.3
Other	2.7	2.0
Total	68.0	27.3
Provisions which are current liabilities		
Restructuring costs	1.4	0.2
Provision for additional consideration	11.9	9.7
Other	0.3	20.9
Total	13.6	30.7
Total provisions	81.6	58.1
Restructuring		
Carrying amount at start of period	0.2	4.0
Transfers during reporting period	1.4	—
Amount used during period	-0.2	-3.8
Carrying amount at end of period	1.4	0.2
Additional consideration		
Carrying amount at start of period	35.0	45.1
Transfers during reporting period	64.1	6.0
Released during the period	-2.1	—
Amount used during period	-9.5	-16.1
Amount reversed in the income statement	-2.3	—
Disposals during the period	-8.0	—
Carrying amount at the end of the period	77.2	35.0
Removal costs		
Carrying amount at start of period	—	0.5
Amount used during period	—	-0.5
Carrying amount at end of period	—	—
Other provisions		
Carrying amount at start of period	22.9	25.0
Transfers during reporting period	1.4	6.0
Amount used during period	-19.4	-0.7
Amount reversed in the income statement	-1.8	-7.4
Disposals during the period	-0.1	—
Carrying amount at end of period	3.0	22.9

Group's total provisions	2010	2009
Total carrying amount at start of period	58.1	74.6
Transfers during reporting period	66.9	12.0
Released during the period	-2.1	—
Amount used during period	-29.1	-21.1
Amount reversed in the income statement	-4.1	-7.4
Disposals during the period	-8.1	—
Total carrying amount at the end of the period	81.6	58.1

Parent		
Provisions	2010	2009
Provisions for additional consideration	69.4	22.5
Other	0.4	1.9
Total	69.8	24.4

Change in provisions		
Carrying amount at start of period	24.4	17.1
Internally acquired additional consideration	—	16.5
Transfers during reporting period	61.1	6.7
Released during the period	-4.4	—
Amount used during period	-10.9	-0.5
Amount reversed in the income statement	-0.4	-15.4
Carrying amount at end of period	69.8	24.4

During the period 2007 to 2010 provisions were made for incentive programmes. (See also Note 8.)

It is anticipated that non-current provisions will be settled within the next three years.

22 Taxes

Recognised in the income statement

Group	2010	2009
Current tax		
Tax expense for the period	-91.2	-93.2
Adjustment of tax attributable to previous years	3.2	-2.8
Deferred tax		
Deferred tax expense	7.0	-5.6
Total recognised tax expense in the Group	-80.9	-101.6

Parent

Parent	2010	2009
Current tax		
Tax expense for the period	-60.7	-51.8
Adjustment of tax attributable to previous years	-0.1	—
Tax in respect of Group contributions paid/received	67.1	62.1
Deferred tax		
Deferred tax in respect of temporary differences	—	-4.8
Total recognised tax receipt/expense in the parent	6.3	5.5

Reconciliation of effective tax

Group	2010 (%)	2010	2009 (%)	2009
Profit before tax		798.1		377.0
Tax in accordance with current tax rate for parent	-26.30	-209.9	-26.30	-99.1
Effect of other tax rates for foreign subsidiaries	0.45	3.6	1.73	6.5
Non-deductible expenses	-0.72	-5.7	-1.30	-4.9
Non-taxable income on sale of business operations	16.11	128.6	0.54	2.0
Non-taxable income, other	0.06	0.5	0.10	0.4
Effects of loss carry-forward without corresponding capitalisation of deferred tax	-0.06	-0.5	-0.53	-2.0
Tax attributable to previous years	0.41	3.2	-0.74	-2.8
Other	-0.09	-0.8	-0.46	-1.8
Recognised effective tax	-10.14	-80.9	-26.96	-101.6

Reconciliation of effective tax

Parent	2010 (%)	2010	2009 (%)	2009
Profit/loss before tax		757.6		-17.6
Tax in accordance with current tax rate for the parent	-26.30	-199.2	-26.30	4.6
Non-deductible expenses	-4.61	-34.9	1.76	-0.3
Non-taxable income on sale of Group companies and associates	17.39	131.7	—	—
Non-taxable income, other	14.36	108.8	-6.74	1.2
Tax attributable to previous years	-0.01	-0.1	—	—
Recognised effective tax	0.83	6.3	-31.28	5.5

Recognised in the balance sheet

Current tax assets, net for the Group, amounted to SEK 15.0 million (net liability of SEK 16.7 million for 2009). The current tax asset for the Parent was SEK 12.1 million (SEK 13.6 million).

Note 22 cont'd

Deferred tax assets and tax liabilities

Recognised deferred tax assets and tax liabilities

Deferred tax assets and tax liabilities relate to the following:

Group	Deferred tax assets		Deferred tax liability		Net	
	2010	2009	2010	2009	2010	2009
Non-current assets	0.2	0.4	-22.3	-16.5	-22.0	-16.1
Current receivables and liabilities	4.6	3.0	-4.7	-0.2	-0.1	2.9
Provisions	6.4	6.2	-4.6	-7.2	1.9	-0.9
Untaxed reserves	—	—	-15.5	-10.7	-15.5	-10.7
Loss carry-forwards	11.6	5.7	—	—	11.6	5.7
Tax assets/tax liabilities	22.8	15.4	-47.0	-34.4	-24.2	-19.0
Set-off	-1.1	-4.5	1.1	4.5	—	—
Tax assets/tax liabilities, net	21.7	10.9	-45.9	-30.0	-24.2	-19.0

Unrecognised deferred tax assets

Deductible temporary differences and loss carry-forwards for tax purposes for which deferred tax assets have not been recognised in the income statement and balance sheets:

Group	2010	2009
Loss for tax purposes	25.4	21.5
	25.4	21.5

Deferred tax assets have not been recognised in respect of these losses for tax purposes, since it has not yet been deemed likely that the Group will be able to utilise them against future taxable profits. The losses are attributable to parts of the Group's Norwegian, German and Russian operations.

Note 22 cont'd

Change in deferred tax on temporary differences and loss carry-forwards

Group	Balance 1 January 2010	Recognised in the income statement	Recognised in other comprehensive income	Acquisition/disposal of business operations	Balance 31 December 2010
Non-current assets	-16.1	2.5	-0.2	-8.3	-22.0
Current receivables and liabilities	2.9	-2.2	-0.7	—	-0.1
Provisions	-0.9	1.5	0.6	0.7	1.9
Untaxed reserves	-10.7	-1.3	0.1	-3.6	-15.5
Utilisation of loss carry-forwards	5.7	6.6	-1.2	0.5	11.6
	-19.0	7.0	-1.4	-10.8	-24.2

23 Accrued expenses and prepaid income

	Group		Parent	
	2010	2009	2010	2009
Personnel-related liabilities	326.4	344.4	13.8	16.1
Accrued expenses, sub-consultants	24.1	19.8	0.2	—
Other	28.9	46.4	10.0	8.0
	379.4	410.6	24.0	24.1

24 Financial assets and liabilities

Fair value and carrying amount are reported in the balance sheet below:

	Group 2010						Group 2009					
	Derivatives used in hedge accounting	Financial assets valued at fair value via income statement	Accounts receivable and loan receivables	Financial liabilities	Total carrying amount	Fair value	Derivatives used in hedge accounting	Financial assets valued at fair value via income statement	Accounts receivable and loan receivables	Financial liabilities	Total carrying amount	Fair value
Financial investments		0.7			0.7	0.7		1.2			1.2	1.2
Non-current receivables			18.5		18.5	18.5			2.7		2.7	2.7
Accounts receivable			1,078.3		1,078.3	1,078.3			881.8		881.8	881.8
Income generated but not invoiced			370.8		370.8	370.8			457.1		457.1	457.1
Currency derivatives (level 2)	2.2				2.2	2.2					—	—
Cash and cash equivalents			327.9		327.9	327.9			344.7		344.7	344.7
Total	2.2	0.7	1,795.4	—	1,798.4	1,798.4	—	1.2	1,686.2	—	1,687.3	1,687.3
Non-current liability to credit institution				6.5	6.5	6.5				39.7	39.7	39.3
Other non-current liabilities				1.3	1.3	1.3				1.6	1.6	1.6
Current liability to credit institution				224.1	224.1	224.0				289.4	289.4	289.2
Accounts payable – trade				293.5	293.5	293.5				264.9	264.9	264.9
Accrued liabilities – subcontractors				24.1	24.1	24.1				19.8	19.8	19.8
Total	—	—	—	549.5	549.5	549.4	—	—	—	615.5	615.5	614.9

	Parent 2010						Parent 2009					
	Derivatives used in hedge accounting	Financial assets valued at fair value via income statement	Accounts receivable and loan receivables	Financial liabilities	Total carrying amount	Fair value	Derivatives used in hedge accounting	Financial assets valued at fair value via income statement	Accounts receivable and loan receivables	Financial liabilities	Total carrying amount	Fair value
Accounts receivable			48.5		48.5	48.5			34.3		34.3	34.3
Cash and bank			53.7		53.7	53.7			3.9		3.9	3.9
Total	—	—	102.2	—	102.2	102.2	—	—	38.2	—	38.2	38.2
Current liability to credit institution				100.0	100.0	100.0				211.6	211.6	211.6
Accounts payable – trade				72.3	72.3	72.3				56.4	56.4	56.4
Total	—	—	—	172.3	172.3	172.3	—	—	—	267.9	267.9	267.9

Note 24 cont'd

Ageing analysis of receivables overdue but not impaired

	Group		Parent	
	2010	2009	2010	2009
< 30 days	66.4	68.3	—	—
30–90 days	16.5	54.6	—	0.1
91–180 days	14.6	31.0	0.1	0.1
> 180 days	46.2	52.1	0.2	—
Total	143.6	205.9	0.3	0.2

The Group has well established routines for keeping tied-up capital and credit risks within appropriate limits.

