



ÅF | Annual Report  
2012

Innovation by experience



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# ÅF at a glance

ÅF is a leading technical consulting company. Our work focuses on energy, 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, our networks and the technical consulting industry's greatest bank of experience. It's all summed up in our corporate motto: "ÅF – innovation by experience."

## Our 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

## Our mission

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

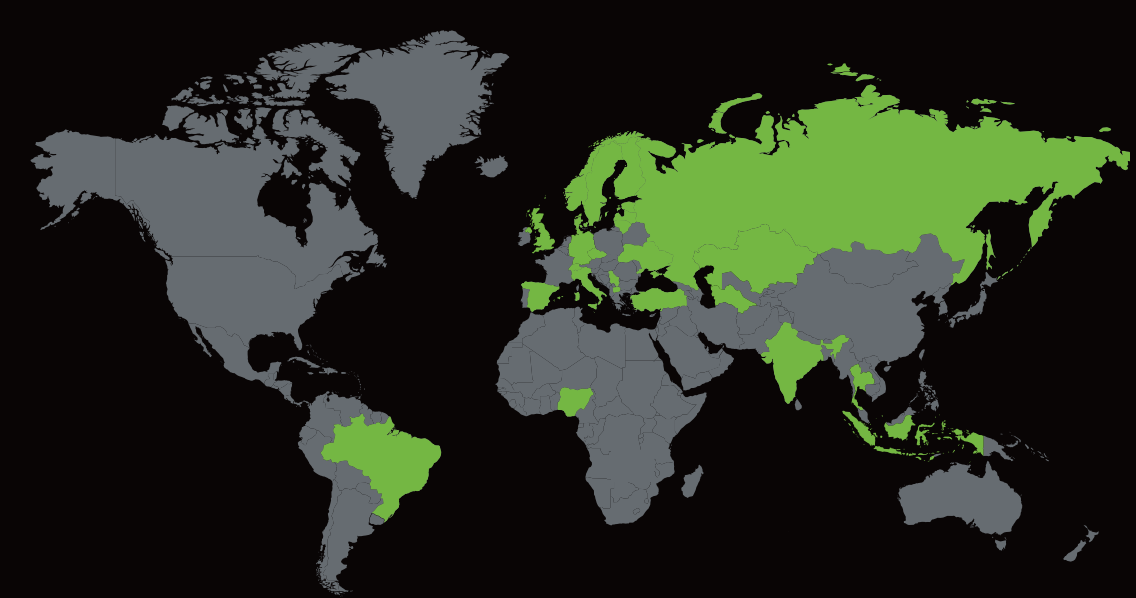
## Our motto

Innovation by experience

## Our core values

- Great people
- Teamwork
- Indisputable independence

# ÅF's market presence



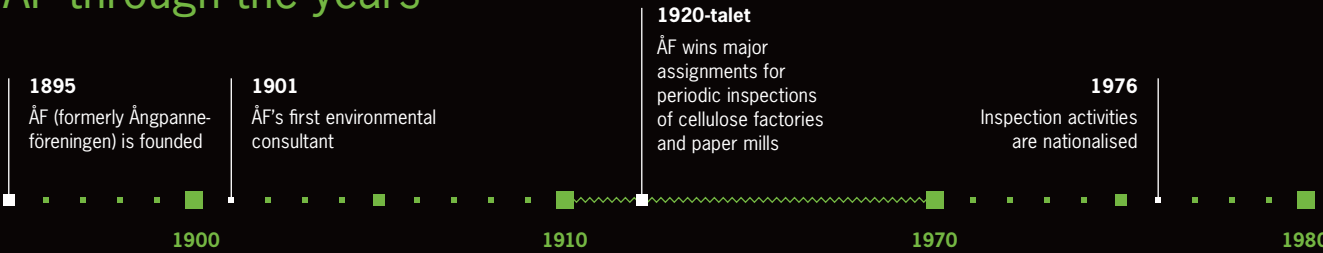
## Our market presence

Brazil	Kazakhstan	Sweden
Czech Republic	Latvia	Switzerland
Denmark	Lithuania	Thailand
Estonia	Macedonia	Turkey
Finland	Nigeria	Turkmenistan
Germany	Norway	UK
India	Russia	Ukraine
Indonesia	Serbia	Vietnam
Italy	Spain	

## Our 10 largest clients

Alpiq	Swedish Nuclear Fuel and Waste Management Company (SKB)
Ericsson	Swedish Transport Administration
Power Machines Russia	Vattenfall
Scania	Volvo Trucks
Stockholm Public Transport Authority	
Swedish Defence Materiel Administration (FMV)	

# ÅF through the years



# ÅF offers technical consulting services in three main areas



## Infrastructure

ÅF is one of the market leaders in Scandinavia in sustainable technical solutions for buildings and infrastructure projects.

Our clients are active in

- Property sector
- Road and rail

Contribution to Group sales

38%



## Energy

ÅF is one of the world's leading energy consulting companies.

Our clients are active in

- Nuclear power
- Hydropower
- CHP industry
- Renewable energy
- Transmission and distribution

Contribution to Group sales

33%



## Industry

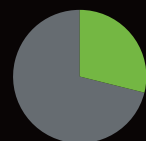
ÅF offers engineering services in all technologies and in all sectors of industry.

Our clients are active in

- Defence and security
- Automotive industry
- Mining
- Food processing and pharmaceuticals
- Telecommunications
- Oil and gas
- Forestry

Contribution to Group sales

29%



1981

From cooperative association to joint-stock company

1986

ÅF shares listed on the Stockholm Stock Exchange

1995

Major expansion. Inspection activities resume. ÅF celebrates 100th anniversary.

2002

Some 20 subsidiaries are amalgamated into five divisions with approx. 2,300 employees.

2007

*Business Week* names ÅF among Europe's Top 500 most expansive companies. Now 4,700 employees in all; 1,500 outside Sweden.

2008

Ångpanneföreningen changes name to ÅF after 113 years.

2010

Inspection activities sold to DEKRA Industrial.

2012

ÅF merges with Epsilon and now has approx. 6,900 employees in four divisions.

1990

2000

2010

2020

# The year at a glance

Net sales totalled SEK

## 5,796

million (5,124)

Operating profit totalled SEK

## 481

million (426)

Profit margin was

## 8.3

(8.3) %

Earnings per share before dilution were SEK

## 10.13

(9.07)

Dividend per share<sup>1)</sup> SEK

## 5.50

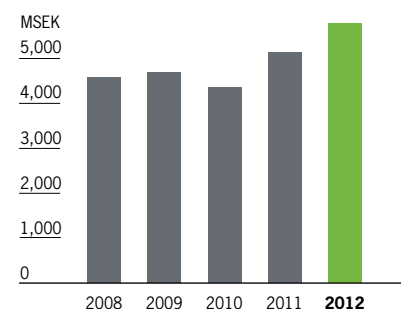
(5.00)

Average number of FTEs

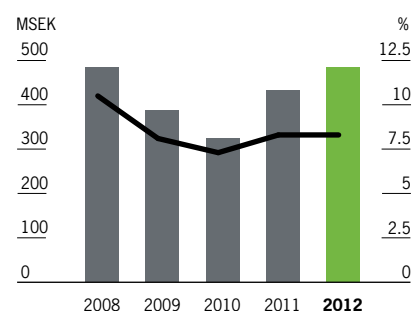
## 4,808

(4,367)

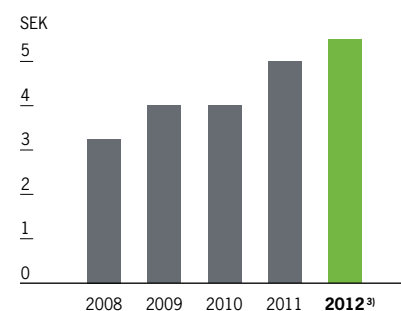
Group net sales,  
MSEK



Group operating profit  
and operating margin, excl.  
capital gain<sup>1)</sup>, MSEK



Dividend per share<sup>2)</sup>

<sup>1)</sup> Relates to sales of business.<sup>2)</sup> A 2:1 share split was implemented on 2 June 2010. Comparative figures adjusted.<sup>3)</sup> Proposed dividend.

### Financial summary

	2012	2011
Net sales, in millions of SEK (MSEK)	5,796.4	5,124.1
Operating profit, MSEK	480.5	426.5
Operating margin, %	8.3	8.3
Capacity utilisation, %	74.2	73.1
Profit after net financial items, MSEK	476.6	425.8
Average number of employees (FTEs)	4,808	4,367
Equity per share, SEK	87.32	72.38
Equity/assets ratio, %	45.5	59.4
Return on equity, %	13.3	13.0
Earnings per share before dilution, SEK	10.13	9.07
Dividend per share, SEK	5.50 <sup>1)</sup>	5.00

<sup>1)</sup> Proposed dividend



“Following our merger with Epsilon we now have almost 7,000 employees and sales of around 8 billion Swedish kronor a year.”

# ÅF has the wind in its sails

**Jonas Wiström explains** the background to the developments behind last year's strong growth and looks ahead to new goals and new challenges for ÅF. Sustainable development is the engine for future growth. Experienced, innovative engineers are the professionals who will keep that engine running.

## **Jonas Wiström, how would you summarise 2012?**

“ÅF has once again demonstrated its strengths in a time of uncertainty. In terms of sales and profits 2012 was yet another record year for ÅF. The fourth quarter was our best ever. Clearly, the single most important event during the past twelve months was our merger with Epsilon. That took place too late in the year to have a noticeable effect on figures, but following the merger we now have almost 7,000 employees and sales of around 8 billion Swedish kronor a year.”

## **How have the markets developed in the three fields where ÅF is active?**

“Infrastructure continued its impressive development, thanks both to its proficiency in managing current projects and to its success in winning prestigious new assignments. Sweden is important in fuelling growth in this area, but trends have been positive throughout Scandinavia. Our acquisition of Advansia, with its exemplary track record of expertise in managing major infrastructure projects, greatly consolidated our position in the Norwegian market.

“In the industrial sector we further cemented our status as a market leader in Scandinavia. Many of the year's assignments related to efficiency improvements to processes and production plants, an activity that is always in demand at all stages of the economic cycle. The market for R&D and IT-related services, on the other hand, was somewhat weaker.

“Energy-market clients continue to adopt a wait-and-see approach, primarily because of concern about how the broader economy will develop. A downturn in electricity consumption and uncertainty about what lies ahead have made it more difficult to cost future projects and this has sapped the



will to invest. The market in Scandinavia developed satisfactorily, while business further south in Europe was affected by the Eurozone debt crisis and by unpredictability about what tomorrow's energy systems will look like."

### **What about the acquisition of Epsilon?**

"The merger adds a further 1,600 highly skilled engineers to our numbers and also gives us access to a well-established network of sub-consultants across the entire spectrum, from ambitious students eager to demonstrate their newly acquired skills to experienced partner companies with far-reaching specialist competence. With these resources we can be sure of offering the ideal consultant for every assignment so we can always deliver the very best solution for our clients."

### **ÅF's target is to achieve sales of one billion euros in 2015 and to be the industry's most profitable company. The time is fast approaching. What is the next step?**

"We will now gather our strengths and make full use of the potential for synergies that our merger with Epsilon has produced. There is a great deal to be gained in terms of both costs and earnings. That is our top priority for 2013.

"At the same time we will also be looking ahead; 2013 will see the start of our work to formulate a new vision for the future, a road-map for our development up to 2020 and beyond."

### **In recent years ÅF has won more and more really big contracts – work on the Stockholm Bypass and a hydropower project in Switzerland, for example – worth hundreds of millions of kronor. What has brought this about?**

"As ÅF has grown, our structural capital in the form of our collective pool of knowledge and experience has grown too. This has strengthened our competitiveness in administering big projects effectively and with a high level of quality. Today we can offer clients expertise to reinforce their own resources in their project activities, or we can shoulder full responsibility for large project deliveries. This is where our network concept will really make a difference to our future delivery capacity and our opportunities for growth."

### **ÅF carries out assignments in more than 80 countries. What systems do you have in place to prevent bribery and corruption?**

"In 2012 sustainability-related issues in trade and industry attracted a great deal of attention. There were several high-profile scandals. ÅF realised many years ago that there are huge business risks involved in not taking these issues extremely seriously. For this reason all ÅF employees are required to complete a compulsory web-based training programme in sustainability issues. This training includes environmental issues, of course. We have also built routines into our business support system. We have expanded the scope of our

risk analysis at the tendering stage to make sure that we pay special attention to assignments that require more comprehensive sustainability screening. It is this screening process that identifies the sustainability risks that need to be addressed. We have also created a whistle-blowing mechanism that co-workers can use to bypass all the usual tiers in the managerial hierarchy and alert the ÅF Board's Audit Committee directly of any perceived deviations."

### **In 2012 you celebrated ten years as ÅF President. What changes have you seen in that time?**

"ÅF has grown considerably – and that growth has been achieved alongside increased profitability. Today ÅF is worth twelve times more than when I took the helm. Naturally, that's a source of great satisfaction.

"What pleases me most of all, however, is how much ÅF has increased its appeal as an employer. We have risen from 85th place to rank in 2012 as Sweden's fifth most popular employer when young professional engineers are asked to choose their dream workplace. ÅF even figures in the list of Europe's Top 50 most popular employers (all categories). Today we are one of Sweden's biggest and most attractive employers for engineers and I am proud of that achievement. I have a really fantastic job. Working in a strong team with outstanding co-workers and clients who always demand the very best of you is a great way to develop. It's a privilege I often reflect upon."

### **What can clients, co-workers and shareholders expect over the next few years?**

"We will intensify our collaboration with our clients, broadening our role as a supplier to become more of a partner to them. Building mutual trust and confidence will help us create the most effective solutions to meet the challenges of the future. The greater the contribution to our clients' profitability we make, the more successful we will become.

"Tomorrow's society must be more sustainable and deliver a greater measure of welfare to the ever increasing numbers of people in this world. I am convinced that this can be achieved by a combination of technical advances and courageous political decisions. Experienced, innovative engineers will play a central role in creating the sustainable growth the world needs.

"Finally, I would like to thank our clients for the confidence they have shown in us, and our co-workers for their part in the successes we have achieved in the market. Many of them have made truly extraordinary contributions over the past year.

"Despite the shadows cast by current economic uncertainties, I look to the future with confidence and keen interest. From the vantage point of the robust platform we have built together, I see that our success story has every opportunity of continuing."

Stockholm, Sweden – March 2013

Jonas Wiström  
President and CEO

# 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.

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# CORE VALUES

- Great people
  - Teamwork
  - Indisputable independence
- 

# MOTTO

Innovation by experience

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# 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 productivity in our projects and reduces costs for 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 the biggest names 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.



## 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 that by 2015 at least 25 percent of the company's consultants and managers will be women.

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

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

### Sustainability objectives

ÅF works resolutely to become a more sustainable company. Three overarching sustainability objectives constitute the basis for the company's sustainability work:

By the year 2015 ÅF aims to:

- have halved its CO<sub>2</sub> emissions (compared with the base year, 2009, per co-worker).
- always offer clients a "green" alternative in the form of a more sustainable solution to every assignment.
- be the technical consultant that clients consider can best solve the challenges of the future.

2011 saw the launch of ÅF's corporate sustainability policy and, based on that, a process framework for more sustainable projects and assignments.

Read more about ÅF's work with sustainability issues in the GRI report on pages 43–47.

## Strategies

Business activities are conducted as decentralised operations.

- 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. While a concerted effort will be made to develop the business in a way that makes use of every opportunity to achieve realisable synergies, 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.

When a client assigns ÅF to carry out a project, it is more than likely that ÅF has already performed a similar assignment at some earlier date. For this reason, ÅF's business support system has been specially designed to ensure that the knowledge and experiences represented within the ÅF Group can be shared freely among ÅF employees. The Group's IT platform – ONE – facilitates this process. ONE acts as a driving force for collaboration within ÅF and with clients and subcontracted suppliers. ONE also guarantees an up-to-date 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 accessible throughout the ÅF Group that also serves as the ÅF intranet.

ÅF's central process framework has been designed to quality assure the activities of ÅF, ensure that they are environmentally adapted and that assignments are performed in a manner that complies with legal and other requirements. The process framework includes ÅF's business management and support systems together with the routines, instructions and shared tools that make sure that business activities meet the criteria for certification for environmental and quality management in accordance with ISO 14001:2004 and ISO 9001:2008.



**Ulrika Lundgren** is head of Mergers & Acquisitions at ÅF and has extensive experience of strategic and acquisition issues, from both the financial sector and industry. She leads the operational work involved in ÅF's long-term commitment to growth through acquisitions. Our balance sheet is primed for more acquisitions that tie in with the strategy of being the market leader or number two in segments the Group chooses to operate in.

## THE MERGER – FACTS AND FIGURES

- Around 1,700 consultants from Epsilon are being integrated into the ÅF Technology and Industry divisions.
- Epsilon has 26 offices in Sweden and two in Norway.
- The initial purchase price was SEK 1.7 billion; SEK 850 million was paid in cash, the balance in the form of 5,985,915 new class B shares in ÅF. An additional consideration of up to SEK 1.1 billion may be payable.
- The Dan Olofsson family is now the largest shareholder in ÅF through Danir, and the second largest in terms of voting rights; Ångpanneföreningen's Foundation for Research and Development retains the highest number of votes.

# A merger for the future

**The news broke on 18 October 2012** – ÅF was to merge with Epsilon. The companies had been eyeing each other up for some time and had been impressed by what they had seen. The process had moved up a gear over the summer and it was soon clear that here were two partners who were simply made for each other. Together they could lead the way.


The industrial logic was clear. The companies complemented each other in terms of expertise and client base. Their corporate cultures were also a good fit. All that had to be resolved were the technicalities. In the end, the merger took the form of the acquisition of Epsilon from Danir, a company owned by IT entrepreneur Dan Olofsson and family.

Ulrika Lundgren is head of Mergers & Acquisitions at ÅF and is also one of the project managers for the integration work. She has the following to say about the merger:

“Our strategy at ÅF is to be the market leader or the number two in the segments we operate in. The Epsilon acquisition was very much in line with this and will strengthen the position of both the Technology and Industry divisions. Epsilon is strong in product development, and the merger will enable us to change the playing field and create the market-leading position we're after. Around 80 percent of Epsilon's employees have been absorbed into the Technology Division, making this the largest of ÅF's four divisions. The remaining 20 percent have reinforced the Industry Division. ÅF and Epsilon now constitute one of northern Europe's leading technology consultancies with a strong base for future profitable growth. The new group's offering will be integrated under an even stronger ÅF brand.

“We expect to be able to realise around SEK 50 million in cost synergies, and at least as much again in revenue synergies. We'll be choosing the very best that each part of the organisation has to offer, and making it even better. One example is Epsilon's networking concept. This systematic approach to working with sub-consultants provides access to an enormous pool of resources – approximately 16,000 people, who can quickly be called in to assist clients.

“Reactions to the merger – from clients, co-workers and the finance market – have been very positive.”

A man with a shaved head and a light beard is smiling and looking towards the camera. He is wearing a dark grey suit jacket over a white shirt and a patterned tie. He is sitting in a red upholstered chair. The background is a blurred office interior with large windows.

“ With such a large and diversified company like ÅF behind you, there’s always someone you can turn to in a tricky situation.

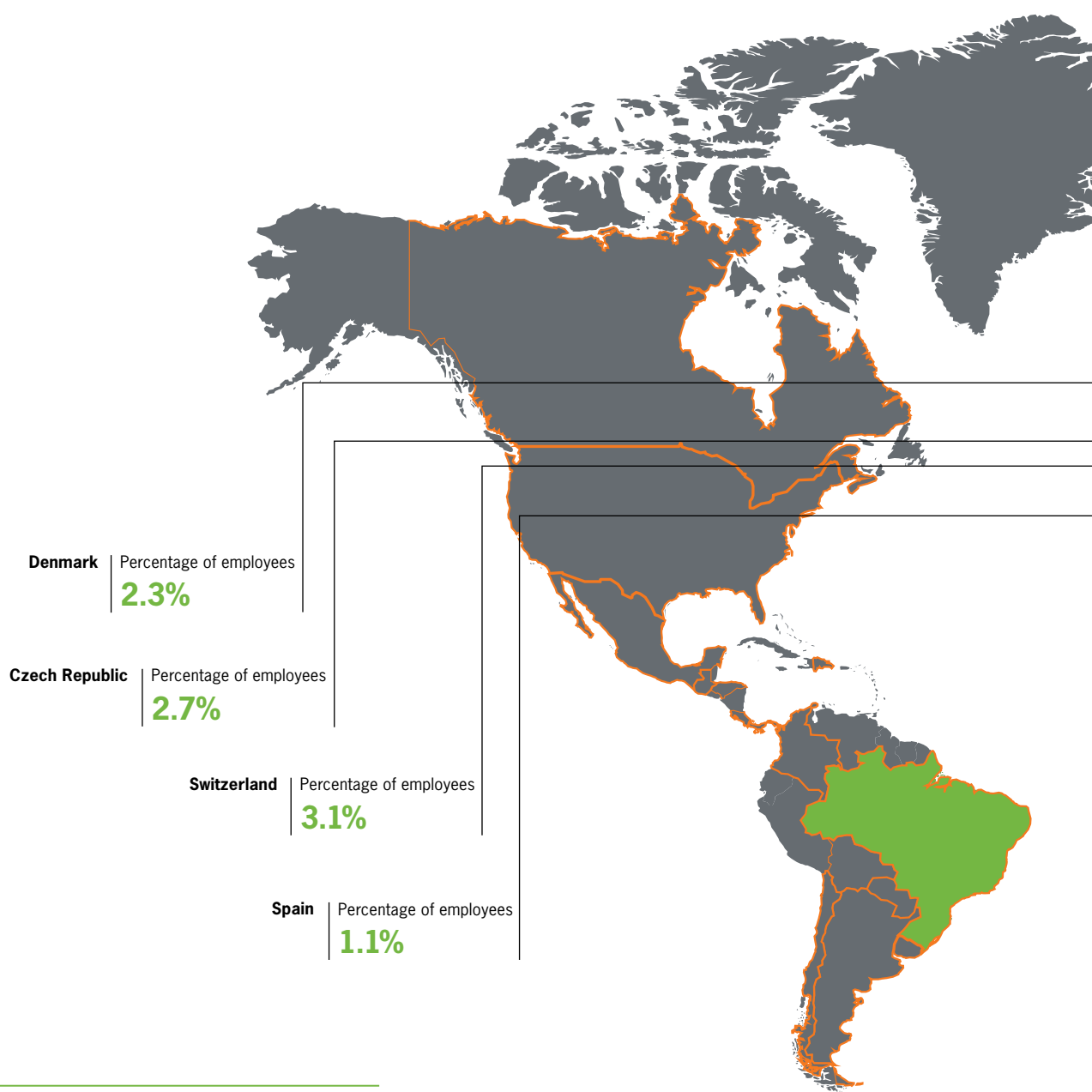
**Stefan Wertheimer is a graduate engineer and automation specialist.**

After working abroad for a couple of years Stefan is now a project manager in logistics and automation at ÅF in Gothenburg. Away from work he enjoys playing golf, fishing and spending time with his one-year-old daughter.

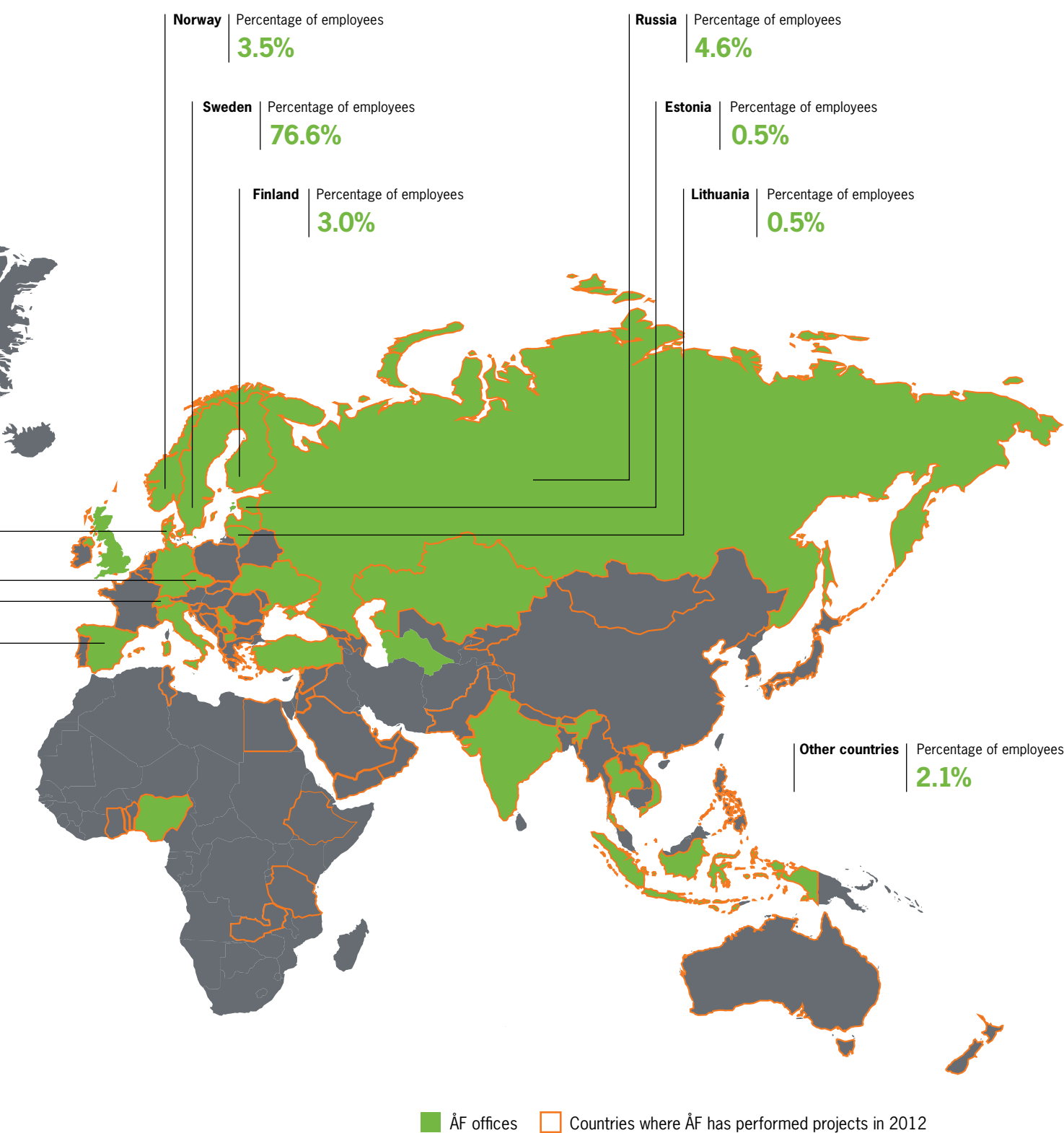
“I want to face exciting new challenges every day so that I can keep on developing. With a large and diversified company like ÅF behind you, there’s always someone you can turn to in a tricky situation. There’s a feeling that people are always willing to help. I feel secure working for ÅF. The company offers me the professional challenges I’m looking for. There are also great opportunities for advancement or testing your skills in a new area. Both are actively encouraged at ÅF.”