Change in doubtful receivables

	Group		Parent	
	2010	2009	2010	2009
Provision for doubtful receivables				
Provision at start of year	15.6	20.0	—	—
Provision for probable losses	6.9	8.5	—	—
Realised losses	–4.7	–10.3	—	—
Recovered losses	–3.8	–3.0	—	—
Disposals of business operations	–0.8	—	—	—
Exchange rate differences	–0.6	0.4	—	—
Provision at end of year	12.7	15.6	—	—

Calculation of fair value

Fair value agrees in all essentials with recognised value, except in the case of certain fixed-interest non-current liabilities to credit institutions. (See Note 19).

The following provides a summary of the main methods and assumptions used to determine the fair value of the Group's financial instruments.

Securities

Fair value is based on the quoted market price at the end of the reporting period less transaction costs.

Derivative instruments

Forward contracts are valued at recoverable amount in accordance with level 2, i.e. fair value determined using directly observable market inputs, either direct (such as price) or indirect (derived from price), and which are not included in level 1 (fair value determined on the basis of quoted prices for similar instruments on active markets).

Non-current liabilities

Non-current liabilities are valued by adding to the loan the discounted interest rate difference between the agreed loan interest rate and the market rate up to maturity for equivalent loans.

25 Financial risks and financial policy

The Group's overall risk management policy is intended to reduce financial risks to a level which is reasonable for ÅF AB. The aim is to ensure cost-effective financing while minimising the negative effects of market fluctuations on the Group's earnings. Derivative instruments are used to hedge some risk exposure.

The Group's risk management is handled centrally by the parent's accounting and reporting department on the basis of policies adopted by the Board of Directors. The accounting and reporting department identifies, evaluates and hedges financial risks in close collaboration with the Group's operating units.

The Group is exposed to many different kinds of financial risk through its operations, including exchange rate risk, interest rate risk, credit risk and financing risk.

Exchange rate risk

Exchange rate risk covers future business transactions, recognised assets and liabilities in foreign currency, and net investments in foreign operations. Exchange rate risk is relatively limited in the ÅF Group.

Loans are raised, and investments made, in the functional currency.

Translation exposure

Translation exposure consists of the net assets and profit/loss of foreign subsidiaries in foreign currency. In line with Group policy, ÅF does not hedge translation exposure.

Transaction exposure

Exchange rate risks are relatively limited as most payments are made in the functional currency. Where this is not the case, any large sums are hedged using derivatives. The Group classifies the forward contracts used for hedging forecast transactions as cash flow hedges. The fair value of such forward contracts amounted to SEK 2.2 million (2009: SEK 0) and is reported in the balance sheet under the heading Other receivables.

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Receivables				
Foreign exchange contract EUR	2.2	2.2	—	—
Total	2.2	2.2	—	—

Interest rate risk

In accordance with ÅF policy, the Group's cash and cash equivalents are deposited in bank accounts at local banks. There are no other material interest-bearing assets, and so income and cash flows from operating activities are essentially independent of changes in market interest rates.

Liabilities to credit institutions consist largely of bank loans at floating interest rates, but since indebtedness is not very great, the exposure to changes in market interest rates is not significant. Information about the terms of the loans, annual rates and maturity structure is provided in Note 19.

Credit risk

Credit risk is a result of the company having at all times a substantial number of outstanding trade receivables, as well as fees earned but not invoiced, in other words the credit granted to clients. This risk is limited through the Group's well-established principles for ensuring that sales are made to clients with an appropriate payment history, and through advance payments. ÅF's ten largest clients, who together account for 23 percent of the Group's invoiced sales, are all large listed companies with good credit ratings or government institutions. There is, therefore, not deemed to be any significant credit risk with regard to any single major client. Counterparties for derivative contracts and cash transactions are limited to financial institutions with a high credit rating. Historically ÅF has suffered only very limited credit losses.

Financing risk

Financing risk is the risk of not being able to obtain financing at all, or only at a greatly inflated price. For ÅF, prudent management of financing risk means having adequate cash and cash equivalents and committed credit lines. ÅF AB has credit facilities totalling SEK 950 million.

Sensitivity analysis

Interest rate

93 percent of the Group's total borrowings at the close of the reporting period comprise loans at floating interest rates. A change of +/- 1 percent in the annual average interest rate on these loans affects interest expense by +/- SEK 2.0 million.

Foreign currency

26 percent of the Group's earnings arise from foreign units, with 8 percent deriving from units which have the euro (EUR) as their functional currency and 5 percent with the Swiss Franc (CHF) as the local currency. A change of +/- SEK 0.25 in the average exchange rate for the euro in 2010 would have affected pre-tax earnings by +/- SEK 0.6 million, and a change of +/- SEK 0.25 in the average exchange rate for CHF in 2009 would have affected pre-tax earnings by +/- SEK 0.5 million.

26 Operating leases

Leasing agreements where the company is the lessee

Operating leases cover rental agreements for properties, leasing agreements for vehicles under which employees assume all the financial risks and benefits associated with the vehicles, and the lease of certain items of office equipment. Vehicles are generally leased for three years.

The outstanding leasing stock is worth approximately SEK 44 million (2009: SEK 36 million).

Non-revocable leasing payments

	Group		Parent	
	2010	2009	2010	2009
Within one year	207.2	129.3	132.2	92.1
1–5 years	560.0	403.1	414.7	298.9
More than 5 years	421.4	438.6	406.2	430.4
Total	1,188.5	970.9	953.1	821.4

Leasing payments during the year

	Group		Parent	
	2010	2009	2010	2009
Premises	143.1	120.8	105.0	87.0
Other	21.5	20.4	0.2	0.3
Total	164.6	141.2	105.2	87.4

27 Pledged assets, contingent liabilities and contingent assets

	Group		Parent	
	2010	2009	2010	2009
Pledged assets				
<i>In the form of pledged assets for the Group's own liabilities and provisions</i>				
Property mortgages	71.1	69.3	—	—
Floating charges	55.6	42.1	—	—
Blocked bank accounts	—	0.2	—	—
Pledged assets, other	259.6	0.2	—	—
Total pledged assets	386.3	111.7	—	—
Contingent liabilities				
Guarantees, FPG/PRI	1.1	1.1	0.5	0.5
Sureties given for the benefit of subsidiaries	—	—	70.1	145.9
Sureties given	117.6	353.0	44.3	91.2
Total contingent liabilities	118.6	354.0	114.9	237.6

Note 27 cont'd

Pledged assets, other, refers primarily to shares in subsidiaries which have been pledged for one of the companies acquired by ÅF. The pledge was restored at the beginning of 2011, when the loan covered by the pledge was paid off.

Sureties refer primarily to performance guarantees for tenders and the completion of projects.

Contingent assets

The Group does not anticipate that any contingent assets will arise.

28 Transactions with related parties

The parent has a related party relationship with its subsidiaries, see Note 29.

Summary of related party transactions

Group

The term "related parties" in the Group refers to Ångpanneföreningen's Foundation for Research & Development and associates. Transactions with these parties have taken place on market terms.

Related party relationships

	Year	Sale of services to related parties	Purchase of services from related parties	Liabilities to related parties: 31 Dec.	Receivables from related parties: 31 Dec
Associates	2010	4.1	0.5	—	—
Associates	2009	12.7	3.7	—	—
Ångpanneföreningen's Foundation for R&D	2010	0.5	—	—	—
Ångpanneföreningen's Foundation for R&D	2009	0.5	—	—	—

During 2010, in addition to the above, the Group received grants from Ångpanneföreningen's Foundation for Research & Development amounting to SEK 3.7 million (2009: SEK 3.9 million). These grants were for projects administered by the Group.

For details of remuneration to senior executives, please see Note 8.