# ÅF's market presence

**ÅF has a total of some 6,900 employees** in more than 100 locations in around 20 countries on four continents – Europe, Asia, South America and Africa. In 2012 ÅF performed projects in more than 80 countries worldwide.



Scan the QR code into your phone or tablet to connect to a list of ÅF's offices worldwide.





# Great people

**ÅF has grown significantly** in recent years, thanks partly to its increasing appeal as an employer and partly to its reputation as an experienced and proactive partner in acquisitions. In the current era of growth and internationalisation ÅF's corporate culture and brand are important in providing a firm platform on which to build. The objective is clear: Human Resources work is to support growth, contribute to greater profitability and provide quality-assured HR processes.

ÅF is involved in many large and prestigious projects that present challenges while enabling the company and its co-workers to develop. At ÅF, engineers with many years' combined experience of solving technical problems work alongside graduates who are fully familiar with the most up-to-date research from the very best universities. Both the technical and business aspects of consultants' work are developed continuously.

As the internationalisation of the Group picks up pace, the systems, procedures and methods connected with HR have themselves become increasingly international.

## ÅF's corporate culture

ÅF employees are people who surpass client expectations with their solutions and their combination of technical expertise and business skills. They are also good communicators, team players and listeners. They have a positive attitude, keep the promises they make and treat clients with respect.

## A workplace where you can feel at home

ÅF has adopted a long-term, focused approach to HR issues at all levels in the company and uses regular employee surveys to assess the prevailing mood within the Group. ÅF wants employ-

ees to feel at home at work, take pride in what they do, have confidence in their managers and enjoy the team spirit that comes from working closely with their colleagues. These are the demands made of today's employer by its employees. In response to the question of how much they enjoy working for ÅF, 82% of employees gave ÅF top marks.

In order to foster effective HR policies, salary-setting criteria, equal opportunities and a good working environment, ÅF has developed coordinated procedures, rules and values.

## Balancing the gender mix

ÅF is working towards a balanced gender mix, with an initial target of 25% female representation among consultants and managers by 2015. At least one female candidate must be shortlisted every time a new managerial post is advertised. At the end of 2012 the situation was as follows (figures for 2011 in brackets):

- 20% (20%) of ÅF consultants were female.
- 17% (18%) of ÅF managers were female.
- 22% (25%) of recent recruits (less than one year at ÅF) were female.
- 22% (23%) of the entire workforce was female.
- Three – or 30% – of the ten members of the ÅF board elected by the AGM were female.

## A wealth of development opportunities

Working as an ÅF consultant offers considerable opportunities to develop, for example in different professional roles, at different levels of expertise and in different locations at home and abroad. ÅF offers three distinct career paths: project manager, specialist/expert and manager. Each features a number of different roles, levels and stages. In 2013 a project will be launched to develop the ÅF career model even further.

## THE INDUSTRY'S MOST EXTENSIVE BANK OF EXPERIENCE

- ÅF is an international workplace with an established presence in more than 20 countries.
- At the end of 2012 ÅF had a total of 6,867 employees.
- In 2012 ÅF co-workers performed projects in more than 80 countries.

Whichever career path is chosen, there are huge opportunities for consultants to develop within their roles and also to switch between roles, for example between project manager and specialist.

Career paths provide support for setting individual targets and action plans, not least through the annual personal development reviews between managers and employees.

### 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 foundation courses as well as specialised advanced courses and training tailored to individual requirements, all firmly founded on the ÅF approach to sound entrepreneurial skills. Lecturers and facilitators come both from within ÅF and from external service providers. The 2012 programme comprised courses in leadership, sales training, commercial skills and service.

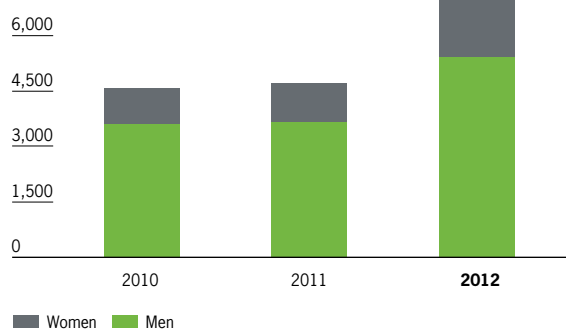
### Certification

At the ÅF Academy, ÅF project managers undergo training to obtain certification in accordance with the European accreditation standard, IPMA. There are four different levels of certification: A, B, C and D. ÅF has again confirmed its leading position by having more IPMA-certified project managers than any other company in Sweden.

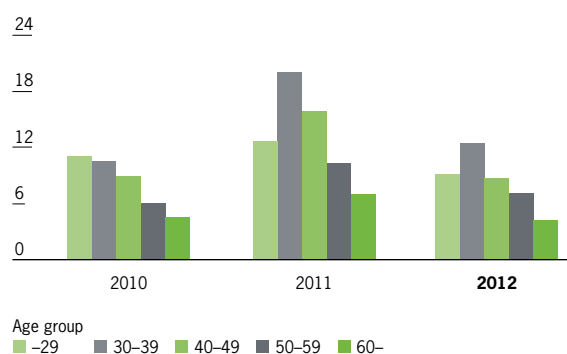
### Business Executive Leadership Programme

ÅF's Business Executive Leadership Programme is a joint venture with IFL Executive Education that is aimed at selected managers in the Group. Training is spread over twelve months, during which participants acquire a deeper understanding of ÅF as a company and develop better strategic planning, international leadership and communication skills. Courses are arranged at regular intervals, usually every other year. In 2013 participants will be chosen for the next programme, which starts in 2014.

### Number of employees (all forms of employment)



### Staff turnover (resignations), by age group %



Age group

20-29 30-39 40-49 50-59 60+

Staff turnover based on resignations. Total 2012: 9.2 percent (14.6).



### 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. The course leads to certification at four levels and the initiative has attracted great interest and acclaim throughout the industry, while giving individual employees outstanding opportunities for professional development. The course is also open to clients and other industry stakeholders. Sixty people took part in the 2012 programme, bringing the total to have received certification since the academy was started to around 400. The academy also offers contract training programmes to a broad spectrum of stakeholders in the nuclear power industry.

### The ÅF salary model

For some years now ÅF and the trade unions in Sweden have been using their own system to set salaries at a local level. The basic principle builds on the assumption that local managers have the clearest understanding of the scope for salary increases in the context of their own operation's profitability,

the market situation, demand, performance and development. Salary-setting criteria, processes and schedules are familiar to and broadly accepted by both employees and those managers who set salaries.

The result is that managers feel that they have greater responsibility to set salaries at levels that can be clearly motivated. Dialogue between employer and employee also improves, partly because annual personal development reviews take on greater importance.

However, this system requires careful monitoring functions, so ÅF has developed a salary auditing system to support this work.

In 2012 Almega, the employer organisation for the Swedish service sector, recognised the importance of this model by awarding ÅF the "Gold Medal for Salary Setting" in Sweden.

### Variable salaries and Group bonus

The four ÅF divisions have adopted different systems for variable remuneration packages; some are based on the results of the division as a whole, while others are directly linked to individual performance.

### Age distribution

Age	Percentage				
	2012 men	2012 women	2011 men	2011 women	2010
–29	14.4	5.4	11.4	4.2	13.4
30–39	23.8	7.4	21.7	7.7	31.5
40–49	18.3	5.4	20.5	6.4	27.2
50–59	12.2	2.7	14.6	3.4	17.5
60–	9.0	1.4	8.4	1.7	10.4

### Average age

	Percentage		
	2012	2011	2010
Average age (all employees)	41.2	42.8	43.3

### Length of employment

Years of employment	Percentage		
	2012	2011	2010
–2	37	30	22
3–5	23	27	33
6–10	19	17	18
11–20	14	16	16
21–	7	10	11
Average length of employment	6.4	7.5	7.9

### Sickness absence, %

	2012	2011	2010
Sickness absence at ÅF	2.0	1.9	2.1

### Other benefits

Other benefits open to ÅF employees vary from country to country depending on local practice and national tax regimes. Examples include occupational pensions, favourable insurance deals, company cars and discounts on various products and services. All ÅF Group employees, however, are entitled to rent one of the cottages or apartments that are owned, managed or leased by the ÅF Staff Foundation.

### Talent Greenhouse

Recruitment is a key priority if ÅF is to achieve its goals for organic growth. For this reason, ÅF introduced a new global recruitment system in 2012. The "Talent Greenhouse" system handles both external and internal recruitment. This has led to greater transparency in the internal labour market and made it easier for external applicants to keep up to date with vacancies at ÅF. The system also enables potential recruits to subscribe to information about jobs that might appeal to them, register their interest and upload their CV onto a searchable database for recruiting managers to use.

## SWEDEN'S BEST TECHNICAL CONSULTANT

In the 2012 Career Barometer survey ÅF was voted Sweden's most attractive technical consulting company and the fifth most popular employer among all Swedish companies.

The Career Barometer is an annual survey conducted by Universum Communications, a world leader in employer branding studies. All respondents are "young professionals" no more than 40 years old, with an engineering degree plus two to eight years' working experience.

More than 3,000 engineers took part in the Swedish survey, while the European survey canvassed 6,000 technology students.

### Education, %

	2012	2011	2010
Postgrad. licentiate or Ph.D. studies	3.7	3.7	3.8
University degree	57.5	54.1	52.6
Other post-secondary education	15.6	16.4	15.5
Secondary education	23.2	25.8	28.1



Scan the QR code into your phone or tablet to go directly to the career pages on ÅF's website.



“ Our Employer Value Proposition is a way of sharpening up our already successful work with employer branding. It also provides valuable support in our communication with prospective co-workers.

**Greta Björling**, a graduate engineer from Sweden's Royal Institute of Technology, KTH, has previously worked for the Technology Division. As project manager for ÅF Employer Branding she is now responsible for conveying the company's Employer Value Proposition to everyone at ÅF who deals with potential new employees at careers fairs, events and meetings, as well as through various marketing channels.

## Finding exceptional employees

**An Employer Value Proposition.** The aim was to chisel out a genuine – and genuinely attractive – profile instead of the plethora of versions and personal “gut feelings” that were previously circulated about ÅF as an employer.

In a bid to get to the heart of the matter and go beyond empty words, a number of surveys and group interviews were carried out with ÅF employees. What attracts engineers when choosing an employer? Why do ÅF employees stay with the Group for so long? Why do they recommend ÅF to their friends? What sets ÅF apart from the competition?

Having found the answers to these questions and developed a platform, ÅF identified a number of concrete messages and visual identities that can be adapted to different target groups and markets – a range of offerings, positive associations and values that can be communicated in a way that gives potential recruits a good picture of ÅF.

### THE ÅF EMPLOYER VALUE PROPOSITION IN A NUTSHELL



**Passion.** If you are enjoying life, you perform better. That's why we encourage you to go ahead and do what you do best. When you do something that you are passionate about – at work or in your leisure time – we all stand to benefit from the positive energy this creates. It's our co-workers' passion for what they do that generates the creative environment at ÅF where thoughts and ideas can roam free.



**Team player.** At ÅF we know that success needs cooperation. That's why our company is full of true team players – people who are good at their job, passionate about what they do and happy to share their expertise with others.



**At the heart of technology.** ÅF is where it's all happening! As market leaders we are at the heart of technology. Wherever technology is to be found, we will be there too. Working for ÅF gives you access to an invaluable knowledge base as well as an extensive pool of collective expertise. Irrespective of the type of expertise you are looking for, you will find it at ÅF. We will help you to develop both the depth and breadth of your expertise.

# The best consultant for clients' needs

**Christer Carmevik** is responsible for the ÅF Partner Network. Here he shares his views on the network concept that is about to be rolled out throughout the ÅF organisation.

## Tell us about the network concept.

"Our network allows us to offer clients greater breadth and expertise in our services. We act as a career partner for engineers throughout their entire professional life – from student to experienced technical specialist – and provide opportunities for those seeking exciting new challenges. The network makes us even more attractive as an employer as we can offer talented people the most attractive forms of cooperation, as well as a career path for life. At the same time, it makes us stronger and more flexible as a service provider, able to deliver a good level of service, regardless of the state of the market."

## What kind of numbers are we talking about?

"We have over 16,000 independent partners and specialists in our network – all quality-assured through stringent CV background checks, interviews and client references."

## What will this do for growth at ÅF?

"The network will be yet another driver for growth at ÅF. It will increase the efficiency of the organisation, help to generate new business and promote strong organic growth. The concept will provide even more momentum for ÅF's business model as a whole. We expect it to make a major contribution to boosting sales."

## ONE NETWORK – FIVE ELEMENTS

- ÅF Future is for engineering and systems science undergraduates. It provides an opportunity for them to gain relevant work experience while studying – and also the chance of a first proper job as an engineer.
- ÅF Emeritus is for engineers and senior technicians who have retired or are nearing retirement. It allows consultants to contribute to clients' success, not because they have to, but because they want to and feel that they have more to give. However, they can do so on their own terms; in other words, at times that suit them and in projects that attract them.
- ÅF Alumni draws on former employees, who are offered an opportunity to benefit from an inspirational exchange of ideas between specialists of different ages.
- ÅF Candidate is for qualified, experienced engineers and systems science graduates who are interested in a career either as a consultant with ÅF or as an employee of one of our clients through the ÅF Recruitment Service.
- ÅF Partner is for collaborating companies, self-employed consultants, consulting firms and independent specialists who are eager to work with ÅF. This is the largest element of the network in terms of numbers and enables ÅF to offer clients additional expertise and breadth. Subcontracted consultants have access to enjoyable, stimulating and interesting projects.

# Market trends and business review

**ÅF is a leader in technical consulting** with the focus on energy, infrastructure and projects for industry. The company's base is in Europe, but its business and clients extend right across the globe. What makes ÅF unique is its co-workers, networks and the technical consulting industry's greatest bank of collective experience. It's all summed up in the corporate motto: "ÅF – innovation by experience."

## Four divisions in three industries

ÅF offers technical consulting services in three main areas: infrastructure, energy and industry. Four divisions work together to create the strongest teams, producing the very best solution for each and every client.

The International Division focuses on technical and financial consulting services in the energy sector, from advice about business models to implementing investments in power plants and the numerous environmental issues associated with these.

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 market.

The Technology Division has Sweden as the main focus of its operations, where it is recognised as an industry leader in

product development and defence technology, and also has a strong standing in telecommunications and IT.

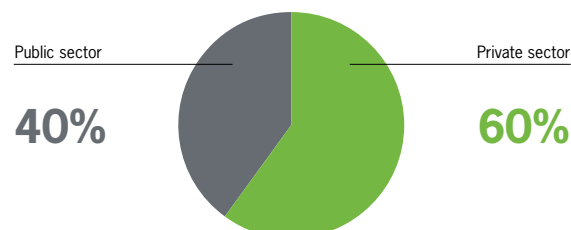
## Clients

Each year ÅF performs over 30,000 assignments for more than 12,000 clients. Assignments vary in length from just a few hours to hundreds of thousands. In 2012 ÅF's ten largest clients accounted for approximately 30 percent of total invoiced sales. They were Alpiq, Ericsson, Power Machines Russia, Scania, Stockholm Public Transport Authority, the Swedish Defence Materiel Administration (FMV), the Swedish Nuclear Fuel and Waste Management Company (SKB), the Swedish Transport Administration, Vattenfall and Volvo Trucks.

## Greater internationalisation

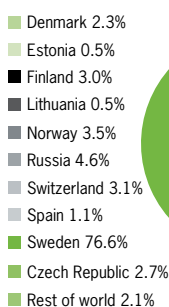
ÅF is becoming increasingly global with subsidiaries in more than 20 countries and operations and clients all over the world. In 2012 ÅF was involved in work on projects in more than 80 countries.

## Client base – sales by sector 2012



## Geographical spread of ÅF business

Number of employees per country, December 2012



ÅF's operations are becoming increasingly international. ÅF has offices in some 20 countries, but conducts business activities and attracts clients worldwide.

Expansion has taken the form of both acquisitions and organic growth. Key to the company's achievements has been the development of a uniform structure for skills development, building up banks of internal experiences, the ÅF intranet and brand identity, but also the success ÅF has enjoyed in communicating its values and targets throughout the entire Group. Every part of ÅF enjoys a high level of autonomy, which means that each unit is strongly rooted in its local market while being able to draw on the strength and stability of the entire global structure.

#### **Drivers for growth and change**

ÅF has participated actively in the consolidation of the technical consulting industry in recent years. This trend is expected to continue.

Increasing competition demands that resources are managed efficiently, and this has resulted in greater sourcing from countries with different cost structures.

ÅF expects future growth to be driven by urbanisation and the constant need for significant upgrades to energy systems, industry and infrastructure. The fact that the scope of such projects is often gigantic favours larger players. At the same time, long-term demand for raw materials and energy is likely to remain high, which will place ever greater demands on efficiency and resource management.

#### **The importance of a strong brand**

ÅF has worked consciously for a number of years to communicate its offering and values. Branding has resulted in a far greater awareness and recognition among clients, employees and other stakeholders. It has also facilitated integration with the companies acquired and paved the way for the recruitment of young employees from universities and competitors.

Employer branding expert Universum has charted the rise of ÅF from 87th place among Sweden's most attractive employers for engineers ten years ago to fifth place today. In Europe as a whole, ÅF ranks among the 50 most popular technology employers.

## **FOUR DIVISIONS IN THREE INDUSTRIES**

- The Industry Division in Scandinavia's leading industrial consultant.
- The Infrastructure Division has a leading position in the consulting industry for infrastructure development in Scandinavia.
- The International Division focuses on technical and financial consulting services in the energy sector.
- The Technology Division is a leading name in Sweden in product development and defence technology and also has a strong standing in telecommunications and IT.



# Market leader in Scandinavian infrastructure

## What does ÅF do?

ÅF offers a range of technical consulting services for projects involving infrastructure planning and other aspects of infrastructure in the private and public sectors. ÅF currently holds a leading position in the real estate, construction and infrastructure sectors, where infrastructure includes roads, tunnels and traffic interchanges. ÅF also has considerable expertise in rail traffic. Many of the company's projects incorporate a clear environmental dimension or answer the need to increase efficiency.

ÅF has grown substantially in this area in recent years, thanks primarily to its involvement in large-scale public investments such as the New Karolinska University Hospital, the Stockholm Bypass project, the City Tunnel in Malmö and the West Link rail tunnel in Gothenburg. On the real estate front, demand for ÅF's services has been fuelled by a steadily increasing need for greater energy efficiency.

## ÅF's market presence

Scandinavia and the Czech Republic are the division's domestic markets.

The division's expertise in Scandinavia extends to all areas of infrastructure. The company is one of the leading names in the infrastructure market in Sweden, particularly in real estate, and is gradually building up its offering in Norway and Denmark.

In Norway, ÅF now enjoys a very strong position in project management that will help to consolidate the company's standing as a project manager throughout the whole of Scandinavia. By way of example, ÅF is project managing the expansion of Gardermoen airport in Oslo. See pages 28–29.

In Denmark ÅF is building up a platform for its very strong and internationally appealing concept in lighting. Other parts of the company's infrastructure offering are also attracting steadily growing interest in the Danish market.

In the Czech Republic ÅF has a strong position in railways and has established a firm foundation for continued expansion.

## Why clients choose ÅF

ÅF offers services across a very broad spectrum. An extensive track record of successful projects in numerous different areas of expertise means that ÅF not only proposes the right solutions but is also able to reliably predict the cost of these solutions. ÅF's growth in recent years has also seen the company acquire the critical mass that is necessary to shoulder the role of project manager for really big projects.

## Market and outlook

Scandinavian clients continue to show great interest in projects that benefit the environment or improve energy efficiency.

In Sweden a number of extremely large infrastructure projects are under way with an investment horizon that extends several years into the future. Given that ÅF has already won many contracts for feasibility studies, pre-studies and design proposals relating to these projects, the company is now in a strong position to capitalise on this in the years ahead.

The level of investment in infrastructure also remains high in Norway and Denmark, which suggests that there is plenty of potential for ÅF to grow in these markets, too.

Overall, the long-term growth prospects for infrastructure consulting services are expected to remain healthy.





# One of the world's leading energy consultants

## What does ÅF do?

In the energy sector, ÅF offers the full scale of technical and financial advisory services in the fields of renewable energy, nuclear, hydro and thermal power, as well as services linked to power distribution, different types of market modelling studies and energy policy issues.

Services can extend over the entire life cycle of a project, from pre-studies and design to implementation and commissioning. Typical projects include reports on energy markets and the production of documentation needed to make decisions on investments in new or existing power stations. These projects are often linked to clients' sustainability work to produce energy more efficiently and with fewer emissions. In addition, ÅF also offers services for the operation of power plants and management of energy utility businesses. Clients include public and private companies, such as energy sector investors, governments, and banks.

ÅF also possesses extensive expertise in renewable energy sources such as biomass and waste, as well as solar, wind and wave power, even though these still represent only a small share of the overall energy market.

## ÅF's market presence

ÅF's domestic markets are the Nordic countries, Switzerland, the Czech Republic, Spain, Russia and the Baltic countries.

ÅF has a strong position globally as the world's seventh-largest international consulting company in the power industry with more than 2,000 ongoing projects in over 70 countries, and is a market leader in its domestic markets.

## Why clients choose ÅF

ÅF has wide-ranging experience of various energy markets, types of energy, technical solutions, power stations and geographical markets. ÅF also offers cutting-edge expertise in certain specialist areas where it is regularly called upon to assist in one-off projects.

ÅF attaches considerable importance to developing its frameworks for sustainability and responsible business. It expects that these factors will play an increasingly important role when clients are choosing their future suppliers.

## Market and outlook

From a global perspective, caution continued to restrain overall investments in the energy market in 2012. Economic turbulence and falling energy prices meant that some investment decisions were delayed due to financing. Investments in nuclear power were hit particularly hard following the Fukushima accident in Japan in 2011. However, some segments of the market – transmission and distribution, nuclear power in Brazil and certain projects in the Balkans, for example – did report good growth. Demand was relatively strong in Sweden and the other Nordic countries, and was often related to efficiency improvements to existing plant.

ÅF expects demand in the Swedish and Nordic markets to remain healthy in 2013, while the global market as a whole and Europe in particular seem set to be dogged by continuing uncertainty.



# Scandinavia's largest industrial consultant

## What does ÅF do?

ÅF's range of services for industrial clients includes everything from product development to the development of industrial processes. The company works across a broad spectrum of sectors, from the automotive industry to pharmaceuticals.

Many of the company's projects are linked to sustainability improvements, and range from product development, where environmental awareness is embedded in the entire production chain, to the creation of more efficient processes to improve performance, reduce energy consumption and upgrade the working environment. ÅF is one of the leading names in Europe in industrial automation and has built up Sweden's largest skills base in advanced technical calculations. This can be used, for example, to optimise production processes and choice of materials.

## ÅF's market presence

Sweden, Norway and Denmark are ÅF's domestic markets in terms of industrial consulting.

ÅF is the market leader in Sweden and is Scandinavia's largest independent technical consulting company in its field. As Sweden is a leading industrial nation in many different sectors, ÅF generally has a strong position there.

In Norway the offshore industry has a strong position, while Denmark enjoys a reputation as a world leader in certain segments of the food and pharmaceuticals industries. ÅF is continuing to strengthen its position in these Nordic growth sectors.

## Why clients choose ÅF

As ÅF has such impressive capacity in its industrial consulting operations, the company is frequently invited to tender for the really big projects.


Scandinavian manufacturing industry is widely spread, so ÅF's broad geographical presence plays an important role in meeting clients' needs for prompt assistance from experienced consultants. The breadth of the company's involvement across so many industries and its track record of success in numerous similar projects generate high levels of repeat business.