Parent

Related party relationships

	Year	Sale of services to related parties	Purchase of services from related parties	Liabilities to related parties: 31 Dec.	Receivables from related parties: 31 Dec
Subsidiaries	2010	298.4	16.1	311.4	276.3
Subsidiaries	2009	287.2	8.6	555.8	194.8
Associates	2010	1.3	—	—	0.1
Associates	2009	1.1	—	—	0.1
Ångpanneföreningen's Foundation for R&D	2010	0.1	—	—	—
Ångpanneföreningen's Foundation for R&D	2009	0.2	—	—	—

29 Group subsidiaries

Companies owned directly by the parent

	Corporate ID	Reg'd office	2010			2009	
			Number of shares	Interest, percent ¹⁾	Carrying amount	Interest, percent ¹⁾	Carrying amount
AB Ångpanneföreningen	556158-1249	Stockholm	2,000	100	0.2	100	0.2
Energio AB	556551-7355	Stockholm	1,000	100	259.7	—	—
AF-Meacont s.r.o.	453 06 605	Prague	2	100	78.2	—	—
Mercados Energy Markets International Investments SL	B-854 82 883	Madrid	12,763	100	69.4	—	—
ÅF-Consult AB	556101-7384	Stockholm	50,000	100	39.8	100	171.4
ÅF-Industry AB	556224-8012	Stockholm	2,000	100	544.2	100	516.2
ÅF-Funktionspartner AB	556099-8071	Malmö	4,000	100	0.6	100	0.6
ÅF-Infrastructure AB	556185-2103	Stockholm	1,000	100	318.5	100	303.5
ÅF-Kontroll AB	556033-5977	Stockholm	—	—	—	100	73.9
ÅF-Technology AB	556092-4044	Stockholm	60,000	100	71.5	100	71.5
ÅF-Teknik & Miljö AB	556534-7423	Stockholm	3,076	100	10.5	100	10.5
ÅF-Brasil Consultoria Em Processos Industrias Ltda	08.164.752/0001-08	Curitiba	—	—	—	1	0.0
ÅF A/S	21 007 994	Copenhagen	99,300	100	37.6	100	37.6
ÅF-Hansen & Henneberg A/S	13 59 08 85	Copenhagen	533,300	80	32.2	80	32.2
ÅF-Automatikka OÜ	11 297 301	Tallinn	1	100	8.9	100	8.9
ÅF-Consult Oy	FI18001896	Vantaa	1,000,000	100	264.6	100	264.6
ÅF-Engineering Oy	FI07255030	Tampere	30	100	26.5	100	26.5
ÅF Norge AS	955 021 037	Oslo	20,000	100	37.7	100	28.5
ÅF Norge Holding AS	995 567 768	Oslo	2,000	100	2.4	—	—
ÅF-Engineering AS	936 097 367	Oslo	136,615	100	36.1	100	30.4
AF-Colenco AG	CH-400.3.924.101-4	Baden	6,000	100	418.7	100	431.5
ÅF-Engineering s.r.o.	263 66 550	Plzen	20,000	100	10.6	100	10.6
ÅF-Qualitest s.r.o.	474 72 448	Prague	—	—	—	10	0.0
ZAO AF Lonas	1 089 847 318 923	St. Petersburg	100	100	88.9	100	91.0
			2,356.8			2,109.5	

¹⁾ Participating interest refers to both the voting share and the proportion of the total number of shares.

Specification of the change in carrying amounts during the year

	Parent	
	2010	2009
Carrying amount brought forward	2,109.5	1,018.5
Acquisitions	411.1	964.4
Sales	-73.9	0.0
Revaluations	—	411.4
Impairment ¹⁾	-131.6	-411.4
Correction of additional consideration	-16.2	—
Shareholders' contributions	57.9	126.7
Value carried forward	2,356.8	2,109.5

¹⁾ Impairment relates to shares in ÅF-Consult AB. The shares have been valued at net worth after the company transferred its business operation to other companies within the Group and paid a dividend of SEK 325 million to ÅF AB.

Note 29 cont'd

Comprehensive list of Group subsidiaries

	Corporate ID	Reg'd office	2010			2009	
			Number of shares	Interest, percent ¹⁾	Carrying amount	Interest, percent ¹⁾	Carrying amount
AB Ängpanneföreningen	556158-1249	Sweden	2,000	100	0.2	100	0.2
Energio AB	556551-7355	Sweden	1,000	100	259.7	—	—
Energio Installation Mitt AB	556277-0684	Sweden	—	100	—	—	—
Energio Installation Syd AB	556215-2024	Sweden	—	100	—	—	—
Energio Konsult AB	556536-7918	Sweden	—	100	—	—	—
AF-Meacont s.r.o.	453 06 605	Czech Rep.	2	100	78.2	—	—
AF-REGULA a.s.	264 20 961	Czech Rep.	—	100	—	—	—
TODO spol. s.r.o.	470 51 604	Czech Rep.	—	100	—	—	—
Mercados Energy Markets International Investments SL	B-854 82 883	Spain	12,763	100	69.4	—	—
Mercados Energy Markets International S.A.	A-82316902	Spain	—	100	—	—	—
Mercados Energy Markets International Europe S.r.l.	066222200967	Italy	—	100	—	—	—
Mercados EPU Danismanlik Ltd	6160390509	Turkey	—	100	—	—	—
Mercados Energy Markets India, Private Limited	AAFCM5128DST001	India	—	100	—	—	—
ÅF-Teknik & Miljö AB	556534-7423	Sweden	3,076	100	10.5	100	10.5
ÅF Brasil Consultoria Em Processos Industrias Ltda	08.164.752/0001-08	Brazil	—	—	—	1	0.0
ÅF-Qualitest s.r.o.	474 72 448	Czech Rep.	—	—	—	10	0.0
ÅF-Consult AB	556101-7384	Sweden	50,000	100	39.8	100	171.4
ÅF Brasil Consultoria Em Processos Industrias Ltda	08.164.752/0001-08	Brazil	—	—	—	99	—
ÅF-Process GmbH	218 403 818	Germany	—	100	—	90	—
ÅF-Process b.v.	9157996	Netherlands	—	—	—	100	—
ZAO AF Lonas	1 089 847 318 923	Russia	100	100	88.9	100	91.0
ZAO Lonas Technologia	1 037 808 021 228	Russia	—	75	—	75	—
LLC Lonas Technologia Ukraine	15 851 020 000 006 500	Ukraine	—	100	—	100	—
TOO AF Lonas Technologia Kazakhstan	620200351121	Kazakhstan	—	100	—	—	—
XO AF Lonas Technologia Turkmenistan	102621002900	Turkmenistan	—	100	—	—	—
AF-Colenco AG	CH-400.3.924.101-4	Switzerland	6,000	100	418.7	100	431.5
International Power Design Ltd.	CH-400.3.025.445-4	Switzerland	—	100	—	100	—
Colenco Engineering S.r.l.	17669779	Romania	—	51	—	51	—
AF-Colenco Italia S.r.l.	MI-1808529	Italy	—	100	—	100	—
AF-Colenco Thailand Ltd	3011879733	Thailand	—	100	—	100	—
AF-Consult India Pvt Ltd	U74140DL2009FTC197507	India	—	100	—	—	—
ÅF-Consult Oy	FI18001896	Finland	1,000,000	100	264.6	100	264.6
LLC AF-Enprima	1037800096641	Russia	—	100	—	100	—
AF-Estivo AS	10 449 422	Estonia	—	100	—	100	—
UAB AF-Enprima	300 544 325	Lithuania	—	100	—	100	—
UAB AF-TSP	135 744 077	Lithuania	—	100	—	100	—
Elron Oy	FI21206454	Finland	—	50	—	50	—
Elron Eastern Europe Oy	FI21856262	Finland	—	75	—	75	—
Enprima Engineering Oy	FI04779402	Finland	—	100	—	100	—
Enprima Engineering GmbH	24/388/00843	Germany	—	—	—	100	—
Fortum Engineering S.r.l.	R10224145	Romania	—	—	—	100	—

¹⁾ Participating interest refers to both the voting share and the proportion of the total number of shares.

Note 29 cont'd

Comprehensive list of Group subsidiaries

	Corporate ID	Reg'd office	2010			2009	
			Number of shares	Interest, percent ¹⁾	Carrying amount	Interest, percent ¹⁾	Carrying amount
ÅF-Industry AB	556224-8012	Sweden	2,000	100	544.2	100	516.2
Platom AB	556575-2101	Sweden	—	100	—	—	—
OrbiTec AB	556470-7015	Sweden	—	100	—	100	—
ÅF A/S	21 007 994	Denmark	99,300	100	37.6	100	37.6
ÅF-Automaatika OÜ	11 297 301	Estonia	1	100	8.9	100	8.9
ÅF-Engineering AS	936 097 367	Norway	136,615	100	36.1	100	30.4
ÅF-Engineering Oy	FI07255030	Finland	30	100	26.5	100	26.5
ÅF-Engineering s.r.o.	263 66 550	Czech Rep.	20,000	100	10.6	100	10.6
ÅF-Funktionspartner AB	556099-8071	Sweden	4,000	100	0.6	100	0.6
ÅF-Infrastructure AB	556185-2103	Sweden	1,000	100	318.5	100	303.5
Nordblads VVS-Konstruktioner AB	556460-5797	Sweden	—	—	—	100	—
ÅF-Berg Bygg Konsult Röshoff AB	556471-5976	Sweden	—	—	—	100	—
VVS Energi i Borås AB	556449-1842	Sweden	—	100	—	—	—
Ingakvib AB	556067-5067	Sweden	—	100	—	100	—
ÅF Norge AS	955 021 037	Norway	20,000	100	37.7	100	28.5
ÅF Norge Holding AS	995 567 768	Norway	2,000	100	2.4	—	—
ÅF-Hansen & Henneberg A/S	13 59 08 85	Denmark	533,300	80	32.2	80	32.2
ÅF-Technology AB	556092-4044	Sweden	60,000	100	71.5	100	71.5
ÅF-Kontroll AB	556033-5977	Sweden	—	—	—	100	73.9
ÅF-Kontroll AS	994 141 457	Norway	—	—	—	100	—
ÅF-Qualitest s.r.o.	474 72 448	Czech Rep.	—	—	—	90	—
UAB AF-Inspection	301 845 573	Lithuania	—	—	—	100	—
			2,356.8			2,109.5	

¹⁾ Participating interest refers to both the voting share and the proportion of the total number of shares.