ÅF also offers an attractive mix of modern hi-tech cutting-edge expertise and in-depth knowledge of tried-and-tested industrial methods.

## Market and outlook

The market was strong or stable in most segments in 2012; the main exceptions were steel and telecoms, both of which showed signs of contraction. ÅF was, however, able to benefit from healthy levels of growth in the mining industry in northern Sweden.

Despite the uncertainty of a very mixed economic outlook, ÅF expects to see continued demand for ongoing efficiency programmes, capacity increases and environmental improvements to existing plant. ÅF's competence in sustainability adaptations also gives it a keen competitive edge, especially as some industries are facing a long-term need for structural change. The forestry industry, for example, is broadening its business from pulp and paper management to include biofuels and electricity. Similarly, the mining industry, too, has many new projects under way.

A portrait of Anna Åhlund, a woman with blonde hair and bangs, wearing a black blazer over a blue top and a gold necklace. She is smiling and looking towards the camera. The background is a blurred indoor setting.

“ There’s a great deal of knowledge in most areas of technology at ÅF, so there’s always someone you can ask for help.

**Anna Åhlund, engineer and biotechnology specialist.**

Anna, a project leader and project planner with ÅF in Gothenburg, is stationed at the nearby Ringhals nuclear power plant. Away from work she enjoys climbing, skiing, outdoor pursuits and travelling – preferably in the company of good friends.

“I’m a team-player – someone who looks for a job that brings challenges, new insights and the opportunity to feel that I’m making a contribution to the company and my colleagues. There’s a great deal of knowledge in most areas of technology at ÅF, so there’s always someone you can ask for help. And the breadth of ÅF’s operations means you can always find new challenges within the company.”

**The Industry Division** is Scandinavia's largest technical consulting partner for industry. It offers a comprehensive portfolio of services and extensive expertise in all sectors of industry and for all types of plant, together with geographical proximity to its clients. The division, which has long enjoyed a dominant position in Sweden, is now also growing rapidly in Denmark and Norway.

Key figures	2012	2011
Operating income, MSEK	1,662.0	1,525.6
Operating profit, MSEK	194.8	178.4
Operating margin, %	11.7	11.7
Contribution to Group income, %	29	29
Average number of employees (FTEs)	1,342	1,263
Operating profit per FTE (in thousands of SEK)	145	141

The historical figures above have been adjusted, proforma, to take account of the corporate restructuring implemented on 1 October 2012.

Contribution to Group sales

**29%**

### The Industry Division – facts at a glance

- Engineering consulting services in all fields of technology and all sectors of industry.
- More than 1,750 co-workers following the acquisition of Epsilon.
- Domestic markets are Sweden, Norway and Denmark.
- 15–20 percent of assignments are conducted outside the domestic markets, with Scandinavian consultants currently carrying out projects in more than 40 countries.



### Meet Per Magnusson, President of Industry Division:

#### Why should potential clients choose your division?

"We have the expertise, experience and resources to help our clients in industry to implement environmentally adapted solutions that enable them to work more safely and become more profitable. In our role as supplier-independent technical consultants, we are extremely proud to always be able to offer our clients what are the very best solutions for them."

#### Looking back over 2012, what are you most pleased about?

"There's a great deal. Top of the list must be all the splendid technical solutions our engineers have produced to enhance our clients' competitiveness. I'm also pleased that clients and co-workers say such positive things about us in all the surveys we've carried out. It fills us with confidence for the future."

#### What are your priorities for 2013 and beyond?

"We need to make sure that the integration with our new colleagues from Epsilon goes well. I want our clients to start to see very shortly that one and one adds up to more than two."

# The market number one that creates profitability and improves sustainability

## **A full-service partner working with all sectors and types of industrial plant**

The Industry Division offers engineering services and project support for upgrading and improving the efficiency of industrial and energy plant. If an industrial facility needs to increase productivity, increase efficiency or improve the quality of its production, the division is able not only to produce studies of how this can be achieved, but also to carry out the relevant work. A growing proportion of projects incorporate an environmental dimension.

The division is number one in Sweden and is one of the biggest engineering consultants in Norway and Denmark for industrial and energy projects. The technical disciplines it works with include process technology, technical calculations, control technology, industrial IT, automation, electrical power, mechanical engineering, pipe constructions and inspections.

Its success is largely founded on its vast experience of industrial and energy projects. Whenever a client needs help, there is a strong chance that ÅF has already successfully carried out a similar project before. Another success factor is the company's appeal as an employer. The division recruited almost 300 new, highly qualified consultants in 2012.

The division's clients are found in all sectors of industry and the energy market. Theirs is a highly competitive world and their customers, owners and other stakeholders demand efficiency, environmental sustainability and safety. These companies either integrate ÅF consultants into their own organisation or contract ÅF for full-service projects in which ÅF assumes overall responsibility for an entire function or delivery.

The Industry Division currently has around 3,000 active clients, with the ten largest accounting for approximately 35 per cent of sales. As projects are large and run to set schedules, the list of clients varies from year to year. Key clients include ABB, Boliden, Bomhus Energi, E.ON, LKAB, Metso, the Swedish nuclear power plants at Forsmark and Ringhals, Siemens, and the Stockholm water utility, Stockholm Vatten.

## **Current trends – robust Scandinavian industry**

2012 was a good year for Swedish industry. In defiance of the current economic gloom many clients have expressed high levels of confidence in the future by investing heavily in new production plant, confirming the old adage that efficiency programmes always pay for themselves, whatever the state of the economy.

ÅF's merger with Epsilon at the end of 2012 added to the division's geographical presence and expertise. It also led to the consolidation into the Industry Division of the Group's entire resources in advanced scientific computing to create northern Europe's largest unit for advanced technical calculation services.

Other especially noteworthy events in 2012 included further contracts for projects relating to the storage of spent nuclear fuel at Forsmark, a contract from Stora Enso, a major order from NKT Flexibles (National Oilwell Varco) in Denmark, and an extensive undertaking to replace the cables in a core reactor at the Ringhals nuclear power plant on Sweden's west coast. The Industry Division also opened a new office in Östhammar in a move that brings it closer to the growing business community in the region, as well as a new office in Pajala to increase its presence in the mining sector. Smaller offices were also opened elsewhere.



An aerial photograph of the Kiruna mine in Sweden. The image shows a vast, rugged landscape with a large, dark, circular pit in the center. The surrounding area is a mix of brown, rocky terrain and patches of green and yellow vegetation. In the background, there are industrial structures, roads, and a body of water. The overall scene is one of a large-scale mining operation in a remote, mountainous region.

# ÅF takes mining to a new level

To secure future access to large quantities of iron ore in its Kiruna mine, LKAB is investing in a new main haulage level with the potential to raise production capacity significantly. This new level will be constructed more than 1,000 metres below ground. A new rail track will be laid at a depth of 1,365 metres to transport the ore three kilometres underground for grinding before it is lifted to the surface. ÅF was contracted to simulate and verify the different construction phases for the new mine. This included equipment, workforce numbers and all the processes throughout the entire chain, from work at the ore body to processing above-ground. This new level will enable LKAB to mine 35 million tonnes of iron ore per year. ÅF is also involved in similar assignments internationally.





**Thomas Emanuelsson is an LKAB project leader with responsibility for one of the sub-projects relating to the new main haulage level in the Kiruna mine.**

**What are the biggest challenges this project presents?**

"Building a facility that satisfies the project's principals and making sure the mine's production meets the requirements laid down."

**Why did you choose ÅF?**

"We felt that ÅF works with the right tools to simulate rail transport at the new level."

**How would you describe your cooperation with ÅF?**

"We work closely together on the changes and verifications that are programmed into the simulator. Cooperation runs very smoothly, thanks partly to ÅF's insights into our processes and the fact that ÅF's consultants and those of us here at the mine speak the same language. We're very happy with the assignments ÅF has performed for LKAB."



**The Infrastructure Division** offers technical solutions for tomorrow's society. Solutions are typically characterised by the use of cutting-edge technology, highly advanced engineering expertise and many years' experience of industrial processes and project management.

Key figures	2012	2011
Operating income, MSEK	1,892.1	1,522.6
Operating profit, MSEK	207.2	115.8
Operating margin, %	10.9	7.6
Contribution to Group income, %	33	29
Average number of employees (FTEs)	1,435	1,284
Operating profit per FTE (in thousands of SEK)	144	90

The historical figures above have been adjusted, proforma, to take account of the corporate restructuring implemented on 1 October 2012.

Contribution to Group sales

**33%**

## The Infrastructure Division – facts at a glance

- Assignments include everything from pre-studies, investigations and strategic planning to design, engineering design, project engineering and project management. Two of the division's main focus areas are infrastructure development and energy-efficiency improvements.
- Sweden, Norway and Denmark are the division's domestic markets.
- Approximately 1,700 members of staff work in some 60 offices in Sweden, Norway and Denmark. In addition, assignments are carried out all over the world, for example in Russia and China.



## Meet Mats Pålsson, President of Infrastructure Division:

### Why should potential clients choose your division?

"We offer quality services and solutions for tomorrow's society. Our outstanding employees are always one step ahead thanks to their technological expertise, business skills and total independence. We have the resources, passion and ability to pin down, understand and translate our ideas into concrete proposals for our clients."

### Looking back over 2012, what are you most pleased about?

"Growth is vital for our business and we strengthened our position in 2012 through five acquisitions and the recruitment of more than 300 new employees. Our two major acquisitions were Bygganalys and Advansia. Bygganalys has a strong market position in construction economy and in project and construction management; this strengthens and complements our range of services. The acquisition of Advansia consolidates ÅF's position in the Nordic infrastructure market and in Norway where, following the acquisition, ÅF now has 250 highly qualified employees."

### What are your priorities for 2013 and beyond?

"The acquisitions made by Infrastructure and the merger with Epsilon will broaden and deepen our expertise, enabling us to combine and strengthen our offering to existing and new clients. It's amazing to think that I and all of my ÅF colleagues can now call on the support of a worldwide network of around 7,000 talented consultants."

# Scandinavian market leader in technology, project management and sustainability

## **Profitability-oriented offering with a sustainability focus**

There is a real need for sustainable solutions in all areas of infrastructure planning, from road planning and intelligent buildings to expertise in lighting and acoustics. ÅF's many years of experience of industrial projects, its entrepreneurial packages of services and focus on sustainable solutions have contributed greatly to its success and growth in recent years.

The division has six business areas: Lighting, Buildings, Sound & Vibrations, Environment, Infrastructure Planning, and Project Management. Lighting leads the market in consulting, design and project planning for lighting solutions in Scandinavia. Buildings is Sweden's leading consultant for technical services in new builds and conversions of commercial, industrial and public buildings. Sound & Vibrations offers unique specialist expertise in noise, vibrations and acoustics. Environment undertakes environmental impact analyses and permit-related work in all sectors. Project Management has extensive experience in, and major resources for, running projects in most sectors of society. Infrastructure Planning can offer a wide range of specialist services from experts with an impressive track record of helping clients to plan roads, bridges, harbours, dams and railways.

The division has around 6,500 clients in the infrastructure, transport, construction, real estate, environmental and energy sectors. These are divided more or less evenly between the private and public sectors, with the ten largest clients accounting for around one third of the division's sales. Clients include ABB, Bravida, Sandvik, Skanska, Stockholm County Council, the Swedish Nuclear Fuel and Waste Management Company (SKB), and the Swedish Transport Administration.

## **Current trends – strong growth**

Growth remained extremely healthy in all business areas in 2012. This was largely due to broad political consensus that efficient infrastructure makes a major contribution to the economic prosperity of the Nordic region. This translates into sustained high levels of investment in new infrastructure, operation and maintenance. Sensitivity to economic fluctuations is low and orders are long-term.

Important new contracts in 2012 included a complete lighting solution for the Nya Slussen transport interchange in Stockholm, an extensive project in Denmark for technical consulting services for the 19-kilometre long Fehmarn Belt Tunnel between Denmark and Germany, several new contracts for the New Karolinska University Hospital in Stockholm, and, in conjunction with White Architects, one of the main contracts for the West Link railway tunnel in Gothenburg. The division also acquired several companies, the two largest being Stockholm-based Byggsanalys with its expertise in project and construction management, and Advansia, which is the market leader in Norway for the project management of large-scale conversion and new-build projects, such as airports, terminals and hospitals.

# Gardermoen grows with ÅF's help

Oslo Gardermoen is Norway's biggest airport and was used by more than 22 million passengers in 2012 – but it needs to be even bigger. The owner, Oslo Lufthavn AS, has therefore decided on an initial investment of more than 12 billion Norwegian kroner to increase capacity to 28 million passengers by 2017. This first phase in the expansion plans will affect every part of the airport, including the construction of an additional 117,000 square metres of space in the terminal itself. Through its recent acquisition in Norway, Advansia, ÅF won the contract to project manage all phases of the reconstruction and expansion work: from design to construction, purchasing and procurement, installations, testing, documentation, staff training, start-up and eventual handover to the operational team.





**Thorgeir Landevaag is Director of Operations Coordination at Oslo Airport. He is responsible for coordinating the extensive rebuild and expansion work while ensuring that the airport continues to function as normal.**

**Why did you choose ÅF (Advansia)?**

"This is a huge project requiring surgical precision. We chose ÅF (Advansia) after making a thorough study of the key parameters: price, quality and reliability. Their expertise in this area together with their experience in performing complex, major projects were key factors in our choice."

**Can you briefly evaluate their work?**

"ÅF (Advansia) is a professional organisation with a highly qualified workforce and a good mix of young talents and more experienced consultants. This is a gigantic project, but so far everything has run smoothly. There have been no major disruptions or negative effects on our day-to-day operations. Everything has been on schedule, too. Some of the new infrastructure is already fully operational."

**What about the personal chemistry?**

"We have a close, professional relationship that works well. There is an open, honest exchange of ideas – a direct style of communication that we appreciate. We're all humbled by the enormity of the task we've been given. We realise it's too big a challenge for any one of us to take on alone. Success will only come by working together."



**The International Division** is responsible for ÅF's operations outside Scandinavia and offers technical consulting services in the energy, industry and infrastructure sectors. 95 percent of the division's revenues are generated by assignments from clients in the energy sector, where the division enjoys a position as one of the world's leading technical consulting organisations.

Key figures	2012	2011
Operating income, MSEK	1,307.1	1,308.9
Operating profit, MSEK	54.6	74.8
Operating margin, %	4.2	5.7
Contribution to Group income, %	23	25
Average number of employees (FTEs)	1,138	1,046
Operating profit per FTE (in thousands of SEK)	48	72

The historical figures above have been adjusted, proforma, to take account of the corporate restructuring implemented on 1 October 2012.

Contribution to Group sales

**23%**

### The International Division – facts at a glance

- International consulting and engineering services. Focus on the energy sector, where the division possesses in-depth specialist knowledge in all areas of the energy sector and all forms of energy, both conventional and renewable.
- Approximately 1,250 employees.
- Switzerland, Finland, the Czech Republic, Spain and Russia are the division's domestic markets. The division has local offices in 19 countries and is currently involved in projects in more than 70 countries worldwide.
- All assignments are conducted outside Sweden, Norway and Denmark.



### Meet Roberto Gerosa, President of International Division:

#### Why should clients use the services of your division?

"As far as the energy sector is concerned, we have more than 1,500 ongoing projects in over 70 countries. All in all, this adds up to some 65,000 megawatt hours of power generation projects, of which 30,000 MWh are attributable to projects under construction. This means that there are very few companies in the world that can match us in terms of experience. No matter what kind of energy, what stage of the project, or where in the world a project needs to be carried out – we have done it before! Clients should hire a consultant in the same way they choose a doctor: ask if he or she has previous experience of doing what they propose to do for you – and whether it was successful."

#### Looking back at 2012, what are you most pleased about?

"There's no doubt that 2012 has been a very tough year in our markets and for our line of business. Nevertheless, we have risen to the challenge – and it would appear that we have fared better than many of our competitors. For that, I am indebted to my divisional management team and my co-workers. We have managed to put together a great team in our new division and I am proud of what we have achieved."

#### What are your priorities for 2013 and beyond?

"We need successful projects, successful clients and co-workers who deliver top-tier results – which is why we will continue to invest in competence development. I foresee no major threats on the horizon if we consistently perform well in our projects. There is a need for the services we provide and as long as we keep generating good references, there will always be clients who want to work with us."

# Global cutting-edge competence and a bridgehead for ÅF's expansion

## World-class consulting advice and international engineering services

The International Division is active across the full spectrum of ÅF consulting services, with the main emphasis on the international energy market. The division has extensive experience and expertise in energy market issues and all types of energy production: renewable energy, hydropower, thermal power (oil, gas, coal) and nuclear power. Its portfolio of services includes everything from EPCM services in connection with investment in new power plants to consulting advice relating to power transmission and distribution. What's more, the division can partner clients throughout the entire chain from idea, concept and design through implementation to operation and maintenance.

As ÅF works in so many countries with so many different kinds of client, the challenges it faces are extremely varied. One project may be a classic owner's engineering assignment, such as project engineering a new power plant; another may be helping the relevant authorities to develop a regulatory framework for building up a new energy market.

In its domestic markets the division is a leading name, and number one or two in its field. In a global perspective the US trade magazine *Engineering News Records* recently ranked ÅF in seventh place among the world's foremost energy consultants.

The secret of the division's success is the multicultural working environment at ÅF combined with truly global experience from many successful projects in numerous different areas.

The International Division currently has more than 1,150 clients. The ten largest clients account for approximately 35 per cent of total revenues. Energy clients represent all the players in the industry: power companies and utilities, financiers, authorities, international funding institutions, construction

companies and manufacturers. Most of our infrastructure clients are authorities, institutions and international development organisations. These include Eletrobras-Electronuclear (Brazil), Fortum (Finland), Alpiq (Switzerland), CEZ (Czech Republic), Power Machines (Russia), Skoda (Czech Republic), as well as the European Bank for Reconstruction and Development (EBRD) and the World Bank.

## Current trends – cautious market, good prospects

The European market, which accounts for approximately half of the division's sales, has been hit hard by economic uncertainty and the euro crisis. The repercussions of the tragic events at Fukushima in 2011 have compounded this general unease and many projects have been postponed – a state of affairs that seems set to continue into the near future.

Despite the problems that unsettled Europe in 2012, the International Division enjoyed a successful year in its key export markets of South-East Asia, Brazil and Africa. In Brazil ÅF won two assignments worth a total of SEK 700 million in connection with the construction of a third reactor at Angra, in the state of Rio de Janeiro. The two projects, which are being led by ÅF units in Finland and Switzerland respectively, further consolidate ÅF's position as one of the world's leading independent nuclear power consultants.

One key event in 2012 was the structural reorganisation of ÅF's international resources. The former Energy Division was initially divided into two international divisions (North and South) before these were amalgamated in October into a single organisation, the International Division. This new division provides an important bridgehead to the international market and a strong platform on which to build when extending more of ÅF's offers to clients worldwide.



An aerial photograph showing the Oulu waste-to-energy plant in the foreground, with various industrial buildings and piping. In the middle ground, there's a large green field and a railway line with several train cars. The background features a dense forest, a residential area with apartment buildings, and a large body of water with a city skyline and wind turbines in the distance.

# Waste becomes energy

Oulu has become the site of the first power plant in Northern Finland to turn waste into energy, meeting ambitions to diversify regional energy production and to modernise waste management in the north of the country. In practice, the new plant doubles the region's waste recovery rate and produces electricity and district heating for the region's industries and municipalities. ÅF was commissioned to head up work on the technical aspects of the project, from pre-engineering design to the integration of the various suppliers' equipment.





**Juhani Järvelä is the Managing Director of Oulun Energia.**

**How do you choose your technical partners?**

"We establish strict conditions and criteria for all technical companies at the start of the procurement process. This serves as a screening process to ensure our business partners' technical services meet the right quality criteria. We signed the contract with ÅF in March 2010."

**How would you describe your cooperation with ÅF?**

"When embarking on a project we make sure that everyone we are working with is in agreement about the goals. It's what we call a 'Golden Start-up'. We worked with ÅF for three years and we appreciate the fact that they maintained such high quality levels throughout. We were also able to discuss things in an open and positive manner during the entire implementation phase."

**And finally?**

"We would like to express our sincere thanks to everyone in the ÅF project group."



**The Technology Division** has been significantly strengthened in its field as a result of the merger with Epsilon and now enjoys a leading position in its Swedish domestic market. One of the biggest innovations and something that will leverage future growth is the division's growing network of partners.

Key figures	2012	2011
Operating income, MSEK	898.8	891.0
Operating profit, MSEK	84.5	96.1
Operating margin, %	9.4	10.8
Contribution to Group income, %	15	17
Average number of employees (FTEs)	703	699
Operating profit per FTE (in thousands of SEK)	120	138

The figures above exclude Epsilon. Epsilon was integrated into the Technology and Industry divisions with effect from 1 January 2013.

Contribution to Group sales

**15%**

## The Technology Division – facts at a glance

- Clients in the automotive, engineering, food and pharmaceutical industries, as well as in defence and telecommunications.
- The division's domestic market is Sweden.
- Services include everything from one-off projects to complex full-service undertakings, with an increasing number of assignments incorporating a sustainability dimension.
- Approximately 2,200 co-workers after the integration of Epsilon, most of them in Sweden's expansive metropolitan regions around Stockholm, Gothenburg and Malmö.



## Meet Mats Boström, President of Technology Division:

### Why should potential clients choose your division?

"For many years we have been a long-term partner to the best and most demanding clients. As an employer the fact that we offer one of the industry's best environments in which to develop your skills attracts the very best talents in the business."

### Looking back over 2012, what are you most pleased about?

"The merger between ÅF and Epsilon has opened up lots of exciting possibilities. This is the biggest thing to have happened to both companies, and the entire project has been infused with a huge amount of positive energy right from the very start."

### What are your priorities for 2013 and beyond?

"We'll continue to focus on growth and efficiency. From now on we'll be developing the best that our two worlds have to offer, getting the organisation to move up a gear and strengthen its position in the market even further. I'm also looking forward to rolling out our new partner concept in other parts of ÅF, with Technology leading by its own good example."

# Leading partner for development-intensive companies

## Hi-tech solutions and system development

The Technology Division offers a full range of services across the entire value chain: requirement specifications, pre-studies, technology choice, design, product development, customisation, product management and service. Contracts can be either project-based or full-service solutions for a specific function.

Technology is the market leader in Sweden. It owes its success to teams with the right expertise, the often highly sophisticated technical content of its solutions, extremely good delivery performance, a high rate of development, flexibility, and high levels of transparency vis à vis clients. The automotive industry is the division's largest sector, and contracts here often involve the industrialisation and optimisation of production.

Services in IT include the development of business systems, technical IT security investigations, the procurement and implementation of communications solutions, and the planning and project planning of mobile and fixed broadband networks. In the defence sector, the division offers supplier-independent services in civilian security and maintenance technology. Contracts include the development of warning systems and mobile command systems. In product development, Technology offers services for embedded systems, mechanical engineering, programming and administration. Clients are found in a wide variety of sectors, ranging from telecoms to life science.

More and more contracts are based on a greater need for sustainability. Technology's offering in this area includes the ÅF EcoDesign Center, where clients can make use of the division's services in environmentally sustainable product development, such as energy-saving solutions. Since the manufacturing process usually accounts for the major part of the life cycle environmental impact of a product, it is important to factor sustainability into the equation right from the start.

The division has around 1,100 clients in both the private and public sector, ranging from major exporting companies to innovative new development companies. The ten largest clients account for just over 60 percent of sales. Key clients include Atlas Copco, Bombardier, Electrolux, Ericsson, the Swedish Defence Material Administration (FMV), Saab, Scania and Volvo.

## Current trends – strong growth in several areas

Towards the end of 2012 ÅF merged with Epsilon. Some 80 percent of Epsilon's consulting resources are being integrated into the Technology Division. Looking back over the year at developments for the two units that will now form the new Technology Division, it is obvious that the merger paved the way for significant increases in volumes amid clear indications of continued confidence from the largest and most important clients in the market. Projects in the automotive and defence sectors fared particularly well, while there was a slight slowdown in the telecoms sector during the second half of the year.

A good example of a major contract won by the division during the year is the three-year framework agreement with the Swedish Defence Materiel Administration (FMV) for the development of command systems.

The year also saw a strong influx of new talents, both as permanent employees and as consultants working according to the network model.



# Help when the driver needs it most

Active safety is one of ÅF's spearhead technologies. In an active safety system, advanced sensor technology (radar, cameras, etc.) is used to create a picture of the surroundings and the traffic situation to determine whether the system should intervene to prevent an accident – and, if so, how. The system can warn the driver, apply the brakes automatically, or even steer the car away from a critical situation. ÅF collaborates with DENSO, a Japanese company that is a world leader in sensor technology and a major supplier to the car industry. ÅF has been tasked with leading the multifaceted work of the function development team.





**Christian Larsson is Driving Assist & Safety Eng., Europe Senior Manager at DENSO.**

**Can you tell us about the project and the challenges it presents?**

"The purpose of the project is to demonstrate the quality, performance and numerous possibilities that DENSO sensor systems can offer the European market. The biggest challenge has been to integrate and develop technically demanding systems like these, with such high requirements for robustness and safety, in such a short time and in ways that meet so many different customer criteria."