30 Untaxed reserves

Parent

Accumulated depreciation in excess of plan	2010	2009
Opening balance 1 January	25.8	12.5
Depreciation during the year, equipment & fittings	2.7	13.2
Closing balance 31 December	28.4	25.8

31 Statement of cash flows

Interest paid and dividends received

	Group		Parent	
	2010	2009	2010	2009
Dividends received	—	—	415.0	1.7
Interest received	5.5	4.1	1.6	7.8
Interest paid	-10.1	-14.7	-6.2	-11.0
	-4.5	-10.7	410.5	-1.5

Adjustment for items not included in cash flow

	Group		Parent	
	2010	2009	2010	2009
Depreciation/amortisation	50.8	61.6	10.5	9.3
Impairment/retirements	1.4	1.9	131.6	—
Loss on disposal of business operations	-488.9	-7.3	-500.8	—
Other	-19.6	-7.3	-1.6	-15.9
	-456.3	49.0	-360.2	-6.7

Acquisition of financial assets in the Parent, SEK -608 million (2009: SEK -885 million), refers to the consideration and additional consideration paid for shares in Group companies and associates, as well as shareholders' contribution. Disposal of financial assets in the Parent, SEK 575 million (0), refers to the sale of ÄF-Kontroll AB and ÄF-TÜV Nord AB.

32 Events after the end of the reporting period

No significant events have occurred since the end of the reporting period.

33 Critical estimates and assumptions

Key sources of estimation uncertainty

The Group makes estimates and assumptions about the future. By definition, the resulting accounting estimates will rarely correspond to the actual outcome. Estimates and judgements are reviewed regularly and are based on historical experience and other factors, including the expected outcomes of future events that are considered reasonable under the circumstances.

Estimates and assumptions which, if they prove to be incorrect, can result in material adjustments to the carrying amounts of assets and liabilities during the coming financial year are presented below.

Note 33 cont'd

Impairment of goodwill

When calculating the recoverable amount of cash-generating units, a number of assumptions about future circumstances and estimates of parameters have been made. Changes to these assumptions and estimates could have an effect on the carrying amount of goodwill (see Note 13).

Forecasts used in respect of future cash flows are based on the forecast made by senior management for the next year supplemented by an individual assessment of a further four years. From that point onwards the calculation is based on an annual growth rate of 2 percent. The forecast cash flows have been discounted to present value at an average discount rate of 13 percent (2009: 11 percent) before tax.

The impairment test for the year did not give rise to any impairment.

A lower assumed rate of growth would result in a lower recoverable amount. The reverse applies if the calculation of the recoverable amount is based on a higher assumed growth rate. Were future cash flows to be discounted at a higher rate of interest, the recoverable amount would be lower; conversely, the recoverable amount would be higher with a lower discount rate.

Retirement benefit obligations

The Group's net obligations under defined-benefit plans are calculated separately for each plan by estimating the future benefits earned by employees through their employment in prior periods. These benefits are discounted to present value. The calculation of the size of the Group's total retirement benefit obligations is based on a number of assumptions (see Note 20). The discount rate is the market yield at the end of the reporting period on government bonds with a maturity corresponding to that of the Group's estimated average retirement benefit obligations. The discount rate used is 3.9 percent in Sweden and 2.8 percent in Switzerland. The calculations have been performed by a qualified actuary using the projected unit credit method. Were a lower discount rate to be used, the obligations would increase and have a negative effect on the Group's equity. The reverse applies if a higher discount rate is used.

Determination of final cost forecast and stage of completion of contracts

The percentage of completion method is applied to all assignments whose outcome can be measured reliably. The majority of assignments are performed on an open-account basis, and clients are normally invoiced the month after the work is carried out. Where assignments are carried out on a fixed-price basis, revenue is recognised in profit or loss on the basis of the stage of completion at the end of the reporting period. The stage of completion is determined by having an assignment manager make an assessment of the amount of work that has been completed in relation to the amount of work still remaining. In the event of significant uncertainty about its value, no revenue is recognised.

34 Information about the parent

ÄF AB is registered in Sweden as a joint-stock company. The parent's shares are listed on the Nasdaq OMX stock exchange in Stockholm. The postal address to the company's head office is ÄF AB, SE-169 99 Stockholm, Sweden.

The Group consolidated accounts for the financial year 2010 comprise the accounts for the parent and its subsidiaries, which together form "the Group". The Group also includes participations in associates.

The undersigned declare that the consolidated accounts and annual report have been drawn up in accordance with IFRS, as approved by the EU, and with generally accepted accounting practice, to give a faithful representation of the position and performance of the Group and the company, and that the Group administration report and the administration report give a faithful review of the progress of the Group's and the company's operations, position and performance, as well as describing the material risks and uncertainty factors to which the companies that are members of the Group are exposed.

Stockholm, Sweden – 11 March 2011

Ulf Dinkelspiel
Chairman of the Board

Jonas Wiström
President/CEO

Patrik Enblad
Director

Eva-Lotta Kraft
Director

Björn O. Nilsson
Director

Jon Risfelt
Director

Helena Skåntorp
Director

Anders Snell
Director

Lena Treschow Torell
Deputy Chair

Fredrik Sundin
Employee representative

Patrik Tillack
Employee representative

Our Audit Report was presented on 11 March 2011

Ernst & Young AB

Lars Träff
Authorised Public Accountant

AUDIT REPORT

To the annual meeting of the shareholders of ÅF AB
Corporate identity number: 556120-6474

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of ÅF AB for the financial year 2010. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 66–120. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Swedish Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Swedish Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for

our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the international financial reporting standards IFRSs as adopted by the EU and the Swedish Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the income statement and balance sheets for the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, Sweden – 11 March 2011

Ernst & Young AB

Lars Träff
 Authorised Public Accountant

CORPORATE GOVERNANCE AT ÅF

Ulf Dinkelspiel, Chairman of the Board of ÅF, shares his views on corporate governance and on some of the important issues facing the board in the near future.

Can you outline how corporate governance works at ÅF?

"The bigger a company is, the more important corporate governance becomes. It's about creating the right kind of interaction between the board, executive management, middle managers and staff in general. The tasks of the board are to formulate a corporate strategy, to check that the company is meeting its targets and to make sure that the organisation as a whole works well as a team, with well-defined decision processes, a clear division of responsibility and effective control mechanisms. And all this has to be done without getting bogged down in the details.

"The work of the board is governed by the rules for listed companies in Sweden, but also by ÅF's own internal regulatory framework and the guidelines for growth and profitability that have been drawn up for the current five-year period.

"In practice, the board works hard to continuously improve the effectiveness of its routines and working methods in order to be able to devote as much time as possible to important strategic discussions. The decision to delegate certain tasks to the Audit and Remuneration Committees is part of this process.

"The relationship between the board and the president is fundamental to the success of these efforts, so I always attach great importance to giving priority to issues that the president is currently dealing with. A board of directors should function both as a controlling body and as a sounding board for ideas that come from within the organisation."

What are the main issues facing the board in 2011?

"We need to support management and the organisation as a whole, so that ÅF can capitalise on the upswing in the economy that began towards the end of 2010 and that we hope will continue. We also need to make sure that the organisation is flexible enough to react to any unexpected turn of events.



"Growth is another key issue. We have ambitious expansion plans and over time ÅF must grow organically as much as it does by taking over other companies. That means that issues relating to acquisitions will continue to have a prominent place in the work of the board in 2011.

"Another issue that is the focus of great interest from the board is sustainability in its widest possible sense. ÅF has set itself tough targets for sustainable performance that affect not only the company's own actions, but even more so the services and consulting advice that we offer our clients. These are issues that are directly linked to ÅF's long-term profitability and value creation for shareholders and clients alike."

Ulf Dinkelspiel
Chairman of the Board of Directors

CORPORATE GOVERNANCE REPORT

Corporate governance

ÅF AB is a Swedish public company with its registered office in Stockholm. The company's class B shares are listed on the Nasdaq OMX Stockholm exchange. ÅF is governed in accordance with the company's articles of association, the Swedish Companies Act, the Swedish Annual Accounts Act, the listing rules for the Nasdaq OMX Stockholm, the Swedish Code of Corporate Governance, and other relevant documents. ÅF did not depart from the Swedish Code of Corporate Governance in 2010. This corporate governance report has been reviewed by the company's auditor.

Governance, management and control are divided between the shareholders at the AGM, the Board of Directors and the President/CEO.

The articles of association adopted by the AGM are the most important instrument for the company's internal governance, followed by the board's formal work plan and the board's instructions for the President/CEO. ÅF has regularly introduced and developed other processes and control systems to ensure effective and profitable growth.

ÅF's major shareholders

Ångpanneföreningen's Foundation for Research & Development holds shares that correspond to a total of 40.9 percent of the total number of votes for all shares in the company. For further information on shareholders and the ÅF share, please see pages 46–48 and the ÅF website.

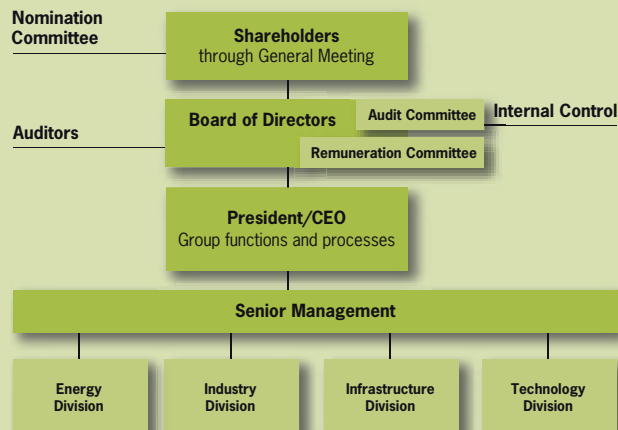
ÅF's Annual General Meeting for 2010

The AGM for 2010 was held at the ÅF Group's head office in Solna, Sweden, on 5 May. It was attended by 138 shareholders, representing 48.2 percent of the share capital and 63.6 percent of the total number of votes.

Resolutions

The AGM resolved, among other things:

- to pay a dividend for 2009 of SEK 4.00 per share (adjusted for the share split that took place during the year) in accordance with the proposal of the Board of Directors;
- to pay fees totalling SEK 1,625,000 to the board, with the Chairman to receive SEK 400,000 and members of the board not employed by the Group to receive SEK 175,000 each. Moreover, it was resolved that fees shall be paid for work in the Audit Committee, with the Chair of the committee receiving SEK 75,000 and other members of the committee who are not employed by the Group receiving SEK 35,000 each, and also that fees shall be paid for work in the Remuneration Committee, with the Chair of the committee receiving SEK 50,000 and other members of the committee receiving SEK 35,000 each. Auditors' fees are payable against invoices;
- to elect a board of eight directors: Ulf Dinkelspiel, Patrik Enblad, Eva-Lotta Kraft, Jon Risfelt, Helena Skåntorp, Anders Snell and Lena Treschow Torell were re-elected, while Björn O. Nilsson was elected as a new member. Ulf Dinkelspiel was appointed Chairman;



The principal external regulatory framework that shapes the governance of ÅF:

- The Swedish Companies Act
- Accounting legislation, IFRS, the Swedish Bookkeeping Act and the Swedish Annual Accounts Act
- Nasdaq OMX Stockholm Rules & Regulations
- Swedish Code of Corporate Governance

Examples of internal documents that shape the governance of ÅF:

- Articles of Association
- Instructions, rules of procedure
- Policies and guidelines
- Process descriptions for each business area

Shareholders

The shareholders' right to decide in matters relating to the company is exercised at the General Meeting of shareholders, which is the highest decision-making body in ÅF. The General Meeting ratifies the company's articles of association, votes on the appointment of the directors of the company and the Chairman of the Board, and elects auditors.

- to adopt the Performance-related Share Programme for 2010 in accordance with the proposal of the Board of Directors;
- to implement a share split in accordance with the proposal made by the Board so that one share be replaced by two shares;
- to authorise the Board to buy back shares so that the company's own holding amounts to a maximum of 10 percent of the shares in the company;
- to authorise the Board to decide on the issue of new shares that correspond to an increase of a maximum of SEK 15,000,000 in the company's share capital.

The minutes of the AGM are available in both Swedish and English on the ÅF website.

Nomination Committee

In accordance with a resolution passed at the AGM on 5 May 2010, the Nomination Committee shall, up until the time of the 2011 AGM, consist of the Chairman of the Board together with representatives for at least three and at most five of the shareholders with the largest number of votes in the company. The names of the members of the committee shall be announced no later than six months before the 2011 AGM.

The Nomination Committee appointed on 25 October 2010 comprised Staffan Westlin (Chair), representing Ångpanneföreningen's Foundation for Research & Development, Ulf Dinkelspiel, Chairman of the Board of ÅF, Åsa Nisell appointed by Swedbank Robur, and Peter Rudman appointed by Nordea Fonder. In January the Nomination Committee was extended to include a further member, Conny Karlsson, who was appointed by CapMan Public Market Fund.

The duties of the Nomination Committee

The Nomination Committee submits proposals, prior to the AGM, on the number of board members, the composition and remuneration of the board, and any fees payable for committee work. The committee shall also submit proposals on who is to chair the Board of Directors and the AGM and on auditors and their fees. In accordance with its remit, the committee shall also carry out those duties assigned to it under the Swedish Code of Corporate Governance.

The work of the Nomination Committee

In the period up to and including February 2011 the committee has held six minuted meetings and maintained contact between meetings. To assess how well the present Board of Directors meets the demands that will be placed on the board in consequence of the company's position and future focus, the committee has discussed the size and composition of the board in relation to, for example, experience in the industry and specialist expertise. As a basis for the committee's work, the Chairman of the Board has informed the committee about the work of the board during the year and of the work undertaken by the Audit Committee and the Remuneration Committee. The Nomination Com-

mittee has also familiarised itself with the results of the evaluation of the board and its work, and interviewed individual members of the board.

No remuneration has been paid for work on the committee.

All shareholders are entitled to approach the committee with suggestions for board members. The committee's proposals, the report on the committee's work prior to the 2011 AGM, and supplementary information on the proposed members of the board will be published in connection with the notice convening the 2011 AGM, and will be presented at the meeting.

Board of Directors

The Board of Directors of ÅF shall consist of a minimum of six and a maximum of ten members, with a maximum of five deputies appointed by the AGM. The 2010 AGM appointed eight directors with no deputies. The President/CEO of ÅF is not a member of the board. The company's employees are, however, represented on the board.

Björn O. Nilsson was elected as a new director of the company in 2010. Tor Ericsson did not seek re-election. Ulf Dinkelspiel, Patrik Enblad, Eva-Lotta Kraft, Jon Risfelt, Helena Skåntorp, Anders Snell and Lena Treschow Torell were re-elected. Ulf Dinkelspiel was elected by the AGM to serve as Chairman of the Board up until the next AGM. The board elected Lena Treschow Torell as its Deputy Chair. The President/CEO of ÅF, Jonas Wiström, is not a member, but participates in board meetings to present reports. The Group's CFO, Jonas Ågrup, also participates to present reports. Viktor Svensson, Executive Vice President, Corporate Information, serves as secretary to the board. For more information on the Board of Directors, please refer to pages 128–129.

Independence of members of the board

The composition of the board of ÅF meets the requirements for independent directors laid down by the rules of the Nasdaq OMX Stockholm and the Swedish Code of Corporate Governance. Directors Björn O. Nilsson and Anders Snell hold positions of dependence with regard to the largest shareholder, Ångpanneföreningen's Foundation for Research & Development.

Work of the Board of Directors

Each year the board produces a written formal work plan which sets out the responsibilities of the board, and which governs the allocation of duties among board members, the rules for decision-making, dates and times of board meetings, notification, agenda and minutes for board meetings, and the board's work with accounting and auditing matters.

The ÅF board holds an inaugural meeting immediately after the AGM, after which it is required to meet at least four times per calendar year. Every ordinary board meeting follows the agenda set out in the board's formal work plan, which includes a report from the President/CEO, financial reports and various strategic matters.

The board has opted to appoint a Remuneration Committee and an Audit Committee.

Work during the year

Because of a high level of activity in the company relating to acquisitions in 2010, the work of the board has been unusually intensive with more board meetings than what is normal during the year. In addition to the inaugural meeting, the board held 18 meetings in 2010, of which one was a *per capsulam* meeting and six were telephone meetings for which the relevant documentation was sent out in advance. Four of the meetings were held in connection with the publication of the company's interim reports. In connection with the board meeting in September, a visit was made to ÅF's subsidiary in Oslo.

The work of the board revolves mostly around strategic issues, business plans, budgeting, accounts and acquisitions, in addition to other decisions which, under the company's rules for decision-making, are dealt with by the board. Reports on the progress of the company's operational activities and finances are a standing item on the agenda. A strategy seminar was held at the meeting in September, and included a thorough review of each division. At every ordinary board meeting, there is a more in-depth presentation of one of ÅF's lines of business or divisions.