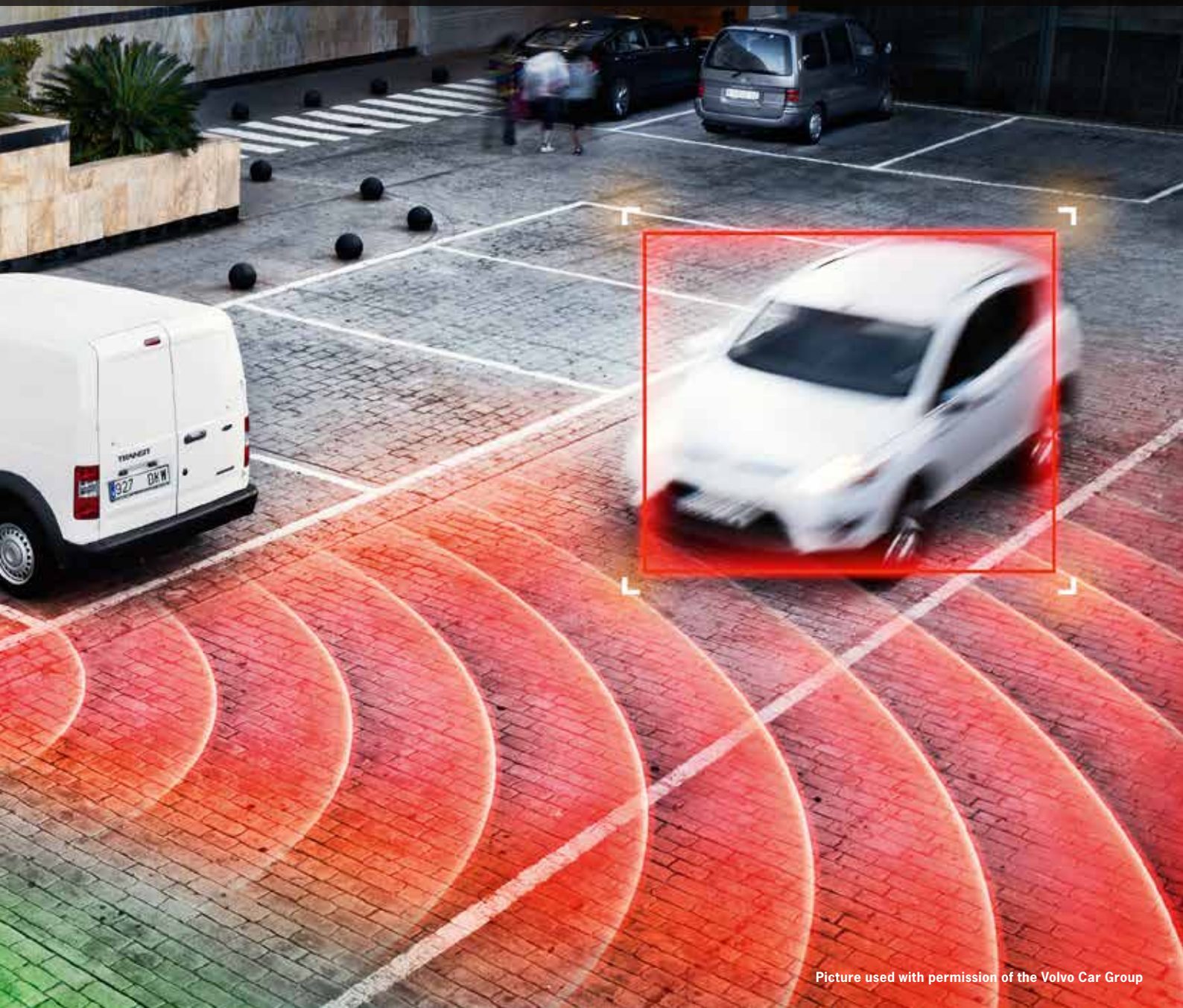
**Why did you choose ÅF and how have things worked out?**

"ÅF has a great deal of knowledge about the automotive industry in general and has focused a great deal of attention on

active safety in recent years. ÅF is also a full-service supplier, able to provide consulting services for all the engineering disciplines in which we work. That makes the company unique here in Sweden. We've been delighted with the results."

**How does cooperation work on a personal level?**

"So far everything has run like clockwork, and I'm sure it will continue to do so in future. All-round expertise, long-term business relationships and flexibility are the key. Managers and co-workers have experience of both OEMs and suppliers, which gives them a good understanding of how things work both on the technology side and in business terms."





# Strong interest in 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' symbol. At the end of 2012 the combined market capitalisation of the company's shares, including class A shares, was SEK 6,227 million (3,781).



## Top-ranking IR work

For the fourth consecutive year Viktor Svensson, ÅF's Executive Vice President Corporate Information, has been ranked as one of the top three Swedish and Nordic Region Investor Relations managers in Mid Cap 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 financial analysts.

## Share movements and turnover

The AF B share was valued at SEK 155.50 at the end of 2012, an increase in value of 40.1 percent during the year. During the same period the Stockholm OMXSPI Mid Cap index rose by 11.9 percent.

During the year a total of 10,257,579 shares (11,710,508) were traded for an aggregate value of SEK 1,404 million (1,238).

Turnover per trading day averaged SEK 5.6 million (5.3).

The share was traded on 100 percent (100) of trading days.

## Dividend policy and dividend

The ÅF Board of Directors 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 2012 the Board of Directors proposes a dividend of SEK 5.50 per share (5.00).

## Share buy-backs 2012

ÅF holds a total of 464,000 of the company's class B shares relating to the performance-related share programmes for 2010, 2011 and 2012 and 558,782 of the company's class B shares relating to the staff convertible programme for 2012. A total of 638,782 ÅF shares were the subject of buy-backs in 2012.

## Investor relations

Interest in the ÅF share remained strong in 2012. The company adopts a long-term approach to its communication with the capital market.

The President/CEO, CFO and Executive Vice President Corporate Information took part in almost 50 investor meetings during the year.

## Analysts who regularly monitor ÅF

Johan Dahl, Erik Penser Bankaktiebolag

Daniel Djurberg, Nordea

Mats Liss, Swedbank Markets

David Jacobsson, Öhman Pareto

Viktor Lindeberg, Carnegie

Anders Tegeback, Handelsbanken Capital Markets

**Viktor Lindeberg**, equity analyst at Carnegie, monitors listed Swedish technology companies, IT consulting companies and telecom companies. Here he shares his views on ÅF.

#### What is your view on developments at ÅF?

"ÅF's drive to position itself as an even more attractive employer has helped it to skilfully balance organic growth with acquisitions that add value. Over the past two years the International Division has had to contend with low levels of demand, yet the Group has continued to maintain good profitability. I see that as a sign of real strength."

#### ÅF has grown and is continuing to expand – so far without compromising profitability. Do you think it can continue to do so in the future?

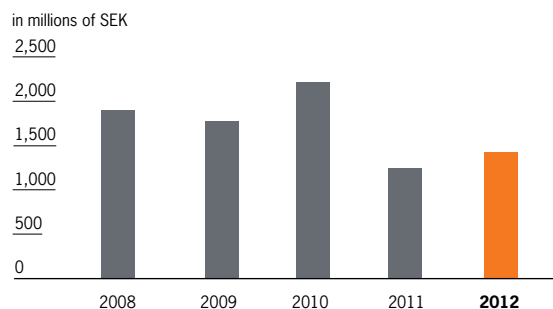
"Following the acquisition of Epsilon and Advansia, the prospects look good for ÅF to meet its financial target of sales of 1 billion euros by 2015. Profitability should actually improve in the future, given that Advansia's operating margins are nearly twice as high as ÅF's. ÅF stands and falls by its employees, its

intellectual capital, so it's important to keep everything together during the integration and consolidation phases. If ÅF can do this, it will be well equipped to grow profitably in the future."

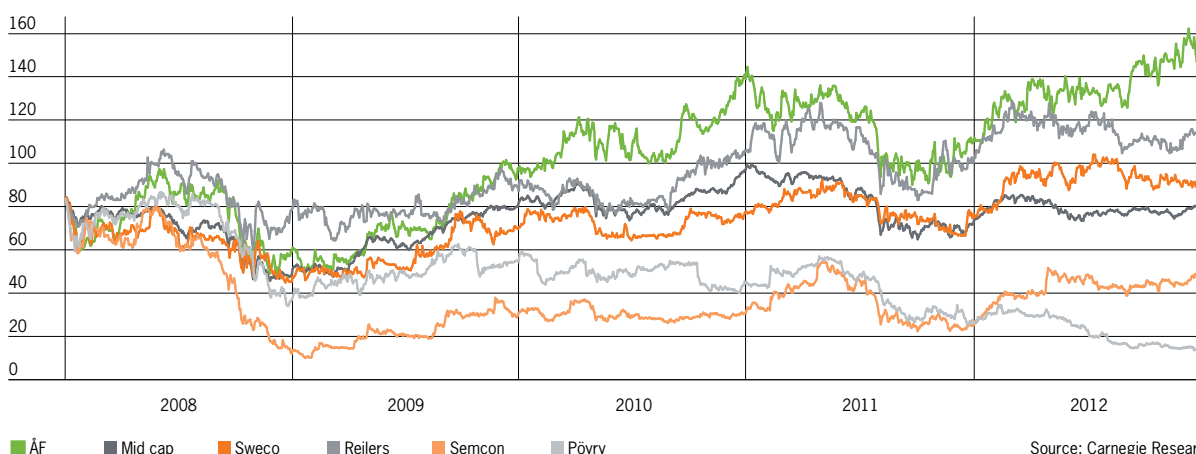
#### Who should consider having ÅF shares in their portfolio?

"Any investment in ÅF is really a gamble on the Nordic economy as the lion's share of the company's clients are based here. The Nordic countries are in good financial shape and there is still a real need for investment in the region's infrastructure. Combined with the fact that ÅF will be addressing its clients' IT budgets to a greater extent following the acquisition of Epsilon, this should generate stable revenue streams with room for healthy dividends and reinvestment in growth."

#### Annual turnover in ÅF class B shares



#### ÅF share – 5-year trend, compared with index and main competitors





## Historical development of share capital

Year	Quota value	Change	Change in number of shares		Number of shares		Share total	Share capital
			A shares	B shares	A shares	B shares	Total	SEK '000
1984		ÅF issues staff convertibles 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 staff convertibles 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 staff convertibles from 2005/2008		566,307	804,438	16,130,795	16,935,233	169,352
2008	10	Conversion of staff convertibles 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	170,295
2012	5	Non-cash issue		5,985,915	1,608,876	38,436,041	40,044,917 <sup>1)</sup>	200,225

<sup>1)</sup> Of which 1,022,782 are held by the company

## Shareholders in Sweden and abroad

31 December 2012	Percent of capital
Sweden	65.8
Other Nordic countries	5.5
Rest of Europe	15.4
USA	12.8
Rest of the world	0.5
<b>Total</b>	<b>100.0</b>

## Size of shareholding

31 December 2012		
Number of shares	Shareholders	Holding, percent
<500	3,976	1.8
500–5,000	1,893	7.2
>5,000–	271	91.0
<b>Total</b>	<b>6,140</b>	<b>100.0</b>

## The ten largest owners on 31 December 2012

Owner	A shares	B shares	Holding %	Votes %
Ångpanneföreningen's Foundation for Research & Development	1,602,876	3,832,576	13.6	36.4
Danir AB	0	5,985,915	14.9	11.0
Swedbank Robur investment funds	0	2,731,024	6.8	5.0
CapMan Oyj	0	1,923,133	4.8	3.5
Nordea investment funds	0	1,802,161	4.5	3.3
AFA Försäkring	0	1,347,593	3.4	2.5
SHB investment funds	0	1,078,156	2.7	2.0
Odin investment funds	0	981,307	2.5	1.8
SHB investment funds (Finland)	0	952,000	2.4	1.7
SEB investment funds	0	859,775	2.1	1.6
<b>Total, 10 largest owners</b>	<b>1,602,876</b>	<b>21,493,640</b>	<b>57.7</b>	<b>68.8</b>
<b>Total, other owners</b>	<b>6,000</b>	<b>16,942,401</b>	<b>42.3</b>	<b>31.2</b>
<b>Total shares</b>	<b>1,608,876</b>	<b>38,436,041</b>	<b>100.0</b>	<b>100.0</b>

## Key ratios per share<sup>1)</sup>

SEK	2012	2011	2010	2009	2008
Share price, 31 Dec.	155.50	111.00	139.25	97.75	59.50
Pre-tax profit	13.69	12.38	23.34	10.87	13.42
Profit after tax	10.13	9.07	21.02	7.93	9.54
Profit after tax, after dilution	10.02	9.02	20.95	7.91	9.54
Equity, excluding non-controlling interests	87.32	72.38	69.47	53.68	49.73
Yield, percent	3.5 <sup>2)</sup>	4.5	2.9	4.1	5.5
Dividend	5.50 <sup>3)</sup>	5.00	4.00	4.00	3.25
Market capitalisation (MSEK)	6,227.0	3,780.5	4,742.7	3,329.3	2,026.5

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

<sup>2)</sup> Based on proposed dividend.

<sup>3)</sup> Proposed dividend.



“ Here at ÅF there’s always scope for development, both through the company’s investment in employees and through innovation in our projects.

**Suzanne Asplund is an environmental engineer and a graduate of Mälardalen University.**

She now works for ÅF in Stockholm as a water and drainage project manager, investigator and assistant water and drainage manager on parts of the Stockholm Bypass major infrastructure project. In her free time she enjoys spending time with her family and friends, travelling, playing board games, taking long walks and working out.

“It’s always fun and exciting to go to work. No two days are the same. I enjoy the opportunities I get to develop, face new challenges, have fun, liaise with my colleagues and work on exciting and varied projects. Here at ÅF there’s always scope for development, both through the company’s investment in employees and through innovation in our projects. We’re good at sharing knowledge among colleagues. And it’s a real bonus to have so much international collaboration in our various projects.”

# Sustainability policy linked to concrete tools

**2012 was the first** full calendar year for the new ÅF sustainability policy. The policy acts as a support for projects and assignments and raises awareness of the risks that ÅF deals with directly in its work and indirectly through its clients' activities.

The sustainability policy builds on the UN's principles for human rights, working conditions, environmental responsibility and anti-corruption. Every project that the company is considering is screened against three fundamental criteria. Firstly, is there a risk that the project will contravene any of the UN Global Compact's ten principles for international businesses? Secondly, are there any sanctions against the presumptive client? Finally, is there a risk that the project could lead to a public outcry that could harm the ÅF brand? Responsibility is delegated to each division and project manager.

## **Alice Bah Kuhnke, Director of Sustainability, explains how the policy launch went:**

"After the actual launch at the end of 2011 we spent 2012 analysing its impact and fine-tuning the routines in order to achieve the results we want. Producing a policy is one thing, establishing it as part and parcel of our day-to-day operations is another. Over the year we've been raising awareness of the importance of the policy, explaining why it is there, that it is a mandatory routine in the tendering process, and the benefits it brings to ÅF. We're seeing that the risk assessment is creating added value for clients and has generated new business for ÅF."

## **What is the next step?**

"We're going to develop the risk assessment and roll out this expertise throughout the organisation. Sustainability issues are a key part of the compulsory training that all the Group's



**Alice Bah Kuhnke, Director of Sustainability.**

managers take part in. There are also some things that vary in terms of both legislation and practice from country to country – attitudes to bribes are one such example – so we need to clarify the platform on which we base all of our business and make it more widely known."

## **Tell us about the ÅF whistleblowing channel**

"Every employee can and should report any perceived breach of the law, an activity that is harmful to the environment or anything that poses a risk to life or health. If they wish to do so without revealing their identity, they can communicate directly with the head of internal auditing who, in turn, can bypass the various managerial levels and go straight to the board."

## **What is difficult and easy about sustainability?**

"The difficult thing is that there isn't one single method for handling all risks and solving all problems in a perfect way. Instead, we have to think flexibly, treating every risk separately depending on the specific context. It's also hard to communicate the issues simply through so many different channels. On the other hand, sustainability work is made easier by the fact that more and more of our stakeholders want to know how we are managing these risks. They often confirm our position at the leading edge of developments, but they also send signals of their own ever-increasing demands. We view this as a clear mandate to focus on sustainability. It opens up more business opportunities and attracts more stakeholders eager to invest in our future."

# Sustainability report

**Sustainability is fundamental** to ÅF and is part of the company's vision. Changes in the world around us and the consequences of a globally unsustainable exploitation of resources are increasingly likely to inspire – or impose – new ways of living and working for ÅF clients.

As a company, working towards becoming more sustainable means accepting the challenge of strategically and consciously monitoring the economic, environmental and social consequences of business operations. Part of the challenge for ÅF is to continuously develop business models so that the company is consistently able to help clients to find the most sustainable solutions to *their* challenges.

In 2010 ÅF launched a plan for the company's internal sustainability work. The launch was preceded by a pre-study with a reference group of employees from different parts of ÅF, and with different jobs. The pre-study identified the most important stakeholders: shareholders, the board, employees, clients and the community, both local and global. The plan itself included three tough sustainability targets for ÅF from 2010 to 2015: by 2015 the company is to have halved its CO<sub>2</sub> emissions per employee relative to 2009; it is always to be able to offer clients an even more sustainable alternative when requested; and it is to be perceived by clients as the technology consultant that best solves the challenges of the future.

Since the sustainability plan was drawn up, a number of steps have been taken along the road towards greater sustainability. A sustainability policy has been launched that builds on the UN Global Compact's ten principles for sustainable businesses, and a whistleblowing procedure has been established. The ÅF Green Advisor Report is published twice a year, featuring a number of projects with a special focus on the contribution they have made to greater sustainability. In addition, 2012 saw the launch of an internal competition at ÅF to reduce in-house electricity consumption. Work was also undertaken to update existing sustainability indicators and supplement them with new internal indicators for all ÅF processes.

ÅF is an international company with subsidiaries in more than 20 countries, seven of which have over 100 ÅF employees (the Czech Republic, Denmark, Finland, Norway, Russia, Sweden and Switzerland). Conditions in these countries form the basis for what is considered relevant in terms of reporting.

## About the report

This is the third 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, version 3.0. ÅF's ambition is to develop the Group's sustainability work and to expand the scope of its reporting over the next few years. It also aims to switch to version 4 of the GRI when this is launched. For further information about GRI and a full explanation of the guidelines and indicators, please see [www.globalreporting.org](http://www.globalreporting.org).

The definition of materiality and the choice of indicators are based on ÅF's overall objectives for 2010–2015, the dialogue with stakeholders and the results of the pilot study that preceded the sustainability plan.

Data collection for CO<sub>2</sub> emissions is a limitation in the reporting. The company still faces the challenge of increasing the number of indicators, and of developing traceability in its follow-up systems. Initiatives were launched during the year to improve the systems and provide higher-quality emissions data.

## Contact

The contact person for ÅF's sustainability reporting is Alice Bah Kuhnke, Director of Sustainability at ÅF:  
alice.bah.kuhnke@afconsult.com or +46 10 505 00 00.

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

*Reporting with reference to GRI guidelines must be done in accordance with the criteria laid down for application level C, B or A, whichever is relevant. Please refer also to the GRI Index.*

# GRI content index

No.	Indicator	Reporting	Page reference/ comment
<b>1.0 Strategy and Analysis</b>			
1.1	Statement from the CEO	AR	2
<b>2.0 Organisational Profile</b>			
2.1	Name of the organisation	AR	58
2.2	Primary brands, products/services	AR	58
2.3	Operational structure of the organisation	AR	58
2.4	Location of organisation's headquarters	AR	58
2.5	Countries in which the organisation operates	AR	8
2.6	Ownership structure and legal form	AR	38
2.7	Markets served	AR	16
2.8	Size of the company	AR	16
2.9	Significant changes during the reporting period	AR	6
2.10	Awards received during the reporting period	AR	3
<b>3.0 Report Parameters</b>			
<i>Reporting profile</i>			
3.1	Reporting period	Yes	Reporting period is FY 2012
3.2	Date of most recent report	Yes	Latest report made in 2011
3.3	Reporting cycle	Yes	Reporting follows an annual reporting cycle
3.4	Contact person for issues relating to the Sustainability Report	Yes	43
<i>Content and scope of report</i>			
3.5	Definition of content of report	Yes	43
3.6	Boundary of the report	Yes	43
3.7	Limitations on the scope or boundary of the report	Yes	43
3.8	Basis for reporting on subsidiaries, leased facilities and outsourced operations	Yes	43
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	Yes	43
3.11	Significant changes from previous reporting periods relating to the scope, boundary or measurement methods applied in the report	Yes	No change in principles relating to boundaries between countries and subsidiaries have been made since previous reports.
<i>GRI content index</i>			
3.12	GRI content index	Yes	44
<b>4.0 Governance, Commitments and Engagement with Stakeholders</b>			
<i>Governance</i>			
4.1	Governance structure for the company	AR	119
4.2	Indication of whether the Chair of the highest governance body is also an executive officer, and if so, an explanation for this arrangement	AR	119
4.3	Number of members of the board who are independent and/or non-executive members	AR	119
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to board/executive management	AR	120
<i>Communication with stakeholders</i>			
4.14	List of stakeholder groups engaged by the company	Yes	43
4.15	Basis for identification of stakeholders with whom to engage	Yes	43

No.	Indicator	Reporting	Page reference/ comment
<b>Sustainability and Indicators of Performance</b>			
<b>Economic indicators</b>			
<i>Economic results</i>			
EC1	Direct economic value including revenues, operating costs, employee compensation, dividends	Yes	45
<b>Environmental indicators</b>			
<i>Emissions, effluents and waste</i>			
EN16	Total direct and indirect greenhouse gas emissions, by weight	Yes	45
EN17	Other relevant indirect greenhouse gas emissions, by weight	Yes	45
EN18	Initiatives to reduce greenhouse gas emissions and reduction achieved	Yes	45
<i>Compliance</i>			
EN28	Fines and other sanctions for non-compliance with environmental laws and regulations	Yes	46
<b>Social indicators</b>			
<b>Labour practices and working conditions</b>			
<i>Employment</i>			
LA1	Total workforce by employment type, employment conditions and region	Yes	46
LA2	Total number of employees who have left and employee turnover by age group, gender and region	Yes	46
LA7	Rates of injury, work-related illness, lost days, absenteeism, and number of work-related fatalities by region	Yes	47
<i>Training and education</i>			
LA10	Average hours of training per employee per year	Yes	47
<i>Diversity and equal opportunity</i>			
LA13	Composition of governance bodies and breakdown of other employees per employee category according to gender, age group and other indicators of diversity.	AR	47

### 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, environmental and financial interests.

#### 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 consolidated financial statements for 2011 and 2012, which include all significant financial reporting.

Direct economic value generated, (in millions of SEK)	2012	2011	2010
Revenues	5,799	5,131	4,796
Operating costs, incl. depreciation/amortisation	-2,072	-1,815	-1,469
Employees' wages and benefits	-2,682	-2,391	-2,106
Income tax and employer's contributions	-691	-613	-504
Economic value retained	353	312	717

### 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, while also contributing to the responsible use of natural resources.

#### EN 16 and EN 17: Total direct and indirect greenhouse gas emissions by weight and other relevant indirect greenhouse gas emissions by weight

ÅF has no processes that give rise to direct emissions. The diagram "Indirect greenhouse gas emissions" indicates the indirect emissions arising as a result of the business's energy use. The diagram "Other relevant greenhouse gas emissions" indicates the indirect emissions that are the result of employees' business travel. The emissions in the two diagrams are reported in tonnes of CO<sub>2</sub> equivalents per country.

#### EN 18: Initiatives to reduce greenhouse gas emissions and reductions achieved

During the past year there has been an internal competition among ÅF's offices to reduce the use of electricity in the company's office premises. The purpose of the competition was not only to reduce electricity consumption per se, but also to initiate a long-term process to make employees aware of what each of them can do to reduce their use of electricity at work. Fifteen offices took up the challenge and together they reduced their carbon dioxide emissions by just over 20 per cent during the three months that the competition took place.

Since 2010 ÅF has a vehicle policy for its Swedish organisation that sets emissions limits for vehicles leased through the company by ÅF employees who need use of a car to carry out their assigned duties (so-called employee cars). In 2009 the average such car emitted 170 grams of carbon dioxide per kilometre. In 2012 the limit was set at 139 grams of carbon dioxide per kilometre. For company cars the limit was 120 grams



per kilometre. Between 2009 and 2012 greenhouse gas emissions from “employee cars” fell by a total of 115.6 tonnes of carbon dioxide.

#### Competition to reduce use of business electricity – 15 participating offices

Business electricity consumption before competition	302 MWh/month
Business electricity consumption after competition	204 MWh/month (average)
Reduction in CO <sub>2</sub>	35.2 tonnes*

\*100 kg CO<sub>2</sub> / MWh electricity

#### EN 28: Non-compliance with environmental laws and regulations

No fines or penalties have been reported during 2012 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.

#### LA 1: Total workforce

The total number of employees in ÅF at the end of 2012 was 6,867. The distribution of employees in the seven countries that form the basis of this report is shown in the table “Number of employees, 31 Dec 2012”. This includes both permanent and temporary employees.

#### LA 2: Employee turnover

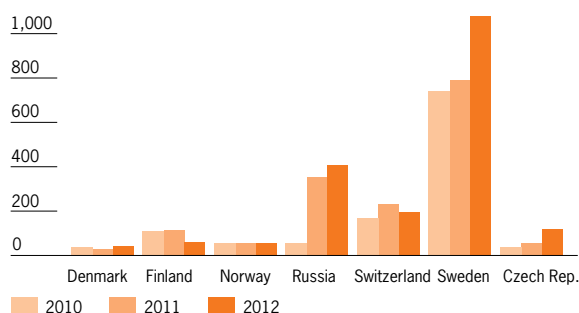
Employee turnover, both as a result of resignations and of terminations of employment made by the company, in the seven countries where ÅF has the largest numbers of employees was 8.1 percent in 2012. A total of 437 employees left the company at their own request, 413 of them (78 women and 335 men) in the company's seven largest countries. Employee turnover for the different countries is shown in the diagram “Employee turnover by country, %”.

#### LA 7: Work-related injuries and sick days

Absence due to sickness is very low at ÅF. For 2012, it was 2.0 percent. Because different countries have different systems for following up the number of working days lost as a result of work-related injuries, the report covers sickness absence only.

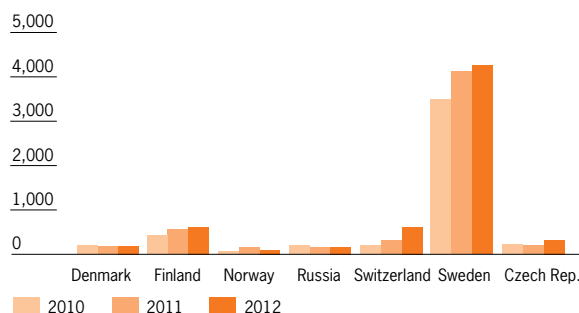
LA 7	2012	2011	2010
Sickness absence, %	2.0	1.9	2.1

#### Indirect greenhouse gas emissions – tonnes of CO<sub>2</sub> equivalents per country\*

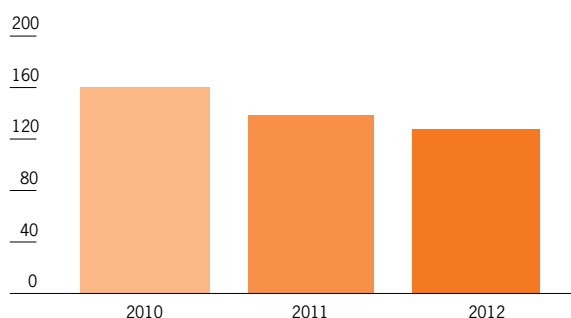


\* Indirect emissions from ÅF's energy consumption. As ÅF neither owns nor controls any sources of greenhouse gas emissions, no direct GHG emissions are reported.

#### Other relevant greenhouse gas emissions – tonnes of CO<sub>2</sub> equivalents per country\*



#### Limit values for “employee cars” CO<sub>2</sub> emissions per new car in g/km





### LA 10: Annual hours of training per employee per year by employee category

Competence development is crucial for the continued success of ÅF. Training for new employees, various types of managerial training courses and training courses in new legislation, regulations and directives are conducted continuously. In 2012 each employee (FTE) received an average of 34 hours' training, as shown in the diagram "Number of hours of training per employee".

#### Number of hours of training per employee, total

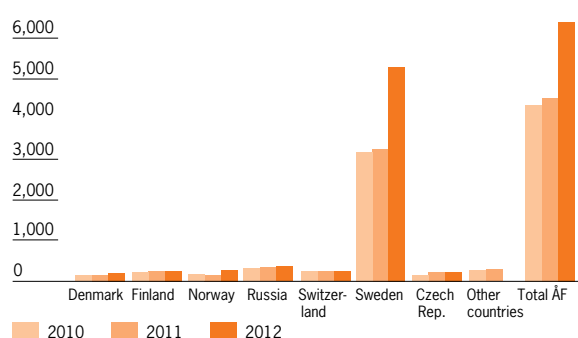
	2012	2011	2010
Hours of training	161,317	145,889	150,234
Average number of employees (FTEs)	4,808	4,367	3,966
Hours of training/employee (FTE)	34	33	37

### LA 13: Composition of Board of Directors and Group management

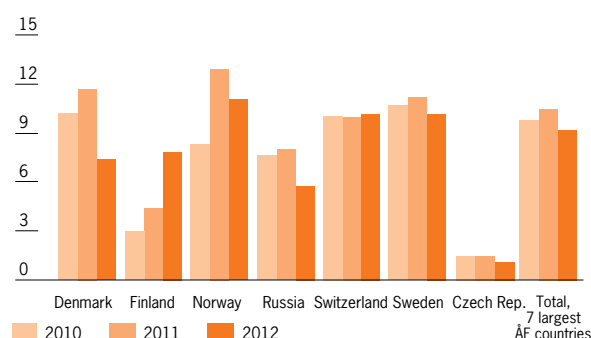
ÅF is a technical consulting company and therefore most of its employees are engineers. In 2012 ÅF's Group management team comprised 2 women and 8 men (20 percent female representation, the same figure as in 2011). Of the directors of the company elected by the Annual General Meeting, 3 are women and 7 are men (30 percent female representation, as opposed to 38 percent in 2011).

LA 13	2012		2011		2010	
	Women	Men	Women	Men	Women	Men
Group management	2	8	2	8	2	8
Board	3	7	3	5	3	5

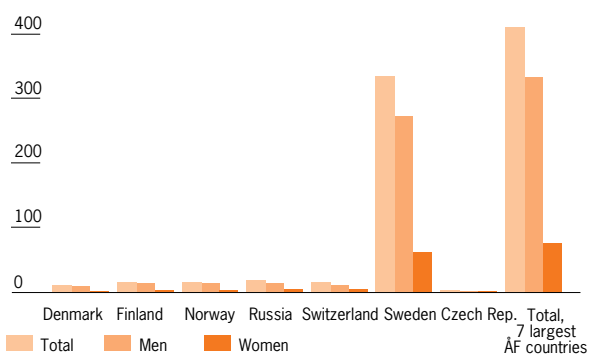
### Number of employees, 31 Dec 2012



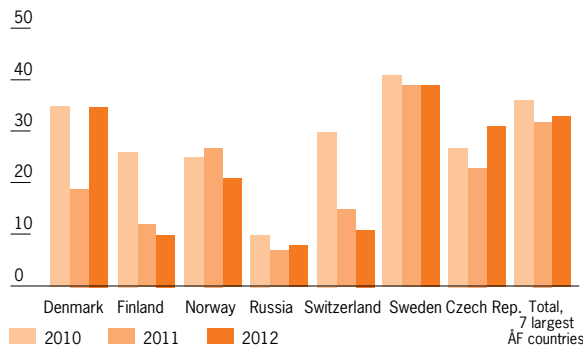
### Employee turnover by country, %



### Resignations



### Number of hours of training per employee





“Sweden has the resources to be a world leader in sustainability. We have the resources to do the right thing.” Mattias Klum, photographer.



“Being first costs – but being last costs even more.”  
Lena Ek, Sweden's Minister for the Environment.


# A Green Day for a more profitable tomorrow

**Fun. Future-oriented. And filled to the last seat.** Already the ÅF Green Day has established a name for itself as an important arena for discussions and networking for everyone with an interest in sustainable business development. In November 2012 some 150 clients, together with a number of students and other stakeholders in ÅF, met for the second of these popular annual events.

This time around 20 people were involved in the presentations and panel discussions. The Swedish government was represented by Lena Ek, Minister for the Environment, and Peter Norman, Minister for Financial Markets, while Michael Treschow (Unilever), Matilda Gennvi Gustafsson (Ericsson), Lars-Eric Aaro (LKAB) and Stina Billinger (Storebrand/SPP) were just four of the dignitaries who spoke on behalf of the business community. A number of experts and opinion formers also attended, among them Anders Wijkman, Johan Rockström and Mattias Klum.

This year's theme was “Sustainability as a Competitive Instrument”. By showcasing good examples of how sustainability has served as an engine for investments that have boosted profitability, the meeting sparked some intriguing discussions and provided participants with plenty of inspiration for new ideas and new business opportunities.

Some of the technologies we need to meet tomorrow's challenges already exist; others can be developed. But what about the will to change? One message emerged with great clarity during the day: for companies that are serious about addressing the challenges the world is facing, there are great opportunities to turn bold actions into profits. Or, in the words of the entrepreneur and self-confessed “environmental capitalist”, Carl Hall, “Sustainability is the biggest business opportunity in the history of the world!”



“ I just love machines and technology, so it's not hard for me to be enthusiastic about what I do.”

**Roa Salman, engineer and chemical engineering specialist.**

Roa, a project leader with ÅF's Technology Division in Stockholm, works with clients in the pharmaceutical industry. In her leisure time she runs an interior decoration store in Söder, a district of Stockholm city.

“For me, it's important to have variety, challenges and the chance to develop in my life. The projects I work on are often quite demanding and intensive. This means being a good leader and team-player, and being passionate about what you do if you want to achieve a common goal. I just love machines and technology, so it's not hard for me to be enthusiastic about what I do. I suppose you could say that ÅF consultants are the beating heart of the world of technology.”

# Risk management and sensitivity analysis

**Following a review** of risk management operations in 2012, ÅF implemented improvements in the Group's risk management programme. Risk management models are now in place to mitigate the financial and operational risks associated with ÅF's business activities. The review also created greater awareness of the risks linked to ÅF's approach to sustainability.

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. ÅF's Enterprise Risk Management (ERM) programme aims to integrate risk management into day-to-day activities by linking it to the strategic and operational objectives that the company has set up.

## Industry and market

ÅF is exposed to risks relating to the state of the market, structural changes and changes in market trends. The Nordic region is ÅF's largest market, where clients operate in a number of industries, including the energy sector, the public sector, industry, IT, property and construction.

ÅF's diversification over a number of markets and in areas that experience different business cycles reduces the company's overall sensitivity to changes in the business cycle.

## Competition

ÅF faces challenges from a number of major international players as well as various smaller local players in each market. This creates a situation in which there is fierce competition for the most attractive projects and the most competent employees. Regular assessment of the competition in every local market and at all levels of the operation is an absolute must. ÅF's breadth and combined expertise, along with accurate assessments at every location where competition exists, serve to increase the company's competitiveness.

## Commercial risks

The commercial side of ÅF's business is exposed to risks in many different areas, which arise at many different levels in the company and during numerous different phases of the actual project process. These commercial risks include client credit risks.

## Business model and pricing

A carefully considered and effective business model is a key factor for a consulting company's ability to generate a profit, and a high capacity utilisation rate plays an important role here. Every percentage point difference in the capacity utilisation rate equates to a rise or fall of around SEK 74 million in ÅF's annual earnings. The hourly rate itself is another essential component of the profitability of a consulting company, and increasing the hourly rate by 1 percent would improve profits for ÅF by some SEK 56 million a year, provided the capacity utilisation rate remained unchanged. Various approaches are adopted to reduce sensitivity, including employing sub-consultants, broadening expertise and market share, and increasing the variable component in salaries.

## Contractual conditions

Various different commercial terms are applied to consultancy services.

For carefully specified services a fixed-price contract 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 ÅF's case this can lead to reduced margins and profits. 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.



### **Subcontractors (sub-consultants)**

ÅF is increasingly taking over the management of large-scale projects for its clients and liaising directly with subcontractors with regard to the detailed project planning and engineering services that are necessary during the various phases of the project.

There are some clear risks involved in this approach. ÅF needs to ensure that all projects involving sub-consultants match the quality of projects carried out by ÅF itself in terms of the service offered, and that sub-consultants are given the same opportunities to do an excellent job as the company's own consultants. Tools are available to assess and evaluate sub-consultants project by project, so reducing risk exposure.

### **Insurance**

Consultant liability for the provision of a service and/or function is worth viewing as a risk. In order to reduce this risk, ÅF has insurance protection that covers the liability involved in any given project.

ÅF has a high level of insurance protection in general and is covered for loss of contribution and for additional costs in the event that its premises are damaged or its equipment is stolen or damaged.

### **Sustainability**

ÅF's geographical spread and its increasingly prominent position in the energy sector and the public sector entail risks related to sustainability factors such as human rights, labour conditions and the fight against corruption.

ÅF has reduced its exposure to these risks through a widely communicated and well accepted sustainability policy, complemented by an updated code of conduct. The policy also has checklists to ensure that these important matters are discussed and assessed when tenders for projects are being prepared.

A whistleblowing channel that gives all employees the opportunity to anonymously report criminal activities, activities that damage the environment, or behaviour that endangers people's lives and health, has further strengthened ÅF's position in terms of these risks.

### **Operational risks**

#### **Organisational structure and process framework**

ÅF is currently organised in four divisions which, in turn, have been divided into different business areas/business units and market areas. Organisational changes are made, as and when necessary, to meet the needs of the market or to adapt to business cycles.

ÅF's process framework comprises one main process and eight support processes. These processes are evaluated annually by ÅF's quality organisation. Conclusions and recommendations are presented to management, and changes are made when these are deemed necessary in terms of competitiveness and the ability to deliver.

### **Employees**

Employees that are motivated and possess the relevant skills and knowledge are essential if a consulting company is to achieve its targets. 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 retain and stimulate co-workers of the right calibre, ÅF invests (for example via the ÅF Academy) in continual professional development, skills development and management training. It is also the company's ambition to conduct a per-

sonal development review with each employee once a year in order to discuss and draw up an individual development plan. Annual co-worker surveys show that employees are largely happy in their work. As competition for qualified members of staff increases, so too does the pressure on ÅF to present itself as an attractive employer. For this reason ÅF devotes substantial resources each year to recruitment and induction activities.

#### **Implementation of IT systems and applications**

It is crucial that the IT infrastructure at ÅF is operationally reliable since unplanned outages inevitably mean loss of income. Most of ÅF's IT support is outsourced to reputable suppliers, with agreed times for repairing faults and incentives to prevent problems from arising. ÅF makes regular checks to ensure that suppliers have access to sufficient resources and that external personnel working on ÅF's IT support possess the relevant skills and have documented expertise.

The ONE application is an important platform for information management at ÅF. ONE is an effective channel for distributing information and it is here, too, that employees will find the policies, process descriptions, procedures, instructions and tools they need to use in their work. In the ONE project module each project also has its own dedicated space for project-related information.

ÅF ensures that sufficient resources are allocated to system ownership and management, and that provision is made for training and development.

#### **Acquisition risks**

Recent years have seen consolidation in the technical consulting sector. This is an ongoing trend, and were ÅF to neglect to take part in this process, there is a risk that the Group's competitiveness would be undermined.

However, acquisitions also entail risks – both before and after the acquisition has been announced. These risks can be minimised through a systematic approach and a carefully considered acquisition and integration process.

In order to ensure that ÅF adopts a forward-looking and systematic approach to acquisitions and start-ups in new geographical markets, decisions on all acquisitions are made by the Group management and the Board of Directors. An annual review of recent acquisitions over a certain limit is carried out by the Board of Directors. In 2012 ÅF recruited a manager for Mergers & Acquisitions, with responsibility for acquisitions and their integration into the organisation. The M&A manager is a member of the Group management team.

#### **Legislation and other requirements**

##### **Business support system**

ÅF has its own business support system for the internal control, management and follow-up of operations and operational projects. This system has been certified under ISO 9001:2008 (quality) and ISO 14001:2004 (environment), and is published in ONE. Operational compliance with the business support system is monitored continuously by the internal audit team and by externally conducted annual audits of the quality and environmental management systems.

##### **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.

### **Disputes**

ÅF's business activities do involve a risk of dispute. Disputes may arise if ÅF disagrees with a client about the conditions that pertain 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. Legal advice is always sought in more complex transactions.

### **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 rates and credit risks. Responsibility for the Group's financial transactions and risks is handled centrally by the parent's Treasury Department. In 2012 the Board of Directors approved a new Treasury Policy according to which the company now conducts its business. 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, and in cases where the future payment flow is anticipated to exceed a value of EUR 100,000. Translation exposure comprises foreign subsidiaries' net assets and profits/losses in foreign currency. In line with established policy ÅF does not hedge translation exposure.

#### **Financing risk**

The financing risk faced by the Group is the risk of not being able to raise new loans or refinance existing ones. To avoid this happening there is a routine in place to ensure the availability of appropriate lines of credit at all times. It is ÅF policy for the company to have net debt over a period of time, but net indebtedness shall not exceed 40 percent of equity.

#### **Liquidity risk**

Liquidity risk, in other words the risk of not being able to meet the Group's immediate need for capital, is reduced by maintaining sufficient liquid funds and by having an authorised but unused credit facility which can be used unconditionally. In accordance with the current policy the company is to have liquid assets and unutilised credit facilities that together amount to the equivalent of at least 6 percent of annual sales.

#### **Interest rate risk**

Interest rate risk is the risk that changes in interest rates will have a negative effect on the Group's net interest income/expense and cash flow. ÅF's exposure to interest rate risk relates chiefly to outstanding external loans. A change of one percentage point in market rates would have a negative effect of SEK 12 million on the Group's interest expenses.



**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.

**Client credit 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. All new clients are vetted for creditworthiness and project services are invoiced on a pay-as-you-go basis to minimise the risk of bad debts. ÅF's ten largest clients, who account for a total of 30 percent of Group sales, are all large listed companies or publicly owned institutions. As business is conducted with clients in many different countries, ÅF is occasionally exposed to a political risk (country risk) in addition to the normal commercial risks of bad debts (client credit risk), etc. Political risk may take the form of, for example, an embargo on transferring funds, or the unfavourable outcome of newly imposed regulations that affect a particular contract.

**Sensitivity analysis**

Factor	Change (all other factors unchanged)	Effect on earnings EBIT, MSEK
Capacity utilisation	1%	74
Hourly rate	1%	56
Payroll costs	1%	42
Overheads	1%	9
Number of co-workers (FTEs)	1%	7

# Definitions

## Operating margin

Operating profit/loss in relation to operating income.

## Profit margin

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

## Net debt/net cash

Interest-bearing liabilities and provisions minus cash, cash equivalents and interest-bearing receivables.

## Equity ratio

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

## Net debt-equity ratio/Net cash-equity ratio

Net debt/net cash divided by equity including non-controlling interests.

## 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 financial expenses, in relation to the average balance sheet total.

## Return on capital employed

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

## Interest cover

Profit after net financial items with the restoration of financial expenses, in relation to financial expenses.

## Earnings per share

Earnings attributable to the parent's shareholders relative to the average number of outstanding shares. ÅF shares held by the company are not regarded as outstanding 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 outstanding shares.

## Cash flow per share

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

## Capacity utilisation rate

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

## Average full-time equivalents (FTEs)

Average 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 for only part of the year.

## Number of employees

Total number of employees (all forms of employment) at the end of the reporting period.

# Five-year financial summary, SEK

Values in millions of SEK unless otherwise stated	2012	2011	2010	2009	2008
<b>Operating income and profit</b>					
Operating income	5,799	5,131	4,796	4,692	4,570
Operating profit	481	426	806	388	479
Operating profit excluding capital gain <sup>1)</sup>	481	426	317	380	478
Profit after net financial items	477	426	798	377	461
Profit for the year	353	312	717	275	328
<b>Capital structure</b>					
Non-current assets	4,566	2,040	2,016	1,733	1,728
Current assets	2,950	2,083	1,934	1,850	1,882
Equity including non-controlling interests	3,422	2,450	2,361	1,827	1,699
Non-current provisions	881	246	177	120	190
Non-current liabilities, excluding provisions	818	51	8	41	183
Current provisions	65	16	14	31	8
Current liabilities, excluding provisions	2,330	1,360	1,392	1,564	1,530
Balance sheet total	7,516	4,123	3,950	3,583	3,610
Equity (average)	2,665	2,409	2,205	1,740	1,482
Total capital (average)	4,845	3,957	3,678	3,518	3,090
Capital employed (average)	3,143	2,682	2,508	2,192	1,921
Net debt (-)/net cash (+)	-877	131	35	-44	-174
<b>Key figures</b>					
Operating margin, percent	8.3	8.3	16.8	8.3	10.5
Operating margin excluding capital gain, percent <sup>1)</sup>	8.3	8.3	7.3	8.1	10.5
Profit margin, percent	8.2	8.3	16.6	8.0	10.1
Equity ratio, percent	45.5	59.4	59.8	51.0	47.1
Net debt-equity ratio, percent	25.6	N/A	N/A	2.4	10.3
Net cash-equity ratio, percent	N/A	5.3	1.5	N/A	N/A
Current ratio, times	1.2	1.5	1.4	1.2	1.2
Return on equity, percent	13.3	13.0	32.5	15.8	22.1
Return on total capital, percent	10.2	11.0	22.0	11.1	15.6
Return on capital employed, percent	15.7	16.3	32.2	17.8	25.2
Interest cover, times	28.9	37.3	78.6	30.0	21.5
<b>ÅF share<sup>2)</sup></b>					
Earnings per share, SEK	10.13	9.07	21.02	7.93	9.54
Earnings per share after dilution, SEK	10.02	9.02	20.95	7.91	9.54
Yield, percent	3.5	4.5	2.9	4.1	5.5
Equity per share, SEK	87.32	72.38	69.47	53.68	49.73
Equity per share after dilution, SEK	85.32	71.82	69.25	53.53	49.65
Cash flow from operating activities per share, SEK	14.17	12.26	5.96	9.02	9.46
Cash flow from operating activities per share after dilution, SEK	13.95	12.20	5.94	9.00	9.44
Share price 31 December, SEK	155.50	111.00	139.25	97.75	59.50
Market capitalisation	6,227	3,781	4,743	3,329	2,027
Ordinary dividend per share, SEK	5.50 <sup>3)</sup>	5.00	4.00	4.00	3.25
<b>Other</b>					
Capacity utilisation rate, percent	74.2	73.1	71.9	71.3	74.1
Investment in equipment, excluding leasing <sup>4)</sup>	34	32	40	40	96
Investment in property <sup>4)</sup>	1	1	5	3	38
Investment in intangible assets <sup>4)</sup>	2,603	34	434	68	196
Average number of FTEs excluding associates	4,808	4,367	3,966	4,182	3,948

<sup>1)</sup> Refers to sales of business.

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

<sup>3)</sup> Proposed dividend.

<sup>4)</sup> Including acquired businesses.

# Five-year financial summary, EUR

Values in millions of EUR unless otherwise stated	2012	2011	2010	2009	2008
Exchange rate at end of reporting period	8.62	8.94	9.00	10.35	10.94
Average exchange rate	8.71	9.03	9.54	10.62	9.61
<b>Operating income and profit</b>					
Operating income	666	568	503	442	476
Operating profit	55	47	84	37	50
Operating profit excluding capital gain <sup>1)</sup>	55	47	33	36	50
Profit after net financial items	55	47	84	35	48
Profit for the year	41	35	75	26	34
<b>Capital structure</b>					
Non-current assets	530	228	224	167	158
Current assets	342	233	215	179	172
Equity including non-controlling interests	397	274	262	176	155
Non-current provisions	102	28	20	12	17
Non-current liabilities, excluding provisions	95	6	1	4	17
Current provisions	8	2	2	3	1
Current liabilities, excluding provisions	270	152	155	151	140
Balance sheet total	872	461	439	346	330
Equity (average)	306	267	231	164	154
Total capital (average)	556	438	385	331	322
Capital employed (average)	361	297	263	206	200
Net debt (-)/net cash (+)	-102	15	4	-4	-16
<b>Key figures</b>					
Operating margin, percent	8.3	8.3	16.8	8.3	10.5
Operating margin excluding capital gain, percent <sup>1)</sup>	8.3	8.3	7.3	8.1	10.5
Profit margin, percent	8.2	8.3	16.6	8.0	10.1
Equity ratio, percent	45.5	59.4	59.8	51.0	47.1
Net debt-equity ratio, percent	25.6	N/A	N/A	2.4	10.3
Net cash-equity ratio, percent	N/A	5.3	1.5	N/A	N/A
Current ratio, times	1.2	1.5	1.4	1.2	1.2
Return on equity, percent	13.3	13.0	32.5	15.8	22.1
Return on total capital, percent	10.2	11.0	22.0	11.1	15.6
Return on capital employed, percent	15.7	16.3	32.2	17.8	25.2
Interest cover, times	28.9	37.3	78.6	30.0	21.5
<b>ÅF share<sup>2)</sup></b>					
Earnings per share, EUR	1.16	1.00	2.20	0.75	1.00
Earnings per share after dilution, EUR	1.15	1.00	2.20	0.75	1.00
Yield, percent	3.5	4.5	2.9	4.1	5.5
Equity per share, EUR	10.13	8.09	7.72	5.19	4.55
Equity per share after dilution, EUR	9.90	8.03	7.69	5.15	4.54
Cash flow from operating activities per share, EUR	1.63	1.36	0.62	0.85	0.99
Cash flow from operating activities per share after dilution, EUR	1.60	1.35	0.62	0.85	0.98
Share price 31 December, EUR	18.04	12.41	15.47	9.44	5.44
Market capitalisation	722	423	527	322	185
Ordinary dividend per share, EUR	0.64 <sup>3)</sup>	0.56	0.44	0.39	0.30
<b>Other</b>					
Capacity utilisation rate, percent	74.2	73.1	71.9	71.3	74.1
Investment in equipment, excluding leasing <sup>4)</sup>	4	4	4	4	10
Investment in property <sup>4)</sup>	0	0	1	0	4
Investment in intangible assets <sup>4)</sup>	299	4	45	6	20
Average number of FTEs excluding associates	4,808	4,367	3,966	4,182	3,948

<sup>1)</sup> Refers to sales of business.

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

<sup>3)</sup> Proposed dividend.