On one occasion each year the board discusses issues related to succession planning for senior executives within the company.

Attendance at board/committee meetings in 2010

	Function	Board	Remuneration- Cttee	Audit Cttee
Number of meetings		19	2	4
Ulf Dinkelspiel	C	19	2	4
Patrik Enblad	M	19		
Tor Ericson**	M	8		
Eva-Lotta Kraft	M	19		3
Björn O. Nilsson*	M	12		
Jon Risfelt	M	19	2	
Helena Skåntorp	M	18		4
Anders Snell	M	18		
Lena Treschow Torell	M	16	2	
<i>Employee representatives:</i>				
Fredrik Sundin	M	17		
Patrik Tillack	M	19		
Patrik Kerttu ***	D	1		
Anders Toll ***	D	2		

* Elected to the Board on 5 May 2010

** Resigned from the Board on 5 May 2010

*** Employee representatives' deputies normally attend only the inaugural meeting of the board

C = Chair M = Board member D = Deputy

Evaluation of the Board of Directors and President/CEO

Once a year, the Chairman of the Board initiates an evaluation of the work of the board by issuing each director with a detailed questionnaire, which is answered anonymously. The questionnaire covers areas such as the climate of cooperation, the breadth of expertise available and the manner in which the work of the board has been carried out. The object of the evaluation is to obtain an understanding of the directors' opinions on how the work of the board has been carried out, and what measures may be taken to improve the efficiency of this work. The results of the questionnaire are discussed by the board and communicated to the Nomination Committee.

The Board of Directors evaluates the work of the President/CEO on an ongoing basis, by monitoring the progress of the business against the targets that have been set. A formal evaluation is carried out once a year, and the results are discussed with the President/CEO.

Remuneration Committee

The Remuneration Committee is tasked with considering and making recommendations on salaries, other terms of employment and incentive programmes for the President/CEO and other senior executives in the company. The committee also deals with matters relating to overall conditions of employment and remuneration packages for all of the company's employees. The committee reports to the board. Prior to the 2011 AGM the committee has met on two occasions. The committee consists of Ulf Dinkelspiel (Chair), Jon Risfelt and Lena Treschow Torell. The President/CEO attends as a co-opted member, as does the CFO and ÅF's Director for Human Resources. Remuneration has been paid for work on the committee.

Audit Committee

The Audit Committee is a vital communications link between the board and the company's auditors, supporting the work of the board by safeguarding the quality of financial reports and following up the results of the reviews and audits carried out by the external auditors. The company's internal audit staff support the committee in its work. Since the 2010 AGM the committee has consisted of Helena Skåntorp (Chair), Ulf Dinkelspiel and Eva-Lotta Kraft. All members are independent of the owners and the company's management. The committee held four minutes meetings in 2010. The company's auditor has attended all meetings of the committee. The President/CEO attends as a co-opted member, as does the CFO and the manager responsible for the ÅF Group's financial reporting. The company's internal auditor has attended two meetings during the year. Remuneration has been paid for work on the committee.

Auditors

The Nomination Committee is tasked with proposing auditors to the AGM. The auditors work for and on behalf of the shareholders to audit the company's accounting records, the annual accounts and the administration of the Board of Directors and the President/CEO. The 2007 AGM appointed the accounting firm Ernst & Young AB, represented by Lars Träff as auditor in charge, as the company's auditors to serve to the end of the AGM in 2011.

Ernst & Young carries out the audit of ÅF AB and major units within the ÅF Group. The auditors carry out a "hard close" after the nine-month report for the period January–September, and a full audit of the annual accounts. At the same time, an audit of internal routines and control systems is carried out together with an examination of the Group's corporate governance report and of the compliance with the guidelines approved by the AGM relating to remuneration to senior executives.

CEO and senior management

The Board of Directors has delegated operational responsibility for the administration of the company and the Group to the company's CEO. The CEO leads operations within the framework laid down by the board. The board has adopted instructions for the division of responsibility between the board and the CEO, which are updated and approved each year.

The CEO has appointed a senior management group with day-to-day responsibility for various aspects of the Group's operation. During 2010 ÅF's senior management group consisted of the CEO, the divisional Presidents, the CFO, the Director for Human Resources, the General Counsel, the Executive Vice President for Corporate Information, and the PA to the President, who serves as secretary to the senior management group. For further information about the members of the senior management group, please see pages 130–131.

ÅF's senior management group normally meets once a month, to discuss matters such as the Group's financial performance, acquisitions, group-wide development projects, succession planning and competence development, together with various other strategic issues. Eleven minuted meetings were held during 2010.

Once a month the CEO and the CFO discuss each division's income statement, balance sheet and key figures with the relevant divisional management team and conduct a status review of any major projects.

The board's description of internal controls

The board's responsibility for internal controls is regulated in the Swedish Companies Act and the Swedish Code of Corporate Governance, which set out requirements for annual external disclosures on how internal controls over financial reporting are organised.

Board members must keep themselves informed about the state of affairs in the company and evaluate the internal control system on a regular basis.

Internal controls at ÅF are designed to ensure that the company's operations are efficient and fit for purpose, that financial reporting is reliable, and that applicable laws and regulations are complied with.

ÅF divides its internal controls over financial reporting into the following components: Control environment, Risk assessment, Control activities, Information and communication, and Follow-up.

Control environment

The control environment constitutes the basis for internal controls over financial reporting. One important aspect of the control environment is that decision paths, authority and responsibility are clearly defined and communicated between different levels of the organisation, and that there are guidance documents in the form of policies, guidelines and manuals. The term "control environment" describes the organisation, decision paths, authority and responsibility for financial reporting.

A description of ÅF's internal control system is included in the company's process-orientated business management system (ONE) used for managing and supporting day-to-day business operations. This sets out the organisational structure, together with the authority and responsibility vested in the various roles in the business. The process orientation of the ONE management system guides users to the relevant routines and appropriate tools for the particular task in question, thus providing a sound basis for compliance with requirements and expectations. The management system is available to all employees via the ÅF intranet.

Risk assessment

ÅF's risk assessment in respect of financial reporting aims to identify and evaluate the key risks affecting financial reporting in the ÅF Group's companies, business areas, divisions and processes. Risk assessment results in control targets that help to ensure that the fundamental requirements of external financial reporting are met, and provide a basis for managing risk through a variety of control structures. The risks are considered, assessed and reported by ÅF centrally together with the divisions. Risks are also considered in specific constellations; for example, risks associated with fixed-price projects and acquisitions.

Control activities

In order to ensure that the business is run efficiently and that the scheduled financial reports consistently provide a true and fair view of the situation, each process has a number of built-in control activities. These involve all levels of the organisation, from the board and management to other employees. Control activities aim to prevent, detect and rectify any errors and non-conformance. Risks are accepted, reduced or eliminated. At ÅF these control activities comprise two elements: an organisation with clearly defined roles that facilitate an

effective and, from an internal control perspective, appropriate division of responsibility; and specific activities that aim to identify or prevent the risk of reporting errors. For all ÅF units, including those outside Sweden, result analysis and other control activities take place continuously through the finance functions of the various divisions and ÅF AB's Group Accounting and Reporting department. All accounting and reporting activities for ÅF's Swedish operations are centralised under ÅF Business Services (ÅBS) in Solna, where the processes have been standardised and are continuously being made more robust. Control activities at ÅBS include profit analyses and other controls in respect of revenue and receivables, payments, non-current assets, work in progress, wages and salaries, VAT/tax, book-keeping, consolidation and reporting as well as the maintenance of databases.

Information & communication

Information about and communication relating to policies, process descriptions, routines and tools applicable to financial reports are contained in the management system that is available to the relevant personnel via the ÅF intranet. Updates are carried out in the event of any changes in internal or external requirements or expectations with regard to financial reports. The ÅF Group uses a process where divisional management confirms compliance with group policies each year.

Communication with internal and external parties is governed by a communication and IR policy, which sets out guidelines for the form this should take. The policy aims to ensure that all disclosure obligations are met properly and in full. Internal communication aims to ensure that every employee understands ÅF's values and business activities. Information is actively communicated on an ongoing basis through the group's intranet in order to keep employees informed.

Follow-up

Compliance and the efficacy of internal controls are followed up on an ongoing basis by both the board and management to guarantee the quality of the processes. The company's financial situation and strategy in respect of its financial position are considered at every board meeting. The board also receives detailed monthly reports on the company's financial position and the development of the business. The Audit Committee fulfils an important function by guaranteeing control activities for key risk areas in the financial reporting process. The Audit Committee, management and the internal audit function regularly follow up any reported non-conformances.

ÅF's system for financial management and control paves the way for effective financial follow-ups throughout ÅF. Monthly reports are submitted for each profit centre, and the reports on the financial performance of assignments reflect the highest standards of reliability and detail. Any errors that are identified and any measures that are taken are reported to the next level up in the line organisation. ÅF's internal

audit function carries out independent audits to monitor whether the internal control and management systems live up to ÅF's internal ambitions and external requirements and expectations. Priority areas for ÅF's internal audits are the ÅF brand, ÅF's values and ethics, processes and systems, as well as the assignments that ÅF has undertaken to perform. Reports are submitted to the President/CEO and the board's Audit Committee.