<sup>4)</sup> 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 2012. ÅF AB, which has its registered office in Stockholm, is the parent of the ÅF Group.

### Group and Parent

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 Europe, 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, energy companies, service companies, government authorities and the real estate sector.

### Net sales and profits

Net sales for the year totalled SEK 5,796 million, an increase of 13 percent compared with the figure of SEK 5,124 million for 2011. Adjusted for the effect of the year's acquisitions, the increase in sales was 6 percent.

Exchange rate fluctuations had a negative impact of one percent on earnings compared with the previous year. The acquisitions which have contributed most to structural growth have been Epsilon AB and Advansia AS.

Full-year operating profit rose by 13 percent from SEK 426 million to SEK 481 million. The operating margin remained unchanged at 8.3 percent (8.3).

Capacity utilisation was 74.2 percent (73.1). There were two fewer working days in 2012 compared with 2011.

Profit after net financial items was SEK 477 million (426). Profit after tax totalled SEK 353 million (312). Earnings per share were SEK 10.13 (9.07).

### Divisional Performance

Operations are divided into four divisions. Activities are conducted in legal corporate entities in the respective countries.

#### Industry Division

The Industry Division is Northern Europe's leading industrial consultant. The Industry Division continued to report relatively good levels of demand in 2012, particularly from Swedish industrial clients. This, together with good project economy and reduced costs, enabled the division to maintain a satisfactory level of profitability.

The level of activity in the Swedish power sector remained high. Industry is involved in major hydropower and nuclear power projects in Sweden, and new contracts were signed during the year with Ringhals nuclear power station and the Swedish Nuclear Fuel and Waste Management Company (SKB).

Organic growth was up, and in 2012 the Industry Division recruited almost 300 new consultants with expertise in all areas of technology and all sectors of industry.

With effect from 1 January 2013 the division has been strengthened by the addition of some 280 consultants from Epsilon with specialist competence in technical calculations. Together with Industry's own consultants, these now constitute the Nordic region's largest nucleus of consulting expertise for advanced calculations and simulations.

#### Infrastructure Division

The Infrastructure Division enjoys a leading position in the Scandinavian market for technical consulting services for infrastructure projects.

The market for Infrastructure's services remained strong in 2012. The main forces driving demand were substantial investments in new public infrastructure in Sweden and sustained interest in making all types of premises more energy-efficient. Capacity utilisation rose during the year, thanks in part to successive increases in the scope of the division's involvement in the Stockholm Bypass project and the West Link rail project in Gothenburg.

The division continued to build on its long-term portfolio of orders. One example of these from 2012 is the contract with the Swedish Nuclear Fuel and Waste Management Company (SKB) for project engineering services in con-

junction with the final storage of spent nuclear fuel. Infrastructure's track record of expertise in technical installations played an important role in the procurement of this contract. The division also won major new contracts from Skanska, Gardermoen Airport in Oslo and the City of Copenhagen.

The scope of ÅF's involvement in planning the technical installations for the New Karolinska University Hospital in Stockholm continued to expand. This helped to ensure that the division's largest business area – Buildings, with some 750 employees – reported good profitability.

The division's other business areas also reported improved earnings, with Infrastructure Planning and Environment performing far more profitably than in the previous year.

### International Division

The International Division is a leader in energy consulting services with current assignments in around 70 countries.

Demand for energy projects in the International Division's domestic markets remained relatively weak in 2012. This was, in part at least, the result of a decline in energy consumption in Europe, difficulties in financing investments and the lack of any political clarity about future energy solutions.

Demand was strongest in the areas of renewable energy and hydropower, whereas the market for services in nuclear power and thermal power remained subdued.

Since 1 October 2012 the new divisional management team has implemented a number of measures to improve profitability. These include reducing staffing numbers in units that have performed poorly over a prolonged period of time.

Operations in Switzerland, which account for approximately 30 percent of the division's sales, showed signs of a slight improvement in business over the year. ÅF Switzerland's and ÅF Finland's involvement in the division's largest single assignment, the construction of a new nuclear power reactor in Brazil, continues to expand in scope.

### Technology Division

The Technology Division enjoys a leading position in communications technology and software development for technical applications in Sweden.

On the whole, the market for Technology's services remained good in 2012. However, a handful of industries, among them telecommunications, reduced their purchases of consulting services in the second half of the year, which led to a slight fall in capacity utilisation within the division.

Defence-related activities again developed positively and the division continued to capture new shares of the defence industry market thanks to its in-depth knowledge of simulation technology, communications, etc. Among the new contracts signed were orders with the Swedish Defence Materiel Administration (FMV) and Saab. Other major new contracts signed in 2012 included agreements with Electrolux and Scania.

January 1, 2013 saw the integration into the Technology Division of some 1,400 consultants from Epsilon, bringing total staff numbers in the new division to approximately 2,100 and creating a market leader in advanced product development with a broad client base in Sweden.

### Acquisitions, disposals and collaborations

On 18 October the Boards of Directors of ÅF and Epsilon Holding AB announced that ÅF and Epsilon would merge to create one of Northern Europe's leading technology consulting companies. The decision makes strong commercial sense, since ÅF and Epsilon share a broadly similar corporate culture and complement each other well in terms of technical expertise, their offering to the market, customer base and geographical presence. Epsilon's invoiced sales total approximately SEK 2,000 million a year.

The merger was effected on 29 November through ÅF's acquisition of Epsilon. The consideration consisted of an initial purchase price of SEK 1,700 million (enterprise value) in the form of SEK 850 million in cash and 5,985,915 newly issued class B shares in ÅF. The agreement also paves the way for an additional consideration of up to SEK 1,100 million.

In connection with the transaction, Danir AB (i.e. Dan Olofsson and family), as sole owners of Epsilon, became the second largest owner in ÅF in terms of voting rights with 11.0 per cent of the votes, and the largest owner in terms of capital with 14.9 per cent of the total capital.

The transaction was approved by an Extraordinary General Meeting of ÅF shareholders held on 19 November.

Epsilon was consolidated into ÅF accounts with effect from 29 November 2012.

On 1 October 2012 ÅF acquired 100% of the shares in the Oslo-based Norwegian project management company, Advansia. The company, which focuses on infrastructure projects, enjoys a position as market leader in Norway and has a growing volume of business in Sweden (20% of invoiced sales). Advansia has annual sales of just over SEK 350 million. The purchase price was NOK 300 million (enterprise value), with an additional consideration that can rise to a maximum of NOK 125 million. The acquisition of Advansia strengthens ÅF's position on the Scandinavian infrastructure market, particularly in Norway where, as a result of the takeover, ÅF can now call on the services of 250 highly qualified co-workers. Advansia was consolidated into the ÅF Group on 1 October and integrated into the Infrastructure Division to form a business unit of some 200 experts in Project Management.

In spring 2012 ÅF set up a subsidiary in Brazil together with Argeplan Arquitetura e Engenharia Ltda. in conjunction with its involvement in the construction of the third reactor at the Álvaro Alberto Nuclear Power Station (CNAEA) in Brazil.

In addition to the acquisitions mentioned above, ÅF acquired a further eight smaller companies/operations, through the purchase either of shares or assets and liabilities. These acquisitions were all in the Nordic Region, primarily in Sweden.

### 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. The 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. Goodwill amounted to SEK 3,876 million (1,651) at the end of the reporting period. SEK 2,240 million relates to companies acquired during the year. For further information about goodwill and other intangible assets, please see Note 12.

### Cash flow and financial position

Cash flow from operating activities was SEK 483 million (414). The improvement in cash flow is due both to the positive development of earnings and to a reduction in operating capital, despite increased volumes.

Tax payments rose during the year, mainly as a consequence of improved profits. Corporate acquisitions and additional considerations paid totalled SEK 1,193 million (44), with the majority of these investments being made in the acquisitions of Advansia AS (Norway) and Epsilon Holding AB (Sweden).

In connection with these acquisitions ÅF raised two loans for a total of SEK 1,100 million. A convertible programme for employees in Sweden was issued, with a nominal value of SEK 88 million. The net of borrowing, including the convertible programme, and amortisation of loans had an effect on cash flow of SEK 1,175 million (-163).

Dividends to shareholders totalled SEK 168 million (135). Total cash flow for the year was SEK 159 million (18).

Group liquid assets totalled SEK 498 million (345) at the end of the reporting period. The net debt was SEK -877 million (131). ÅF AB has unutilised credit facilities amounting to SEK 712 million.

Equity at the end of the year was SEK 3,422 million (2,450), equivalent to equity per share of SEK 87.32 (72.38). The equity/assets ratio was 45.5 per cent (59.4).

### Investment

Not taking into account acquisitions of lines of business, gross investment in tangible and intangible assets during the year totalled SEK 36 million (38).

### Parent

The parent's operating income during 2012 amounted to SEK 374 million (358), relating primarily to intra-Group services. Profit after net financial income/expense was SEK 75 million (10). Dividends from subsidiaries and associates totalled SEK 134 million (58). Cash and cash equivalents amounted to SEK 39 million (42), and gross investment in equipment to SEK 6 million (12).

### Sustainability 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, and also with providing analyses and helping government authorities and other governing bodies to understand the challenges that we are all facing. 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.

For ÅF's Sustainability Report, please see pages 43–47 of the annual report.

### Employees

The average number of FTEs was 4,808 (4,367).

The total number of employees at the end of the reporting period was 6,867 (4,649): 5,258 (3,235) in Sweden and 1,609 (1,414) 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, while 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 2012, particularly in the field of infrastructure, and maintained its strong appeal as an employer. In Universum's annual Career Barometer survey of some 3,500 practising engineers, ÅF came fifth overall 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.

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. At the end of the reporting period, women constituted 20 (20) percent of the total number of consultants in the company.

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 10–15 in the Group's annual report.

### Risks and risk management

During 2012, ÅF's approach to risk management was reviewed, and a number of improvements were implemented in the Group's overall risk management programme. Risk management models are in place to deal with the financial and operating risks associated with ÅF's activities, and there is now a greater level of awareness of the risks linked to ÅF's vision of sustainability.

### Industry and market

ÅF is exposed to the economic cycle, structural changes and market trends.

### Competition

ÅF is challenged by a number of major international competitors, as well as by medium-sized and smaller local competitors in each of its individual markets. There is fierce competition for the most attractive assignments and the most expert co-workers.

### Commercial risks

On the commercial side of ÅF's operation, there are risks in many different areas and at many different levels in the company, as well as at various stages and points in the project process itself. This includes customer credit risks.

### Business model and pricing

A well-balanced and effective business model is crucial to the earning power of a consulting firm, and a high capacity utilisation rate is a major component of this earning power. Every percentage point change in the capacity utilisation rate affects ÅF's profit or loss by plus/minus approximately SEK 74 million. The hourly rate is also a significant performance factor for a consulting firm, and the hourly pricing process itself involves a risk exposure. A one per cent increase in the hourly rate, with an unchanged capacity utilisation rate, is equivalent to an improvement in ÅF's performance of around SEK 56 million.

### Contracts and terms of agreement

Consulting firms work with a range of commercial terms. For a precisely specified consulting assignment, a fixed-price arrangement may be advantageous for both the client and for the consultant. A fixed-price assignment may, however, involve an increased risk, to both the client and the consultant, if the time required to complete the assignment has not been correctly estimated. For ÅF, this may lead to reduced margins or actual losses.

**Subcontractors (sub-consultants)**

It is increasingly common for ÅF to lead and manage major projects for its clients, and, on occasion, to work with subcontractors on the detailed project services required during the implementation phase. There are obvious risks associated with this. In every project in which subcontractors are engaged, it is therefore essential that ÅF ensures that the subcontractors maintain the same high level of quality in their deliveries as ÅF itself does, and that they have the same opportunity as ÅF's own consultants to produce an excellent end result.

**Sustainability**

ÅF's geographical spread and strong position in the energy and public sectors carry risks related to typical sustainability factors such as human rights, working conditions and the fight against corruption.

**Operational risks****Personnel and co-workers**

For the company to achieve its objectives, it is essential that co-workers are motivated and have appropriate skills and knowledge. There is always a potential risk that competent co-workers may leave ÅF and move to competitors or clients, or start their own business. There is a further risk that such co-workers, who know the company well, may take other valuable co-workers with them. A situation of this type could involve a reduction in future earnings, and also make it difficult for ÅF to fulfil ongoing assignments, which would result in an increase in costs.

**Acquisition risks**

Acquisitions involve risk – both before and after the actual acquisition is announced.

**Statutory and other requirements****Environment**

ÅF's operations are not licensable or notifiable under current environmental legislation. The environmental risks which do exist are consequences arising from a possible breach of environmental legislation on ÅF's part.

**Disputes**

There is a risk that disputes may arise in the course of ÅF's business operations. Disputes can arise through disagreements with the client over the terms that apply to the assignment. Disputes may also arise, for example, in conjunction with the acquisition of operations.

**Financial risks**

The ÅF Group is exposed to financial risks in the course of its operations. Financial risks refer to fluctuations in the company's profit or loss and cash flow in consequence of changes in exchange rates, interest rate levels and credit risks.

**Currency risk**

Currency risk refers to changes in exchange rates which have a negative impact on the consolidated income statement, balance sheet and cash flow.

**Financing risk**

The Group's financing risk is the risk that the company might be unable to raise new loans or refinance its existing loans on acceptable terms.

**Liquidity risk**

Liquidity risk is the risk that it may not be possible to meet the Group's immediate capital requirements.

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates may have a negative impact on the Group's net interest income/expense and/or cash flow. A change in market interest rates of 1% would have a negative impact on consolidated profit or loss of SEK 9 million.

**Financial credit risk**

ÅF's financial transactions give rise to credit risks in respect of financial counterparties.

**Client credit risk**

The credit risk consists of outstanding accounts receivable and invoiced consulting assignments.

For a more detailed description of the risks to which the company is exposed, and how these are managed, please see pages 50–54 and Note 24 in the Annual Report.

**Shares**

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

ÅF's B shares are traded on the Nasdaq OMX Exchange in Stockholm in the Mid Cap list under the symbol AF B. ÅF's total market capitalisation, including A shares, on 31 December 2012 was SEK 6,227 million (SEK 3,781 million).

ÅF shares traded at SEK 155.50 at the end of 2012, a rise of 40.1 percent in value over the year. The Stockholm OMXSPI Mid Cap index rose by 11.9 percent during the same period.

During the year there was a turnover of 10,257,579 (11,710,508) shares, valued at a total of SEK 1,404 million (1,238). The average turnover per trading day was SEK 5.6 million (5.3). Shares were traded on 100 percent (100) of trading days.

In connection with the acquisition of Epsilon, there was a non-cash issue of 5,985,915 class B shares in ÅF to Danir AB.

The total number of ÅF shares on 31 December 2012 amounted to 40,044,917, of which 1,608,876 were class A shares and 38,436,041 were class B shares.

During 2012, 638,782 ÅF shares were bought back. At the end of 2012 ÅF had in its keeping a total of 464,000 of its own B shares related to the 2010, 2011 and 2012 Performance-related Share Programmes, as well as 558,782 of its own B shares related to the Staff Convertible Programme for 2012. In January 2013, 558,782 ÅF B shares were cancelled.

The ten largest shareholders in ÅF are listed on page 40 of the annual report. The two largest shareholders are Ångpanneföreningen's Foundation for Research & Development, which holds 1,602,876 class A shares and 3,832,576 class B shares, corresponding to 36.4% of the voting rights and 13.6% of the total number of shares, and Danir AB, with a holding of 5,985,915 B shares, representing 11.0% of the voting rights and 14.9% of the total number of shares.

The 2012 Annual General Meeting of shareholders authorised the Board of Directors to buy back shares before the next AGM to counteract the potential diluting effect of the Staff Convertible Programme for 2012, and to reduce the company's share capital by the number of shares equivalent to the convertibles subscribed for through the programme. The AGM also authorised the Board of Directors to acquire ÅF shares, and to approve the transfer of shares to participants in the Performance-related Share Programmes. The company's own holding is not permitted to exceed 10 percent of the shares in the company. In addition, the Board of Directors was authorised to issue new shares that correspond to an increase of a maximum of SEK 15,000,000 in the company's share capital.

There are no limitations, either in law or in the company's articles of association, relating to the transfer of shares.

**Staff convertible and Performance-related Share Programme 2012**

The Annual General Meeting held on 7 May approved a motion on a convertible programme for all employees of the ÅF Group in Sweden, and a performance-related share programme for key employees of the ÅF Group outside Sweden. The programmes involve a maximum of 2.2 percent of the number of issued shares and 1.4 percent of the voting rights.

The convertible programme means that ÅF AB raised a staff convertible of a nominal maximum of SEK 150,000,000 through the issue of convertibles. The convertibles may be exchanged for shares at a predetermined price of SEK 157.10 between 15 June 2015 and 15 March 2016. Convertibles with a nominal value of SEK 87,780,000 have been subscribed for, equivalent to 558,782 shares. The company has bought back that number of shares. The aim of the buy-back was to reduce the share capital by the number of shares bought back in order to neutralise the diluting effect that conversion would otherwise entail. These shares were withdrawn in January 2013.

The performance-related share programme, which specifically targets 37 key management personnel outside Sweden, provides the opportunity to reserve an amount equivalent to a maximum of 5 percent of the individual's gross salary for the purchase of ÅF shares on the Nasdaq OMX Exchange in Stockholm over a 12-month period from the date of implementation of the programme. On expiry of the application period, 19 senior executives and key personnel had expressed an interest in purchasing approximately 7,000 shares for the entire 2012 programme.

In the event that the pre-set performance targets are achieved in full, some 35,000 shares will be transferred to these employees free of consideration through matching in the period between 2012 and 2015. This could lead to dilution of a maximum 0.1 percent of earnings per share.

Approximately 909,000 shares were covered by all ongoing programmes as at 31 December 2012, which is equivalent to about 2.3 percent of the number of shares issued and 1.7 percent of the voting rights.

### Board of Directors

Following the recommendation of the Nomination Committee eight directors (without deputies) were elected by the Annual General Meeting.

Ulf Dinkelspiel, Anders Narvinger, Eva-Lotta Kraft, Björn O. Nilsson, Anders Snell and Lena Treschow Torell were re-elected, and Kristina Schauman and Joakim Rubin were elected to serve a first term as directors of the company. Patrik Enblad and Helena Skåntorp declined re-election.

Ulf Dinkelspiel was re-elected as Chairman of the Board. At its inaugural meeting following the AGM, the board elected Lena Treschow Torell as its Deputy Chair.

At an Extraordinary General Meeting held on 19 November 2012, an additional two directors were elected as a result of the acquisition of Epsilon. These were Johan Glennmo and Dan Olofsson.

Fredrik Sundin and Anders Toll are employee representatives on the board.

Please turn to pages 112–113 in the annual report for a more detailed presentation of the Board of Directors.

### Work of the Board of Directors

During the 2012 financial year, the board held thirteen meetings, in addition to the 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.

The President and CEO, Jonas Wiström, is not a director of the company, but attends board meetings as a reporting person, as does the Group's CFO, Stefan Johansson. ÅF's Executive Vice President Corporate Resources, Viktor Svensson, serves as Secretary to the Board of Directors.

An evaluation of the board's work during the year has been carried out. ÅF's Corporate Governance Report is presented separately on pages 106–111 in the annual report.

### Group management

In 2012 the ÅF Group management team comprised Jonas Wiström (President and CEO), Stefan Johansson (CFO), Viktor Svensson (Corporate Resources), Jacob Landén (General Counsel), Ulrika Lundgren (Mergers & Acquisitions) and the Divisional Presidents, Roberto Gerosa, Per Magnusson, Johan Olsson (until 31 December 2012) and Mats Pålsson. Marie Edman is the secretary to the Group management team. Since 1 January 2013 Mats Boström has been a member of the Group management team in his capacity as Divisional President. Charlotte Witt, Director of Human Resources, was a member of the Group management team until August 2012.

Please turn to pages 114–115 for a presentation of the senior executives in the company.

### Guidelines for the remuneration of Group management in accordance with the resolution of the Annual General Meeting for 2012

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 each employee's manager's immediate superior shall always be involved in discussions about and approve the terms of remuneration for the employee in question.

The remuneration package for senior executives consists of basic salary, a variable salary element, long-term incentive programmes and pension entitlements. Other remuneration may be awarded, primarily in the form of the use of a company car.

The Board of Directors shall ensure that there is an appropriate balance between fixed and variable elements of the remuneration package.

### Basic salary and variable remuneration

Remuneration packages are renegotiated annually. 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 individual'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 senior executives 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 contributions. 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.

### Long-term incentive programme

Key management personnel within the ÅF Group may be offered a range of incentive programmes on commercial terms. The programmes are long-term, and are conditional on employment continuing for the duration of the incentive programme. The emphasis is on share-based incentive programmes, with the object of rewarding performance, increasing and spreading ownership among senior executives and providing an inducement for them to remain with the company. A personal, long-term ownership commitment among key personnel can be expected to stimulate interest in the business and its future performance and to increase motivation and a sense of affinity with the company, resulting in the retention of valuable expertise.

Decisions on the details of long-term incentive programmes have been delegated to the Board of Directors, with the proviso that share-based and share price-based programmes are to be submitted to the Annual General Meeting for approval.

### Retirement benefits

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.

### Termination of employment and severance pay

The period of notice for the President/CEO is 24 months from the company's side, and six months from the President/CEO's side.

The period of notice for other senior executives is normally twelve months from the company's side and six months from the senior executive's side.

### Guidelines for the remuneration of Group management in 2013

The Board of Directors proposes that the 2013 Annual General Meeting resolves that the principles for remuneration and other conditions of employment for the Group's senior management for 2013 shall be in line with the principles that applied in 2012.

### Dividend

The Board of Directors proposes a dividend for 2012 of SEK 5.50 per share (5.00).

### Prospects for 2013

The market prospects for ÅF in 2013 do not present a uniform picture. While the outlook would appear to remain very good for infrastructure projects, the prospects for investments in industry and energy are less certain.

At the end of 2012 the company had some 6,900 highly qualified consultants and the ambition is to continue to grow, both organically and through acquisitions, without compromising profitability.

### Proposed appropriation of profits

Non-restricted profits of SEK 3,114,577,020 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 5.50 per share	214,621,742
To be carried forward	2,899,955,278
<b>Total, SEK</b>	<b>3,114,577,020</b>

The board's explanation of the proposed appropriation of profits will be posted on the company's website, [www.afconsult.com](http://www.afconsult.com). It can also be ordered from the company.



# Consolidated income statement

1 January – 31 December (in millions of SEK)	Note	2012	2011
<b>Operating income</b>			
Net sales	2	5,796.4	5,124.1
Other operating income	4	2.4	6.7
		<b>5,798.8</b>	<b>5,130.8</b>
<b>Operating expenses</b>			
Other external costs	5, 25	-2,007.7	-1,754.9
Personnel costs	6	-3,250.2	-2,890.1
Depreciation/amortisation and impairment of tangible and intangible assets	11, 12	-57.6	-54.6
Other operating expenses	7	-3.5	-4.1
Profit/loss attributable to participation in associates	13	0.7	-0.6
<b>Operating profit</b>	2	<b>480.5</b>	<b>426.5</b>
<b>Result from financial investments</b>			
Financial income		16.9	17.2
Financial expenses		-20.8	-17.9
Net financial items	8	<b>-3.9</b>	<b>-0.7</b>
<b>Profit after financial items</b>		<b>476.6</b>	<b>425.8</b>
Tax	21	-123.3	-113.6
<b>Profit for the year</b>		<b>353.3</b>	<b>312.2</b>
Attributable to:			
Shareholders in the parent		345.0	306.0
Non-controlling interest		8.3	6.1
		<b>353.3</b>	<b>312.2</b>
<b>Earnings per share with regard to profit attributable to shareholders in the parent</b>	10		
before dilution (SEK)		10.13	9.07
after dilution (SEK)		10.02	9.02

# Statement of consolidated comprehensive income

1 January – 31 December (in millions of SEK)	2012	2011
Change in translation reserve for the year	-25.9	-0.2
Change in value of cash flow hedging	0.8	-1.8
Pensions (actuarial gains and losses)	22.4	-91.1
Tax	-4.6	19.2
<b>Other comprehensive income</b>	<b>-7.2</b>	<b>-73.9</b>
<b>Profit for the year</b>	<b>353.3</b>	<b>312.2</b>
<b>Total comprehensive income for the period</b>	<b>346.1</b>	<b>238.3</b>
Attributable to:		
Shareholders in the parent	338.0	232.2
Non-controlling interest	8.1	6.0
	<b>346.1</b>	<b>238.3</b>

# Consolidated balance sheet

As at 31 December (in millions of SEK)	Note	2012	2011
<b>Assets</b>	3		
Intangible assets	11	4,263.4	1,695.2
Tangible assets	12	279.3	285.9
Participations in associates	13	5.9	5.3
Financial investments	14	0.8	0.9
Non-current receivables		4.7	18.6
Deferred tax asset	21	12.3	34.2
<b>Total non-current assets</b>		<b>4,566.3</b>	<b>2,040.1</b>
Accounts receivable	23	1,610.0	1,006.2
Revenue generated but not invoiced		608.2	556.5
Current tax assets	21	11.9	4.5
Other receivables		133.5	102.6
Prepaid expenses	15	88.3	68.2
Cash and cash equivalents		497.7	345.3
<b>Total current assets</b>		<b>2,949.6</b>	<b>2,083.3</b>
<b>Total assets</b>		<b>7,515.9</b>	<b>4,123.4</b>

## Consolidated balance sheet cont'd

As at 31 December (in millions of SEK)	Note	2012	2011
<b>Equity and liabilities</b>			
<b>Equity</b>	16		
Share capital		200.2	170.3
Other contributed capital		1,238.3	468.4
Reserves		55.3	80.3
Retained earnings including profit for the year		1,913.5	1,718.5
<b>Equity attributable to shareholders in parent</b>		<b>3,407.3</b>	<b>2,437.5</b>
Non-controlling interest		14.2	12.7
<b>Total equity</b>		<b>3,421.5</b>	<b>2,450.2</b>
<b>Liabilities</b>	3		
Liabilities to credit institutions	17, 24	735.9	49.5
Staff convertible	18	79.7	—
Provisions for pensions	19	117.9	145.3
Additional consideration	20	613.6	59.9
Provisions	20	12.4	4.9
Deferred tax liabilities	21	137.2	35.9
Other liabilities		2.6	1.3
<b>Total non-current liabilities</b>		<b>1,699.4</b>	<b>296.9</b>
Liabilities to credit institutions	17, 24	441.1	19.6
Work invoiced but not yet carried out		277.3	397.5
Accounts payable – trade		620.4	320.0
Current tax liability	21	54.5	27.7
Other liabilities		295.4	178.9
Accrued expenses and prepaid income	22	641.6	416.7
Additional consideration	20	60.1	10.9
Provisions	20	4.6	4.9
<b>Total current liabilities</b>		<b>2,395.0</b>	<b>1,376.3</b>
<b>Total liabilities</b>		<b>4,094.4</b>	<b>1,673.1</b>
<b>Total equity and liabilities</b>		<b>7,515.9</b>	<b>4,123.4</b>

For information about the Group's pledged assets and contingent liabilities, please refer to Note 26.