Sustainable business development

ÅF is working strategically over the long term towards becoming a more sustainable business. A Sustainability Strategy forms an integral part of the corporate governance environment and is followed up by both the board of directors and by senior management. A plan for ÅF's sustainability activities forms the basis for the company's work in this area. The Sustainability Plan and the objectives that this plan lays down are conceived to be profitable and otherwise beneficial from an environmental, social and economic perspective. For further details about the work that ÅF is engaged in with regard to sustainability, please see pages 51–56.

Stockholm, Sweden – 11 March 2011
Board of Directors of ÅF AB

Auditor's report on the Corporate Governance Report

To the Annual General Meeting of ÅF AB, corporate identity number 556120-6474

It is the Board of Directors that is responsible for the Corporate Governance Report for the year 2010 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

As a basis for our opinion that the Corporate Governance Report has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the report and assessed its statutory content based on our knowledge of the company.

A Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, Sweden – 11 March 2011
Ernst & Young AB

Lars Träff
Authorised Public Accountant

BOARD OF DIRECTORS

Ulf Dinkelspiel

Chairman of the Board since 2007

Director of ÅF since 2004

Born 1939

Current position Ambassador, E. Öhman J:or AB

Other directorships Chairman of the Board of Landshypotek AB, Sveriges Allmänna Hypoteksbank, Springtime AB, the Sweden in Europe Foundation, the Association for Swedes Worldwide and ICC Sverige; Director of Nordnet AB, Premiefinans AB and Bockholmen Hav och Restaurang AB; Member of the Royal Swedish Academy of Engineering Sciences, IVA

Professional experience Swedish Ministry for Foreign Affairs; Minister for Europe; Minister for Trade; President Swedish Trade Council

Education Graduate business administrator, Stockholm School of Economics

Committee work Chair of ÅF Remuneration Committee; Member of ÅF Audit Committee

Shares in ÅF 60,000

Patrik Enblad

Director of ÅF since 2007

Born 1966

Current position CEO of Newsec AB

Other directorships Director of Orc Software, Neonet Securities and the Royal Swedish Yacht Club (KSSS)

Professional experience President HQ Bank; active in finance since 1986

Education Economics studies (not completed) at Stockholm University

Shares in ÅF 6,000

Eva-Lotta Kraft

Director of ÅF since 2002

Born 1951

Current position Various directorships and other positions

Other directorships Director of Biotage AB, Boule Diagnostics AB, Nibe Industrier AB, Samhall AB and Siemens AB

Professional experience Strategy & Marketing Manager at the Swedish Defence Research Agency (FOI); Divisional Manager and Vice President of Siemens-Elema AB; Regional Manager for Alfa Laval AB

Education M.Sc. Chemical Engineering, Royal Swedish Institute of Technology (KTH); MBA International Entrepreneurship, Uppsala University

Committee work Member of ÅF Audit Committee

Shares in ÅF 6,000

Björn O. Nilsson

Director of ÅF since 2010

Born 1956

Current position

Professor, President and Member of the Royal Swedish Academy of Engineering Sciences, IVA; Associate Professor at Royal Swedish Institute of Technology (KTH)

Other directorships Deputy Chair of Åforsk; Director of Bioinvent AB

Professional experience

R&D Manager Amersham Pharmacia Biotech; Vice President Karo Bio; Director for Business and Technical Development at Biacore International AB; Business Development Manager at Biovitrum

Education Doctor of Technology

Shares in ÅF 0

Jon Risfelt

Director of ÅF since 2007

Born 1961

Current position

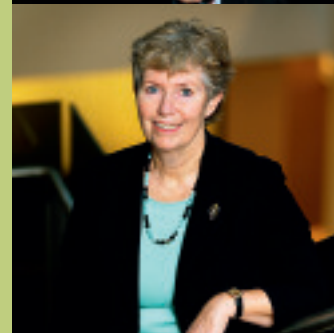
Various directorships and consultant/advisor

Other directorships Chairman of the Board of Ortivus AB, C3 Technologies AB and Mawell OY; Director of Bilia AB, KaroBio AB, TeliaSonera AB, Braganza AS, Vanna AB, Ticket Travel Group AB, Ticket Leisure Travel AB and Ticket Business Travel AB

Professional experience Former leading managerial positions with Ericsson, SAS, American Express Card & Travel Divisions, Nyman & Schultz (President), Europolitan and Vodafone Sweden (President), and Gambro Renal (President)

Education M.Sc. Chemical Engineering, Royal Swedish Institute of Technology (KTH)

Shares in ÅF 3,250



**Helena Skåntorp**

Director of ÅF since 2002

Born 1960

Other directorships Director of Mekonomen AB, Lernia AB and 2E Group AB

Professional experience President/CEO of SBC; President/CEO of Jarowskij Television AB; CFO of Arla AB; Authorised Public Accountant

Education Economics programme, Stockholm University

Committee work Chair of ÅF Audit Committee

Shares in ÅF 0

**Anders Snell**

Director of ÅF since 2009

Born 1950

Current position Active within Billerud AB

Other directorships Chairman of the Board of Åforsk; Director of Wibax AB and the Swedish Forest Industries Federation.

Professional experience Plant manager of Billerud Gruvön and Billerud Skärblacka; Technical Director with Billerud AB and AssiDomän AB

Education M.Sc. Chemistry, Royal Swedish Institute of Technology (KTH)

Shares in ÅF 0

**Lena Treschow Torell**

Director of ÅF since 2006

Born 1946

Current position Professor at Chalmers University of Technology; Chair of the

Presiding Committee of the Royal Swedish Academy of Engineering Sciences, IVA

Other directorships Chair of the Foundation for Strategic Environmental Research (MISTRA); Chair of Euro-CASE, an umbrella organisation for Europe's national academies of science and technology; Director of SAAB AB, Micronic Laser Systems AB, Investor AB, SKF AB, Dagens Industri AB and Chalmers University of Technology Foundation; Member of the Swedish government's Globalisation Council and the European Commission's research advisory board, ERAB

Committee work Member ÅF Remuneration Committee

Education Ph.D in Physics, University of Gothenburg; Research Fellowship in Physics, Chalmers University of Technology

Shares in ÅF 4,000

**Fredrik Sundin**

Employee representative since 2009

Born 1972

Current position Employed in ÅF's Infrastructure Division

Professional experience Signal processing consultant, wireless ticketing systems and project management

Education M.Sc. Engineering Physics, Uppsala University

Shares in ÅF 1,200

**Patrik Tillack**

Employee representative since 2008

Born 1967

Current position Employed in ÅF's Industry Division

Professional experience Electrical engineer, electrical design engineer and contract/project manager in industry and public administration

Education Upper secondary school engineering studies (Electrical Engineering/ Telecommunications)

Shares in ÅF 32

SENIOR MANAGEMENT

Eero Auranne

President, Energy Division since 2006

Member of senior management team since 2006

Employed by ÅF since 2006 **Born** 1959

Professional experience President Fortum Service; Vice President Fortum Power and Heat Oy

Education M.Sc., Helsinki University of Technology

Shares in ÅF 3,629



Jonas Wiström

President and CEO since 2002

Employed by ÅF since 2002

Born 1960

Directorships etc. Director of Procure It Right AB; Member of the Royal Swedish Academy of Engineering Sciences (IVA)

Professional experience Philips, Saab-Scania Combitech AB; President Sun Microsystems Sweden; Managing Director (Northern Europe) Silicon Graphics; President/CEO Prevas AB

Education M.Sc., Royal Swedish Institute of Technology (KTH)

Shares in ÅF 24,287



Johan Olsson

President, Technology Division since 2005

Member of senior management team since 2005

Employed by ÅF since 2005 **Born** 1956

Directorships Director of the Swedish Federation of Consulting Engineers and Architects (STD)

Professional experience President of HiQ Skåne AB; R&D Manager for Ericsson Canada

Education M.Sc., Royal Swedish Institute of Technology (KTH)

Shares in ÅF 12,511



Jacob Landén

General Counsel since 2008

Member of senior management team since 2009

Employed by ÅF since 2008 **Born** 1965

Professional experience Legal profession

Education LL.B., Uppsala University

Shares in ÅF 989



Mats Pålsson

President, Infrastructure Division since 2010

Member of senior management team since 2010

Employed by ÅF since 2009 **Born** 1954

Professional experience Manager at Skanska; Managing Director of SWECO VBB Viak and SWECO VBB; Business Area Manager for ÅF Infrastructure Planning

Education M.Sc. Civil Engineering, Luleå University of Technology

Shares in ÅF 1,049





Charlotte Witt

Director, Human Resources since 2001

Member of senior management team since 2009

Employed by ÅF since 2001 **Born** 1964

Professional experience Chief Negotiator for Almega (the employer and trade organisation for the Swedish service sector); Ombudsman for Jusek (the Swedish trade union for graduates in the legal profession, business administration and economics)

Education B.A. in Economics, Örebro University

Shares in ÅF 1,397

Marie Edman

PA to the President since 2010

Member of senior management team since 2010

Employed by ÅF since 2010 **Born** 1953

Professional experience PA to the President at Proffice, Electrolux Cleaning Appliances and Skandex

Education Managerial Secretary studies at Fridhemsplan Upper Secondary School/Stockholm University; PR & Business Communication, IHM Business School

Shares in ÅF 600



Per Magnusson

President, Industry Division since 2006

Member of senior management team since 2006

Employed by ÅF since 2006 **Born** 1954

Professional experience Plant engineer at ASEA AB; Consultant Rejlers Ingenjörer AB; Consulting Manager J&W AB, Sigma AB; Managing Director of Benima AB

Education Electrical Power Engineering, Polhem Technical Upper Secondary School, and advanced supplementary courses in economics, marketing and business development, KTH Executive School

Shares in ÅF 2,575



Viktor Svensson

Executive Vice President, Corporate Information since 2003

Member of senior management team since 2003

Employed by ÅF since 2003 **Born** 1975

Professional experience Stock market reporter with *Finanstidningen*

Education Graduate business administrator, Karlskrona/Ronneby University College

Shares in ÅF 7,307



Jonas Ågrup

CFO since 2007

Member of senior management team since 2007

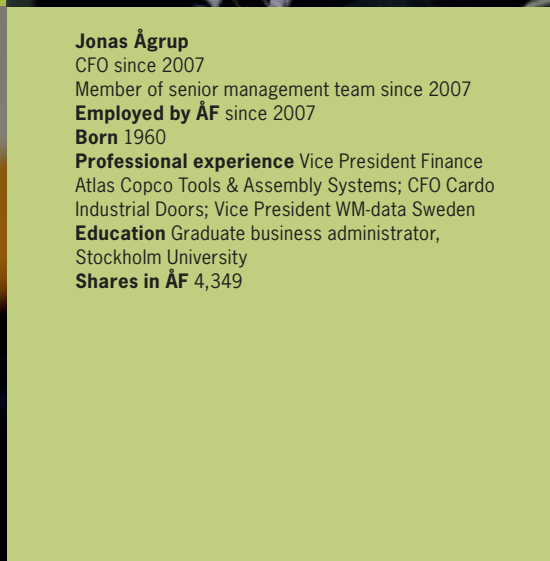
Employed by ÅF since 2007

Born 1960

Professional experience Vice President Finance Atlas Copco Tools & Assembly Systems; CFO Cardo Industrial Doors; Vice President WM-data Sweden

Education Graduate business administrator, Stockholm University

Shares in ÅF 4,349



ANNUAL GENERAL MEETING

Shareholders in ÅF AB (publ) are invited to the Annual General Meeting that will commence at 17.00 (5.00 pm) on Monday 2 May 2011 at the company's head office (address: Frösundaleden 2, Solna, Sweden).

Entitlement to attend

Shareholders who wish to participate in the Annual General Meeting must:

- have their names entered in the shareholders' register maintained by Euroclear Sweden AB by Tuesday 26 April 2011 at the latest, and
- confirm their intention to participate to the company's head office by 16.00 (4.00 pm) on Wednesday 27 April 2011 at the latest.

Shareholders who have elected to use a nominee for their shareholding must temporarily re-register their shares in their own name if they wish to exercise the right to participate in the Annual General Meeting. Shareholders who wish to do this must inform their nominee of their intention in good time before 26 April.

Registration

Notice of an intention to participate in the Annual General Meeting may be made to:

ÅF AB
Legal
SE-169 99 Stockholm,
Sweden

or via the ÅF Group website: www.afconsult.com/agm2011

Please specify your name, personal or corporate identity number, address, phone number and your registered shareholding. The notification of attendance must be accompanied by documentary proof of

entitlement to attend the meeting (power of attorney, registration certificate, etc.).

The official call to attend the AGM is published on the ÅF Group website: www.afconsult.com

Dividend

The Board of Directors proposes a dividend to shareholders of SEK 4.00 per share. It is proposed that Thursday 5 May 2011 be made the record day for the right to receive this dividend. It is anticipated that payment will be made via Euroclear Sweden on Tuesday 10 May.

Financial reporting schedule for 2011

Interim report (3 months): 2 May
Interim report (6 months): 14 July
Interim report (9 months): 17 October

ÅF's annual Capital Market Day will be held in September.

The annual report is published in a Swedish and an English version and sent to all shareholders who request a printed copy. Orders can be placed via the website www.afconsult.com or over the phone. Downloadable PDF versions of the annual report and other financial reports are available on the Group's website.

ÅF OFFICES

Sweden

Alingsås
Arboga
Borlänge
Borås
Enköping
Eskilstuna
Falun
Gällivare
Gävle
Gothenburg
Halmstad
Helsingborg
Hässelholm
Jönköping
Kalmar
Karlskoga
Karlskrona
Karlstad
Kiruna
Kristianstad
Linköping
Luleå
Malmö
Mora

Norrköping
Nynäshamn
Oskarshamn
Piteå
Skara
Skellefteå
Skövde
Sollefteå
Stenungsund
Stockholm
Sundsvall
Söderhamn
Södertälje
Tavelsjö
Trollhättan
Uddevalla
Umeå
Uppsala
Varberg
Västerås
Växjö
Åmål
Örebro
Örnsköldsvik
Östersund

Czech Republic

Brno
Mělník
Pardubice
Plzeň
Prag

Denmark

Copenhagen
Herlev
Randers
Kalundborg

Estonia

Narva
Tallinn
Viljandi
Võru

Finland

Tampere
Vantaa

Germany

Hamburg

India

New Delhi

Indonesia

Jakarta

Italy

Rome

Kazakhstan

Astana

Lithuania

Kaunas
Vilnius

Nigeria

Garki Abuja

Norway

Bodø
Lillestrøm
Oslo
Sandefjord
Moss

Russia

Moscow
St Petersburg
Yekaterinburg

Scotland

Edinburgh

South Africa

Durban

Spain

Madrid
San Sebastian

Switzerland

Baden

Thailand

Bangkok

Turkey

Ankara

Vietnam

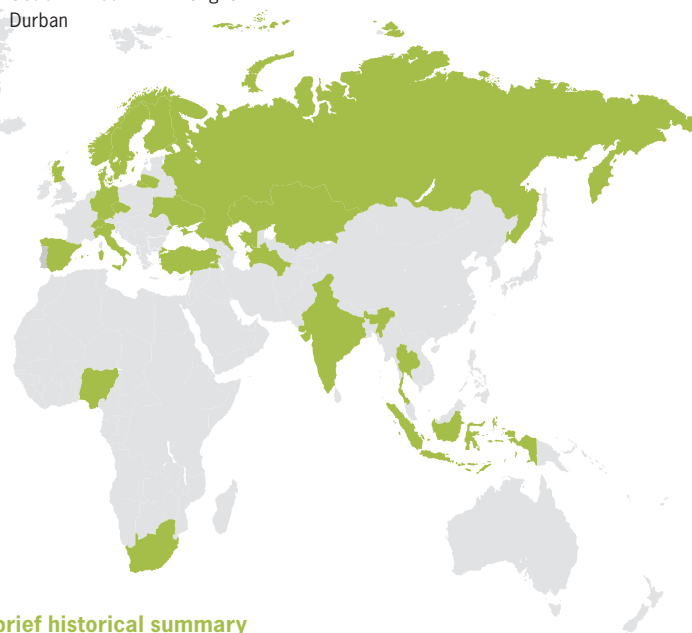
Hanoi

Turkmenistan

Aschabad

Ukraine

Kremenchuk



Group Head Office

ÅF AB

Visitor's address: Frösundaleden 2, Solna
Post address: SE-169 99 Stockholm, Sweden
Tel +46 10 505 00 00

Fax – Senior Management: +46 8 653 56 13

Fax – Reception: +46 10 505 00 10

For further information about addresses,
please see www.afconsult.com

A brief historical summary

On 23 February 1895 Södra Sveriges Ångpanneförening was created when a number of steam generator owners in the south of Sweden joined forces with the aim of preventing accidents and making more efficient use of steam power.

In the 115 years that have elapsed since then, ÅF has played a key role in the industrial developments that have revolutionised society.

The company has guided its clients through four major technology changes – steam, electricity, nuclear power and computerisation – and remained at the forefront of technology both in the industrial era and in today's information society.

AB Ångpanneföreningen was first listed on the Stockholm Stock Exchange in January 1986. On 5 May 2008 AB Ångpanneföreningen changed its name to ÅF AB, and today it is one of Europe's largest technical consulting companies.

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ÅF – leading the way in technical consulting.

**Our work focuses on energy and the environment,
investments in infrastructure and projects for industry.**

**Our base is in Europe, but our business and clients
extend right across the globe.**

**What makes us unique is our co-workers and the tech-
nical consulting industry's greatest bank of experience.**

It's all summed up in our corporate motto:

“ÅF – innovation by experience.”

Tel +46 10 505 00 00

www.afconsult.com