# Statement of change in consolidated equity

In millions of SEK	Equity attributable to shareholders in the parent					Non-controlling interest	Total equity
	Share capital	Other contributed capital	Reserves	Retained earnings incl. profit for the year	Total		
Equity brought forward 1 Jan 2011	170.3	469.8	81.9	1,624.4	2,346.3	14.4	2,360.7
Other comprehensive income	—	—	-1.6	-72.2	-73.8	-0.1	-73.9
Profit for the year				306.0	306.0	6.1	312.2
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>-1.6</b>	<b>233.8</b>	<b>232.2</b>	<b>6.0</b>	<b>238.3</b>
Dividends				-135.1	-135.1	-7.1	-142.2
Gradual acquisition of non-controlling interest				-4.5	-4.5	-1.6	-6.1
Acquisition of non-controlling interest					—	0.9	0.9
Share savings programmes		8.5			8.5		8.5
Share buy-backs		-9.9			-9.9		-9.9
<b>Equity carried forward 31 Dec 2011</b>	<b>170.3</b>	<b>468.4</b>	<b>80.3</b>	<b>1,718.5</b>	<b>2,437.5</b>	<b>12.7</b>	<b>2,450.2</b>
Equity brought forward 1 Jan 2012	170.3	468.4	80.3	1,718.5	2,437.5	12.7	2,450.2
Other comprehensive income	—	—	-25.0	18.0	-7.0	-0.2	-7.2
Profit for the year				345.0	345.0	8.3	353.3
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>-25.0</b>	<b>363.0</b>	<b>338.0</b>	<b>8.1</b>	<b>346.1</b>
Dividends				-168.0	-168.0	-5.6	-173.6
Gradual acquisition of non-controlling interest					—	-0.9	-0.9
Non-cash issue	29.9	850.0			879.9		879.9
Issue expenses		-5.5			-5.5		-5.5
Value of conversion option		9.2			9.2		9.2
Tax on value of conversion option		-2.0			-2.0		-2.0
Share savings programmes		12.5			12.5		12.5
Share buy-backs		-94.4			-94.4		-94.4
<b>Equity carried forward 31 Dec 2012</b>	<b>200.2</b>	<b>1,238.3</b>	<b>55.3</b>	<b>1,913.5</b>	<b>3,407.3</b>	<b>14.2</b>	<b>3,421.5</b>

For supplementary information, please see Note 16.

# Statement of consolidated cash flows

1 January – 31 December (in millions of SEK)	Note	2012	2011
<b>Operating activities</b>	30		
Profit after financial items		476.6	425.8
Adjustment for items not included in cash flow and other		81.0	56.1
Income tax paid		-128.2	-78.2
<b>Cash flow from operating activities before changes in working capital</b>		<b>429.3</b>	<b>403.7</b>
<b>Cash flow from changes in working capital</b>			
Change in operating receivables		85.9	-138.8
Change in operating liabilities		-32.5	149.0
<b>Cash flow from operating activities</b>		<b>482.7</b>	<b>413.9</b>
<b>Investing activities</b>			
Acquisition of tangible assets		-22.5	-31.8
Disposal of tangible assets		1.3	0.1
Acquisition of intangible assets		-13.3	-6.0
Acquisition of business operations	3	-1,182.7	-19.1
Additional consideration paid and gradual acquisitions		-9.9	-24.5
Disposal of financial assets		1.6	—
<b>Cash flow from investing activities</b>		<b>-1,225.6</b>	<b>-81.3</b>
<b>Financing activities</b>			
Borrowings		1,264.8	3.1
Amortisation of loans		-89.7	-166.0
Dividend paid to parent shareholders and non-controlling interest		-173.6	-142.2
Share buy-backs		-94.4	-9.9
Issue expenses for non-cash issue		-5.5	—
<b>Cash flow from financing activities</b>		<b>901.8</b>	<b>-315.0</b>
<b>Cash flow for the year</b>		<b>158.9</b>	<b>17.6</b>
Cash and cash equivalents brought forward		345.3	327.9
Exchange difference in cash/cash equivalents		-6.6	-0.2
<b>Cash and cash equivalents carried forward</b>		<b>497.7</b>	<b>345.3</b>

# Parent income statement

1 January – 31 December, MSEK	Note	2012	2011
<b>Operating income</b>			
Net sales		246.2	244.8
Other operating income	4	127.5	113.5
		<b>373.7</b>	<b>358.3</b>
<b>Operating expenses</b>			
Other external costs	5, 25	–200.8	–181.3
Personnel costs	6	–83.6	–81.2
Depreciation/amortisation and impairment of tangible and intangible assets	11, 12	–13.6	–12.7
Other operating expenses	7	–124.4	–122.6
<b>Operating loss</b>		<b>–48.7</b>	<b>–39.5</b>
<b>Result from financial investments</b>			
Result from shares in Group companies and associates	8	134.4	58.0
Interest income and similar profit/loss items	8	5.3	3.6
Interest expense and similar profit/loss items	8	–15.9	–12.6
		<b>123.8</b>	<b>49.0</b>
<b>Profit after financial items</b>		<b>75.1</b>	<b>9.5</b>
Appropriations	9	335.7	391.0
<b>Pre-tax profit</b>		<b>410.8</b>	<b>400.5</b>
Tax	21	–67.0	–89.7
<b>Profit for the year</b>		<b>343.8</b>	<b>310.8</b>
Other comprehensive income		—	—
<b>Comprehensive income for the period</b>		<b>343.8</b>	<b>310.8</b>

The 2011 figures are adjusted due to changes to the rules governing the treatment of Group contribution. See Note 1.

# Parent balance sheet

As at 31 December (in millions of SEK)	Note	2012	2011
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	11	9.4	4.9
Tangible assets	12	53.8	57.1
Participations in Group companies	28	5,218.5	2,445.1
Participations in associates	13	7.3	7.3
Receivables from Group companies	27	16.9	8.6
Non-current receivables		5.3	16.8
<b>Total non-current assets</b>		<b>5,311.2</b>	<b>2,539.8</b>
<b>Current assets</b>			
Accounts receivable		2.4	2.9
Receivables from Group companies	27	563.8	476.6
Receivables from associates	27	0.3	0.2
Revenue generated but not invoiced		1.6	3.6
Current tax assets	21	11.9	—
Other receivables		28.7	23.6
Prepaid expenses	15	51.1	45.8
<b>Total current receivables</b>		<b>659.8</b>	<b>552.7</b>
Cash and bank balances		39.3	41.7
<b>Total current assets</b>		<b>699.1</b>	<b>594.4</b>
<b>Total assets</b>		<b>6,010.3</b>	<b>3,134.2</b>



## Parent balance sheet cont'd

As at 31 December (in millions of SEK)	Note	2012	2011
<b>Equity and liabilities</b>			
<b>Equity</b>	16		
<b>Restricted equity</b>			
Share capital (1,608,876 class A shares, 38,436,041 class B shares: total 40,044,917 shares with a quota value of SEK 5)		200.2	170.3
Statutory reserve		46.9	46.9
<b>Non-restricted equity</b>			
Share premium reserve		1,188.5	431.1
Opening Profit		1,582.3	1,427.1
Profit for the year		343.8	310.8
<b>Total equity</b>		<b>3,361.7</b>	<b>2,386.2</b>
<b>Untaxed reserves</b>	29	126.4	29.6
<b>Provisions</b>			
Provisions for pensions and similar obligations	19	26.0	26.9
Deferred tax liability		1.9	—
Other provisions	20	644.3	70.8
<b>Total provisions</b>		<b>672.2</b>	<b>97.7</b>
<b>Non-current liabilities</b>			
Staff convertible	18	79.6	—
Liabilities to credit institutions	17	700.0	—
Liabilities to Group companies	27	0.2	0.2
<b>Total non-current liabilities</b>		<b>779.8</b>	<b>0.2</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	17, 24	427.0	—
Accounts payable – trade		73.7	67.3
Liabilities to Group companies	27	531.9	511.1
Current tax liability	21	—	17.0
Other liabilities		2.0	1.4
Accrued expenses and prepaid income	22	35.6	23.8
<b>Total current liabilities</b>		<b>1,070.2</b>	<b>620.6</b>
<b>Total equity and liabilities</b>		<b>6,010.3</b>	<b>3,134.2</b>
<b>Pledged assets and contingent liabilities for the parent</b>			
Pledged assets	26	None	None
Contingent liabilities	26	106.8	115.0

# Statement of change in equity for parent

(In millions of SEK)	Restricted equity		Non-restricted equity			Total equity
	Share capital	Statutory reserve	Share premium reserve	Opening profit	Profit for the year	
Equity brought forward 1 January 2011	170.3	46.9	441.0	1,555.3	—	2,213.5
Profit for the year					310.8	310.8
<b>Total profit for the period</b>	—	—	—	—	<b>310.8</b>	<b>310.8</b>
Dividends				—135.1		—135.1
Share buy-backs			—9.9			—9.9
Share savings programme				6.9		6.9
<b>Equity carried forward 31 December 2011</b>	<b>170.3</b>	<b>46.9</b>	<b>431.1</b>	<b>1,427.1</b>	<b>310.8</b>	<b>2,386.2</b>
Equity brought forward 1 January 2012	170.3	46.9	431.1	1,737.9	—	2,386.2
Profit for the year					343.8	343.8
<b>Total profit for the period</b>	—	—	—	—	<b>343.8</b>	<b>343.8</b>
Dividends				—168.0		—168.0
Non-cash issue	29.9		850.0			879.9
Issue expenses			—5.5			—5.5
Value of conversion option			9.2			9.2
Tax on value of conversion option			—2.0			—2.0
Share buy-backs			—94.4			—94.4
Share savings programme				12.5		12.5
<b>Equity carried forward 31 December 2012</b>	<b>200.2</b>	<b>46.9</b>	<b>1,188.5</b>	<b>1,582.3</b>	<b>343.8</b>	<b>3,361.7</b>

For supplementary information, see Note 16.

# Statement of cash flows for parent

1 January – 31 December (in millions of SEK)	Note	2012	2011
<b>Operating activities</b>	30		
Profit after financial items		75.1	9.5
Adjustment for items not included in the cash flow and other		15.0	12.9
Income tax paid		-96.1	-60.7
<b>Cash flow from operating activities before changes in working capital</b>		<b>-6.0</b>	<b>-38.3</b>
<b>Cash flow from changes in working capital</b>			
Change in operating receivables		16.1	-30.9
Change in operating liabilities		374.2	411.0
<b>Cash flow from operating activities</b>		<b>384.3</b>	<b>341.8</b>
<b>Investing activities</b>			
Acquisition of tangible assets		-6.2	-11.6
Acquisition of intangible assets		-8.7	-2.8
Acquisition of financial assets		-1,318.9	-94.4
<b>Cash flow from investing activities</b>		<b>-1,333.8</b>	<b>-108.8</b>
<b>Financing activities</b>			
Borrowings		1,264.8	—
Amortisation of loans		-50.0	-100.0
Dividends paid		-168.0	-135.1
Issue expenses		-5.5	—
Share buy-backs		-94.4	-9.9
<b>Cash flow from financing activities</b>		<b>947.0</b>	<b>-245.0</b>
<b>Cash flow for the year</b>		<b>-2.4</b>	<b>-12.0</b>
Cash and cash equivalents brought forward		41.7	53.7
<b>Cash and cash equivalents carried forward</b>		<b>39.3</b>	<b>41.7</b>

The 2011 figures are adjusted due to changes to the rules governing the treatment of Group contribution.  
See Note 1.

# Notes with accounting policies and comments

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

## 1 Accounting policies

### 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 presentation currency for the parent and the Group. This means that the financial statements are presented in SEK.

Assets and liabilities are recognised at 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 32.

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 19 March 2013. 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 26 April 2013.

### 1.3 Amendments to accounting policy and disclosure requirements

#### 1.3.1 Amended and new accounting policies for the year

No new standards affecting the Group came into force in 2012.

#### 1.3.2 Future amendments in accounting policies

*IAS 1 Presentation of other comprehensive income – amended (Adopted by the EU in June 2012)*

IAS 1 is to apply to annual periods beginning on or after 1 July 2012. The amendments revise the grouping of transactions in other comprehensive income. Items that are reclassifiable to profit or loss are to be presented separately from items that are not. The proposal does not alter the actual content of other comprehensive income, but solely the presentation.

*IFRS 9, Financial Instruments: Recognition and Measurement*

*(Not yet adopted by the EU. No timetable for adoption currently in place)*

This standard is part of a project to replace the current IAS 39. The standard reduces the number of valuation classifications for financial assets, so that

the primary classifications for measuring financial assets and liabilities are amortised cost and fair value through profit or loss. For certain investments in equity instruments, there is an option for them to be measured at fair value in the balance sheet, with value changes recognised in other comprehensive income, where there is no transfer to profit or loss for the period on disposal. In addition, new rules have been introduced concerning the presentational changes in own credit spreads when liabilities are measured at fair value. The standard will be supplemented with rules on impairment and hedge accounting.

*IFRS 11 Joint arrangements, IAS 28 Associates and Joint Ventures*

*(Adopted by the EU in December 2012)*

IFRS 11 is to apply to annual periods beginning on or after 1 January 2014. IFRS 11 prescribes the accounting of joint arrangements, which are defined as a contractual arrangement of which two or more parties have joint control. IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers".

It is essential to determine whether a party has control over another party or, rather, significant influence or joint control. In the last-mentioned case, a joint arrangement exists, which may involve either a joint operation or a joint venture.

For jointly owned assets and joint operations, each joint operator accounts for the assets, liabilities, revenues and expenses relating to its involvement.

Joint ventures, in which the investor owns an interest in the net assets of the company, are no longer to be consolidated using proportional consolidation, but using the equity method.

*IAS 19 Employee benefits – amended (Adopted by the EU in June 2012)*

IAS 19 is to apply to annual periods beginning on or after 1 January 2013. The amendments alter the accounting treatment of defined-benefit plans. This includes the elimination of the option of deferring actuarial gains and losses using the "corridor method". They are to be recognised on a current basis in other comprehensive income. Items attributable to the earning of defined-benefit pensions, along with gains and losses arising on settlement of a pension obligation, as well as the financial net of the defined-benefit plan, are recognised in profit or loss. Sensitivity analyses are to be carried out in respect of reasonable changes in all assumptions made in calculating the pension obligation.

ÅF has never adopted the corridor method, so the amendments to the standard will have no significant impact on ÅF's financial statements.

### 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 Group 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 twelve months after the end of the reporting period. Current assets and liabilities consist essentially of amounts expected to be recovered or settled within twelve 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.



## Note 1 cont'd

**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.

**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 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 presentation currency is the Swedish krona (SEK). The ÅF Group's presentation currency is also the Swedish krona (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 a current 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. For joint risk projects ÅF recognises only its own share of the income.

**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 profit or loss. 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, borrowing costs, 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.

Borrowing costs are charged to profit for the period to which they relate. Costs arising when raising a loan are divided over the maturity of the loan on the basis of the recognised liability.

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.

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, please see Note 23.

**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 profit or loss 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

## Note 1 cont'd

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 that 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 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 doubtful receivables 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.

*Staff convertibles* can be converted into shares by the counterparty exercising an option to convert the instrument into shares. Staff convertibles 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 staff convertible 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.

**1.11 Derivative instruments and hedging**

ÄF 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, at which point 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**

Linear depreciation is applied over the estimated useful life of the asset. Land is not depreciated. The ÄF 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 residual value and useful life of an asset are reviewed annually.

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**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 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 profit or loss.

**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	1–20 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 that 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 outside profit or loss are reversed through profit or loss.

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 carried out only to the extent that the carrying amount after reversal does not exceed the carrying amount which would have been recognised, less depreciation/amortisation if appropriate, if no impairment had been applied.

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 Annual 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 profit or loss as they arise.

**1.16.2 Defined-benefit retirement benefit plans**

The AF 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

## Note 1 cont'd

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 outside profit or loss.

**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.

**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 and the staff convertible 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 policies outlined below have been applied consistently to all periods presented in the parent's financial statements.

**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 profit or loss.

**1.22.4 Non-current assets held for sale**

The parent applies IFRS 5 with the exceptions set out in RFR 2. Under the provisions of IFRS 5, assets held for sale are recognised separately in the balance sheet, and discontinued operations are recognised separately in profit or loss. 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, 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



## Note 1 cont'd

without making assumptions about future wage growth, and the recognition of all actuarial gains and losses in profit or loss 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 contribution and shareholders' contributions to legal entities**

The Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities", as updated in September 2012, is to be applied to annual periods beginning on or after 1 January 2012, unless otherwise stated in the appropriate standard or statement. A significant change in RFR 2 is that new guidance has been provided on the recognition of Group contributions. The new guidance will apply for annual periods beginning on or after 1 January 2013. Early adoption is permitted.

In recognising Group contribution, a company may apply either the main rule or the alternative rule. The selected rule must be applied consistently to all Group contributions.

Under the main rule:

- The parent recognises Group contributions received from subsidiaries as financial income, and recognises Group contributions made to subsidiaries as increases in participations in Group companies.
- Subsidiaries recognise Group contribution received from the parent outside profit or loss. Group contribution made to the parent is also recognised outside profit or loss.
- Group contribution received from sister companies is recognised outside profit or loss. Group contribution made to sister companies is recognised outside profit or loss.

Under the alternative rule, Group contributions both made and received are recognised as appropriations.

ÅF has elected to apply the alternative rule with effect from 1 January 2012.

Shareholder's contributions are recognised outside profit or loss by the recipient and are capitalised as participations by the contributor, insofar as impairment is not required.

The 2011 figures for the parent are adjusted, proforma figures, due to the amended rules relating to accounting for group contribution.

## 2 Segment reporting

	Industry		Infrastructure		International		Technology		Others & elim. <sup>1)</sup>		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
<b>Income and expenses</b>												
Sales to external clients	1,625	1,488	1,842	1,486	1,291	1,277	872	861	167	12	5,797	5,124
Other operating income	1	1	0	0	1	1	0	0	0	5	2	7
Sales between segments	36	37	50	37	15	31	27	30	-128	-135	—	—
Total income	1,662	1,526	1,892	1,523	1,307	1,309	899	891	39	-118	5,799	5,131
Operating expenses	-1,463	-1,343	-1,671	-1,395	-1,233	-1,216	-813	-793	-81	96	-5,261	-4,651
Amortisation and impairment of intangible assets	-1	-2	-6	-5	-6	-7	0	-1	-6	-3	-19	-18
Depreciation and impairment of tangible assets	-3	-3	-8	-7	-13	-11	-1	-1	-13	-14	-38	-36
Operating profit/loss	195	178	207	116	55	75	85	96	-61	-39	481	426
Operating margin, %	11.7	11.7	10.9	7.6	4.2	5.7	9.4	10.8			8.3	8.3
<b>Assets and liabilities</b>												
Intangible assets	578	582	819	353	672	669	85	86	2,109	5	4,263	1,695
Tangible assets	13	11	25	24	164	176	5	5	72	70	279	286
Other assets	620	668	858	665	832	900	316	289	348	-380	2,974	2,142
Total assets	1,211	1,261	1,702	1,042	1,668	1,745	406	380	2,529	-305	7,516	4,123
Equity	105	157	342	300	56	63	89	142	2,830	1,788	3,422	2,450
Total liabilities	1,106	1,104	1,360	742	1,612	1,682	317	238	-301	-2,093	4,094	1,673

The historical figures given above have been adjusted in accordance with the organisational changes implemented on 1 October 2012.

<sup>1)</sup> The 2012 figures include the sales and results of the acquired company, Epsilon, for the period 29 November–31 December in "Others and eliminations".

As from 1 January 2013, Epsilon will be integrated in the Technology Division and the Industry Division.

**Operating segments**

The Group's operating structure and internal reporting to Group 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	2012	2011	2012	2011	2012	2011
Sales to external clients	3,950	3,371	1,847	1,753	5,797	5,124
Assets	5,055	2,137	2,461	1,986	7,516	4,123

### 3 Business combinations

#### Acquisitions 2012

During 2012, ÅF acquired all the shares of Sivilingeniörene Munthe-Kaas og Utnes AS and Advansia AS in Norway, VTB i Kristianstad AB, Bygganalys AB, Demikon D-Miljö AB and Epsilon Holding AB in Sweden, as well as a number of smaller acquisitions of operations in Sweden and Denmark. The number of employees in companies/operations acquired was 1,941. For more information on acquisitions during the year, see pages 58–59.

#### 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.

#### Epsilon

On 18 October 2012 the Boards of Directors of ÅF and Epsilon Holding AB announced that ÅF and Epsilon would merge to create one of Northern Europe's leading technology consulting companies.

The provisional acquisition analysis has shown intangible assets totalling SEK 2,094.7 million. Client relations have been valued at SEK 307.2 million and goodwill at SEK 1,787.5 million. The goodwill values relate both to co-worker competence and to synergy effects. The synergies are estimated to total more than SEK 100 million.

The acquisition agreement signed with Danir AB that relates to the acquisition of Epsilon includes an additional consideration. The amount of this additional consideration depends chiefly on the total EBIT for 2014 of the ÅF Technology and Industry Divisions of which Epsilon will form part. The additional consideration is to be paid in cash in February 2015. ÅF's estimate is that this additional consideration will total SEK 500 million.

The ceiling set for the additional consideration is SEK 1,100 million. This maximum amount will be payable if the combined EBIT for 2014 of the Technology and Industry Divisions totals SEK 823 million.

#### Epsilon's acquired net assets on the acquisition date

2012	Identifiable assets and liabilities	Fair adjustment value	Fair value recognised in Group
Intangible assets	2.9	307.2	310.1
Tangible assets	7.2	—	7.2
Accounts receivable and other receivables	699.2	—	699.2
Cash and cash equivalents	31.9	—	31.9
Non-current provisions	–16.0	–67.6	–83.6
Accounts payable and other liabilities	–530.7	—	–530.7
<b>Net identifiable assets and liabilities</b>	<b>194.5</b>	<b>239.6</b>	<b>434.1</b>
Consolidated goodwill			1,787.5
<b>Consideration including estimated additional consideration</b>			<b>2,221.6</b>
Transaction costs			11.0
Deduct:			
Cash (acquired)			31.9
Estimated additional consideration			500.0
Non-cash issue			879.9
<b>Net cash outflow</b>			<b>820.8</b>

#### Advansia's acquired net assets on the acquisition date

2012	Identifiable assets and liabilities	Fair adjustment value	Fair value recognised in Group
Intangible assets	—	35.4	35.4
Tangible assets	2.4	—	2.4
Accounts receivable and other receivables	66.4	—	66.4
Cash and cash equivalents	66.7	—	66.7
Non-current provisions	–2.1	–9.9	–12.0
Accounts payable and other liabilities	–74.5	—	–74.5
<b>Net identifiable assets and liabilities</b>	<b>58.9</b>	<b>25.5</b>	<b>84.4</b>
Consolidated goodwill			381.7
<b>Consideration including estimated additional consideration</b>			<b>466.1</b>
Transaction costs			1.8
Deduct:			
Cash (acquired)			66.7
Estimated additional consideration			80.4
<b>Net cash outflow</b>			<b>320.8</b>

#### Other acquired companies' net assets on the acquisition date

2012	Identifiable assets and liabilities	Fair adjustment value	Fair value recognised in Group
Intangible assets	—	3.3	3.3
Tangible assets	2.0	—	2.0
Accounts receivable and other receivables	25.7	—	25.7
Cash and cash equivalents	8.5	—	8.5
Non-current provisions	—	–0.8	–0.8
Accounts payable and other liabilities	–26.0	—	–26.0
<b>Net identifiable assets and liabilities</b>	<b>10.2</b>	<b>2.5</b>	<b>12.7</b>
Consolidated goodwill			66.5
<b>Consideration including estimated additional consideration</b>			<b>79.2</b>
Transaction costs			0.1
Deduct:			
Cash (acquired)			8.5
Estimated additional consideration			29.7
<b>Net cash outflow</b>			<b>41.1</b>

## Note 3 cont'd

## Total net assets of acquired companies on acquisition date

	Identifiable assets and liabilities	Fair adjustment value	Fair value recognised in Group
2012			
Intangible assets	2.9	345.9	348.8
Tangible assets	11.6	—	11.6
Accounts receivable and other receivables	791.3	—	791.3
Cash and cash equivalents	107.1	—	107.1
Non-current provisions	-18.1	-78.3	-96.4
Accounts payable and other liabilities	-631.2	—	-631.2
<b>Net identifiable assets and liabilities</b>	<b>263.6</b>	<b>267.6</b>	<b>531.2</b>
Consolidated goodwill			2,235.7
<b>Consideration including estimated additional consideration</b>			<b>2,766.9</b>
Transaction costs			12.9
Deduct:			
Cash (acquired)			107.1
Estimated additional consideration <sup>1)</sup>			610.1
Non-cash issue <sup>2)</sup>			879.9
<b>Net cash outflow</b>			<b>1,182.7</b>

<sup>1)</sup> 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 payable for the acquired companies may amount to a maximum of SEK 1,287 million.

<sup>2)</sup> The non-cash issue has been set at 5,985,915 shares valued at the price on the acquisition date, SEK 147 per share.

Acquired companies/lines of business contributed SEK 326 million to the Group's income and SEK 34 million to the Group's operating profit in 2012.

If the above acquisitions had been completed on 1 January 2012, consolidated income would have been SEK 8,108 million and operating profit SEK 719 million as at 31 December 2012.

## Acquisitions 2011

During 2011, ÅF acquired Elektroprojektering Uppsala, Eriksson Sprinklerkonsult, CityPlan spol s.r.o. and Oy Vesirakentaja. The number of employees in the companies/operations acquired was 86.

## Total net assets of acquired companies on acquisition date

	Identifiable assets and liabilities	Fair adjustment value	Fair value recognised in Group
2011			
Intangible assets	0.3	1.2	1.5
Tangible assets	1.5	—	1.5
Accounts receivable and other receivables	8.9	—	8.9
Cash and cash equivalents	6.2	—	6.2
Non-current provisions	—	-0.2	-0.2
Accounts payable and other liabilities	-5.7	—	-5.7
<b>Net identifiable assets and liabilities</b>	<b>11.2</b>	<b>1.0</b>	<b>12.2</b>
Consolidated goodwill			21.9
Non-controlling interests			-0.9
<b>Consideration including estimated additional consideration</b>			<b>33.1</b>

Deduct:

Cash (acquired)	6.2
Estimated additional consideration <sup>1)</sup>	7.8
<b>Net cash outflow</b>	<b>19.1</b>

<sup>1)</sup> The agreed additional consideration in the acquired companies relates to the performance of the respective companies over the following two to three years. The total additional consideration for the acquired companies will not exceed SEK 8 million.

If the above acquisitions had been completed on 1 January 2011, consolidated income would have been SEK 5,158 million and operating profit SEK 427 million as at 31 December 2011.

## 4 Other operating income

Group	2012	2011
Exchange gains	2.0	2.5
Gain on disposal of non-current assets	0.4	4.2
	<b>2.4</b>	<b>6.7</b>

Other operating income of SEK 127.5 million (113.5) in the parent relates to the invoicing of rental charges, chiefly to subsidiaries.

## 5 Fees and remuneration of auditors

	Group		Parent	
	2012	2011	2012	2011
<i>Ernst &amp; Young</i>				
Audit assignments	4.3	3.7	0.8	0.7
Tax advice	0.1	0.1	—	—
Other assignments	4.3	0.7	3.6	0.3
	<b>8.7</b>	<b>4.5</b>	<b>4.4</b>	<b>1.0</b>
<i>Other accounting companies</i>				
Audit assignments	0.4	0.5	—	—
Tax advice	—	0.3	—	0.1
Other assignments	0.9	0.2	0.6	—
	<b>1.3</b>	<b>1.0</b>	<b>0.6</b>	<b>0.1</b>

"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.

## 6 Employees and personnel costs

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

### Average number of employees (FTEs) by gender

Parent	2012		2011	
	Women	Men	Women	Men
Sweden	52	22	55	21
<b>Subsidiaries</b>				
Sweden	575	2,753	515	2,512
Finland	40	172	37	168
Norway	34	107	25	85
Denmark	19	108	14	94
Switzerland	54	153	45	149
Czech Republic	36	139	15	109
Russia	199	148	186	134
Estonia	6	27	6	26
Lithuania	6	26	6	23
Spain	13	19	12	22
Turkey	3	17	2	13
India	11	43	9	48
Others	9	17	4	29
<b>Group total</b>	<b>1,057</b>	<b>3,751</b>	<b>933</b>	<b>3,434</b>
<b>Total average number of employees (FTEs)</b>		<b>4,808</b>		<b>4,367</b>
Total for associates		30		30
<b>Total average number of employees (FTEs) incl. associates</b>		<b>4,838</b>		<b>4,397</b>

### Gender distribution – Board of Directors and Group management

Group	Women, %	
	2012	2011
Board of Directors	30	38
Group management	20	20

### Salaries, other remuneration and payroll overheads

Group	2012		2011	
	Salaries and remuneration	Payroll overheads	Salaries and remuneration	Payroll overheads
Board of Directors and Group executives	31.1	16.1	26.8	14.3
(of which annual variable remuneration)	6.1	—	5.1	—
(of which pension expenses) <sup>1)</sup>	—	6.7	—	6.5
Other employees	2,278.9	832.8	2,016.6	741.2
(of which annual variable remuneration)	107.7	—	58.1	—
(of which, pension expenses) <sup>1)</sup>	—	274.0	—	249.9
	<b>2,310.0</b>	<b>848.8</b>	<b>2,043.4</b>	<b>755.5</b>

<sup>1)</sup> Including statutory charges.

Parent	Salaries and remuneration	Payroll overheads	Salaries and remuneration	Payroll overheads
Board of Directors and Group executives	9.5	4.6	8.5	4.5
(of which annual variable remuneration)	2.2	—	1.7	—
(of which pension expenses) <sup>1)</sup>	—	1.6	—	1.8
Other employees	41.4	21.0	40.4	22.6
(of which annual variable remuneration)	5.5	—	3.2	—
(of which, pension expenses) <sup>1)</sup>	—	8.4	—	9.9
	<b>51.0</b>	<b>25.6</b>	<b>48.9</b>	<b>27.1</b>

<sup>1)</sup> Including statutory charges.

### Remuneration to Group executives

See page 61 for guidelines for remuneration paid to Group executives.

### Remuneration to the directors of the company approved by the 2012 AGM

The AGM held on 7 May 2012 approved remuneration totalling SEK 1,850,000 for the work of the board in 2012. The Chairman received SEK 450,000 and members of the board not employed in the Group received SEK 200,000 each.

In addition, it was resolved to pay fees for committee work of SEK 45,000 to each member of the Audit Committee not employed in the Group, of SEK 45,000 to each member of the Remuneration Committee not employed in the Group, of SEK 90,000 to the Chair of the Audit Committee, and of SEK 75,000 to the Chair of the Remuneration Committee. The total remuneration payable to the board is thus SEK 2,195,000, of which SEK 1,850,000 is for the ordinary work of the board and SEK 345,000 for committee work. At the Extraordinary General Meeting held on 19 November 2012, Dan Olofsson and Johan Glennmo were elected as members of the board of ÅF. Directors fees paid to Dan Olofsson and Johan Glennmo totalled SEK 33,400.

### Remuneration to the directors of the company in 2012

Remuneration to the board is payable quarterly. This means that the remuneration to the board was at the rate determined by the AGM in 2011 for the first two quarters and at the rate determined by the AGM in 2012 for the remaining two quarters of the year.

During 2012 a total of SEK 2,205,900 (2,150,000) 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 (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 directors of the company in 2012

Remuneration in SEK			
Director	Board	Committee	Total
Ulf Dinkelspiel	450,000	107,500	557,500
Patrik Enblad	100,000	—	100,000
Johan Glennmo	16,700	—	16,700
Eva-Lotta Kraft	200,000	45,000	245,000
Anders Narvinger	200,000	40,000	240,000
Björn O. Nilsson	200,000	—	200,000
Dan Olofsson	16,700	—	16,700
Joakim Rubin	100,000	—	100,000
Kristina Schauman	100,000	45,000	145,000
Helena Skåntorp	100,000	45,000	145,000
Anders Snell	200,000	—	200,000
Lena Treschow Torell	200,000	40,000	240,000
<b>Total</b>	<b>1,883,400</b>	<b>322,500</b>	<b>2,205,900</b>



## Note 6 cont'd

**Information relating to remuneration to directors of the company in 2011**

Remuneration in SEK

Director	Board	Committee	Total
Ulf Dinkelspiel	450,000	95,000	545,000
Patrik Enblad	200,000	—	200,000
Eva-Lotta Kraft	200,000	45,000	245,000
Anders Narvinger	100,000	17,500	117,500
Björn O. Nilsson	200,000	—	200,000
Jon Risfelt	100,000	17,500	117,500
Helena Skåntorp	200,000	90,000	290,000
Anders Snell	200,000	—	200,000
Lena Treschow Torell	200,000	35,000	235,000
<b>Total</b>	<b>1,850,000</b>	<b>300,000</b>	<b>2,150,000</b>

**President/CEO**

Annual variable remuneration is based on the Group's results, as well as a number of pre-set targets, and may amount to a maximum of 65 percent of fixed basic salary. The fixed basic salary of the President/CEO for 2012 was SEK 4.3 million (4.1). The President/CEO also has the use of a company car.

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 management, excluding the President/CEO**

The ÅF Group management team consists of nine (nine) individuals excluding the President/CEO. During the first six months of the year, the Group management team consisted of ten individuals excluding the President/CEO. After the reorganisation, the number reverted to nine.

Annual variable remuneration may amount to a maximum of 60 percent of fixed basic salary. Benefits available to members of the ÅF Group management team include the use of a company car.

For members of the Group management team, the period of notice from the company's side is normally twelve months. Full salary continues to be payable during the period of notice. From the individual's side, a period of six months' notice applies. The retirement age for members of Group management is 65.

One of the members of the Group 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 30 percent of basic salary is allocated annually.

ÅF has no outstanding retirement benefit obligations to current or former members of the board and/or managing directors.

**Determination of remuneration**

The level of remuneration paid to the President/CEO for financial year 2012 was set by the Board of Directors following a proposal drafted by the board's Remuneration Committee. Remuneration paid to other Group executives was set by the President/CEO in consultation with the Remuneration Committee.

**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 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 basis for the model is that part of the profit that is generated at Group level is 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**

The first performance-related share savings programme (performance share plan: PSP) for key members of staff was introduced in 2008. PSPs current at the end of the reporting period relate to 2010, 2011 and 2012.

The aim of the 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 may save an amount equivalent to a maximum of 5 percent of their fixed salaries. Senior managers, including the Group 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.

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 programme.

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.

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

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

	Performance share plan (PSP)			Total
	2010	2011	2012	
Base value earnings per share, SEK <sup>1)</sup>	7.03	7.76	9.87	
Target for annual average increase in earnings per share, %	5–15	5–15	5–15	
Number of participants in the allocation	98	95	19	
Allocation of matching shares, number <sup>2)</sup>	0–4	0–4	0–4	
	0–5	0–5	0–5	
	0–6	0–6	E/T	
Allocation of number of free shares per share saved	1	1	1	
Maximum number of matching shares	152,000	163,000	34,000	<b>349,000</b>
Maximum dilution of earnings per share, %	0.4	0.4	0.1	<b>0.9</b>
Provision for the year, MSEK	8.8	9.0	1.1	<b>18.9</b>
Accumulated provision, MSEK	21.5	13.9	1.1	<b>36.5</b>
Minimum cost, MSEK	4.9	5.3	1.3	<b>11.5</b>
Maximum cost, MSEK	25.9	27.8	6.4	<b>60.1</b>
Savings period	July 2010–June 2011	July 2011–June 2012	July 2012–June 2013	
Final date	June 2013	June 2014	June 2015	

<sup>1)</sup> Total for four quarters up to 30 June of the plan year.

<sup>2)</sup> 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.

Note 6 cont'd

**Cost of remuneration to the President/CEO and other Group management**

	2012			2011		
	President/CEO	Other Group management	Total	President/CEO	Other Group management	Total
Salaries, incl. daily allowances/per diems	4.4	15.6	20.0	4.1	13.6	17.7
Provisions for annual variable remuneration earned during year	2.2	3.8	6.1	1.7	3.4	5.1
Provisions for non-current variable remuneration	0.8	2.1	2.8	0.6	1.3	1.9
Pension expenses <sup>1)</sup>	1.6	5.1	6.7	1.8	4.7	6.5
Other payroll overheads	2.5	6.4	8.9	2.0	5.1	7.2
<b>Total</b>	<b>11.5</b>	<b>33.0</b>	<b>44.5</b>	<b>10.3</b>	<b>28.1</b>	<b>38.4</b>

<sup>1)</sup> Including statutory charges.**7 Other operating expenses**

Group	2012	2011
Exchange losses	3.5	4.1
	<b>3.5</b>	<b>4.1</b>

Other operating expenses of SEK 124.4 million (122.6) in the parent relate to rental charges.

**8 Net financial income/expense**

Group	2012	2011
Interest income <sup>1)</sup>	13.2	11.9
Exchange gains	3.8	5.3
<b>Financial income</b>	<b>16.9</b>	<b>17.2</b>
Interest expense <sup>1)</sup>	-9.8	-10.6
Other financial expenses	-4.9	-1.1
Exchange losses	-6.1	-6.2
<b>Financial expense</b>	<b>-20.8</b>	<b>-17.9</b>
<b>Net financial expense</b>	<b>-3.9</b>	<b>-0.7</b>

Parent	2012	2011
Interest income, Group companies	1.5	0.5
Interest income	1.6	0.6
Exchange gains	2.2	2.5
Dividends from Group companies and associates	134.4	58.0
<b>Financial income</b>	<b>139.7</b>	<b>61.6</b>
Interest expense, Group companies	-2.4	-3.6
Interest expense <sup>1)</sup>	-10.4	-5.2
Exchange losses	-3.1	-3.8
<b>Financial expense</b>	<b>-15.9</b>	<b>-12.6</b>
<b>Net financial income</b>	<b>123.8</b>	<b>49.0</b>

<sup>1)</sup> Includes interest on pension provisions.

The 2011 figures are adjusted due to changes to the rules governing the treatment of Group contribution.

**9 Appropriations**

Parent	2012	2011
Difference between recognised depreciation/amortisation and depreciation/amortisation according to plan	-5.5	-1.1
Group contributions received	434.2	396.5
Group contributions paid	-1.7	-4.4
Transfer to tax allocation reserve	-91.3	—
	<b>335.7</b>	<b>391.0</b>

The 2011 figures are adjusted due to changes to the rules governing the treatment of Group contribution.

**10 Earnings per share**

SEK	Before dilution		After dilution	
	2012	2011	2012	2011
Earnings per share	10.13	9.07	10.02	9.02

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

**Earnings per share before dilution**

The calculation of earnings per share for 2012 is based on the profit for the year attributable to the parent's ordinary shareholders amounting to SEK 345.0 million (306.0) and on a weighted average number of outstanding shares during the year that amounted to 34,065,811 (33,757,373).

**Weighted average number of outstanding ordinary shares, before dilution**

	2012	2011
Total number of ordinary shares 1 January	33,675,002	33,775,002
Effect of share buy-backs	-108,017	-17,629
Effect of non-cash issue	498,826	—
<b>Weighted average number of ordinary shares during the year, before dilution</b>	<b>34,065,811</b>	<b>33,757,373</b>

**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 and staff convertible.

## Note 10 cont'd

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

	2012	2011
Profit attributable to the parent's ordinary shareholders	345.0	306.0
Restoration of interest expense for staff convertible	1.8	—
	<b>346.8</b>	<b>306.0</b>

**Weighted average number of outstanding ordinary shares, after dilution**

	2012	2011
Weighted average number of ordinary shares during the year, before dilution	34,065,811	33,757,373
Effect of outstanding share savings programme	303,174	174,446
Effect of outstanding staff convertible	241,223	—
<b>Weighted average number of ordinary shares during the year, after dilution</b>	<b>34,610,208</b>	<b>33,931,819</b>

## 11 Intangible assets

Group	Goodwill	Development expenditure	Other intangible assets	Total
<b>Accumulated acquisition cost</b>				
Opening balance 1 Jan 2011	1,628.7	12.6	87.4	1,728.7
Corporate acquisitions	21.9	0.1	2.8	24.8
Change in additional consideration	4.5	—	—	4.5
Acquisitions	—	0.8	5.2	6.0
Disposals and retirements	—	-8.3	-7.9	-16.2
Exchange differences	-1.2	—	-0.3	-1.5
<b>Closing balance 31 Dec 2011</b>	<b>1,653.9</b>	<b>5.2</b>	<b>87.2</b>	<b>1,746.3</b>
Opening balance 1 Jan 2012	1,653.9	5.2	87.2	1,746.3
Corporate acquisitions	2,235.7	2.9	345.9	2,584.5
Change in additional consideration and gradual acquisitions <sup>1)</sup>	4.0	—	0.9	4.9
Acquisitions	—	0.5	12.7	13.2
Disposals and retirements	—	—	-2.2	-2.2
Exchange differences	-15.0	-0.1	-0.7	-15.8
<b>Closing balance 31 Dec 2012</b>	<b>3,878.6</b>	<b>8.5</b>	<b>443.8</b>	<b>4,331.0</b>
<b>Accumulated amortisation and impairment</b>				
Opening balance 1 Jan 2011	-2.7	-9.9	-39.1	-51.7
Corporate acquisitions	—	-0.1	-1.4	-1.5
Amortisation	—	-0.9	-16.6	-17.5
Disposals and retirements	—	8.2	11.2	19.4
Exchange differences	—	0.0	0.2	0.2
<b>Closing balance 31 Dec 2011</b>	<b>-2.7</b>	<b>-2.8</b>	<b>-45.7</b>	<b>-51.1</b>
Opening balance 1 Jan 2012	-2.7	-2.8	-45.7	-51.1
Corporate acquisitions	—	—	—	0.0
Amortisation	—	-1.2	-18.4	-19.6
Disposals and retirements	—	—	2.1	2.1
Exchange differences	—	0.1	1.0	1.1
<b>Closing balance 31 Dec 2012</b>	<b>-2.7</b>	<b>-3.9</b>	<b>-61.0</b>	<b>-67.6</b>
<b>Carrying amounts</b>				
Per 1 Jan 2011	1,626.0	2.7	48.3	1,677.0
Per 31 Dec 2011	1,651.2	2.5	41.5	1,695.2
Per 1 Jan 2012	1,651.2	2.5	41.5	1,695.2
Per 31 Dec 2012	3,875.9	4.6	382.8 <sup>2)</sup>	4,263.4

<sup>1)</sup> Change in additional consideration relates to acquisitions made before 2010.

<sup>2)</sup> SEK 307.2 million relates to the value of client relations identified in conjunction with the acquisition of Epsilon.

## Note 11 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 20 years.

Goodwill and other intangible assets have been allocated to the lowest identifiable cash-generating unit. 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 Group 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 2012 has been calculated at 11 percent (12) before tax and 8 percent (9) 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	Division	Discount rate before tax, %	Discount rate after tax, %	Long-term annual growth, %
Finland and Baltic countries <sup>1)</sup>	International	13.0	9.8	2
Russia	International	17.0	13.6	2
Switzerland	International	9.0	7.2	2
Spain	International	11.0 <sup>2)</sup>	7.8	2
Sweden	Technology/ Others	10.5	8.2	2
Sweden with Norway and Denmark <sup>1)</sup>	Industry	10.5	8.2	2
Sweden with Norway and Denmark <sup>1)</sup>	Infrastructure	10.5	8.2	2
Czech Republic	International	11.0	8.9	2

<sup>1)</sup> Operations are integrated, which is why these countries are considered to constitute the lowest cash-generating unit.

<sup>2)</sup> The ÅF Group's interest rate has been used as the discount rate, since the Spanish company trades in a global market.

At the end of the reporting period goodwill amounted to SEK 3,875.9 million (1,651.2), of which SEK 2,724.0 million (885.2) relates to Sweden.

The carrying amount of goodwill is allocated as follows:

Division	2012	2011
Industry	572.6	575.9
Infrastructure	767.7	334.1
International	661.3	656.8
Technology	84.4	84.4
Other (mainly Epsilon) <sup>1)</sup>	1,789.9	—
<b>Total</b>	<b>3,875.9</b>	<b>1,651.2</b>

<sup>1)</sup> With effect from 1 January 2013 Epsilon is to be integrated into the Technology Division and the Industry Division. Goodwill of SEK 1,787.5 million relating to the acquisition of Epsilon will be apportioned to the Technology Division and the Industry Division at SEK 1,483.6 million and SEK 303.9 million respectively.

Parent	Intangible assets
<b>Accumulated acquisition cost</b>	
Opening balance 1 Jan 2011	6.8
Acquisitions	2.8
<b>Closing balance 31 Dec 2011</b>	<b>9.6</b>
Opening balance 1 Jan 2012	9.6
Acquisitions	8.7
<b>Closing balance 31 Dec 2012</b>	<b>18.4</b>
<b>Accumulated amortisation and impairment</b>	
Opening balance 1 Jan 2011	-2.1
Amortisation	-2.6
<b>Closing balance 31 Dec 2011</b>	<b>-4.7</b>
Opening balance 1 Jan 2012	-4.7
Amortisation	-4.2
<b>Closing balance 31 Dec 2012</b>	<b>-8.9</b>
<b>Carrying amounts</b>	
Per 1 Jan 2011	4.7
Per 31 Dec 2011	4.9
Per 1 Jan 2012	4.9
Per 31 Dec 2012	9.4



## 12 Tangible assets

Group	Equipment, tools, fixtures and fittings	Land and buildings	Total
<b>Acquisition costs</b>			
Opening balance 1 Jan 2011	198.8	177.4	376.2
Corporate acquisitions	3.3	1.0	4.3
Acquisitions	42.0	—	42.0
Disposals and retirements	-72.4	4.2	-68.2
Exchange differences	-0.4	2.8	2.5
<b>Closing balance 31 Dec 2011</b>	<b>171.4</b>	<b>185.4</b>	<b>356.9</b>
Opening balance 1 Jan 2012	171.4	185.4	356.9
Corporate acquisitions	35.5	4.4	39.8
Acquisitions	30.0	—	30.0
Disposals and retirements	-15.5	-1.7	-17.2
Exchange differences	-1.4	-5.7	-7.1
<b>Closing balance 31 Dec 2012</b>	<b>219.9</b>	<b>182.4</b>	<b>402.3</b>
<b>Depreciation and impairment</b>			
Opening balance 1 Jan 2011	-68.1	-15.4	-83.5
Corporate acquisitions	-2.7	—	-2.7
Depreciation	-32.6	-4.5	-37.1
Disposals and retirements	60.9	-8.5	52.4
Exchange differences	0.3	-0.2	0.1
<b>Closing balance 31 Dec 2011</b>	<b>-42.2</b>	<b>-28.7</b>	<b>-70.9</b>
Opening balance 1 Jan 2012	-42.2	-28.7	-70.9
Corporate acquisitions	-24.3	-3.9	-28.2
Depreciation	-33.6	-4.4	-38.0
Disposals and retirements	11.9	0.5	12.4
Exchange differences	0.8	0.9	1.7
<b>Closing balance 31 Dec 2012</b>	<b>-87.5</b>	<b>-35.5</b>	<b>-123.0</b>
<b>Carrying amounts</b>			
Per 1 Jan 2011	130.7	162.0	292.7
Per 31 Dec 2011	129.2	156.7	285.9
Per 1 Jan 2012	129.2	156.7	285.9
Per 31 Dec 2012	132.4	146.9	279.3

### Group

#### Finance leases

Equipment held under finance leasing agreements is included in the Group at the carrying amount of SEK 12.1 million (11.5).

Current and non-current liabilities in the consolidated balance sheet include future payments in respect of leasing obligations entered as liabilities.

See also Note 17 "Liabilities to credit institutions".

Parent	Equipment, tools, fixtures and fittings
<b>Acquisition costs</b>	
Opening balance 1 Jan 2011	104.9
Acquisitions	11.6
<b>Closing balance 31 Dec 2011</b>	<b>116.6</b>
Opening balance 1 Jan 2012	116.6
Acquisitions	6.2
<b>Closing balance 31 Dec 2012</b>	<b>122.8</b>
<b>Depreciation</b>	
Opening balance 1 Jan 2011	-49.5
Depreciation	-10.0
<b>Closing balance 31 Dec 2011</b>	<b>-59.5</b>
Opening balance 1 Jan 2012	-59.5
Depreciation	-9.4
<b>Closing balance 31 Dec 2012</b>	<b>-68.9</b>
<b>Carrying amounts</b>	
Per 1 Jan 2011	55.4
Per 31 Dec 2011	57.1
Per 1 Jan 2012	57.1
Per 31 Dec 2012	53.8

## 13 Participations in associates

	Group		Parent	
	2012	2011	2012	2011
Carrying amount at start of year	5.3	5.9	7.3	7.3
Participations in the results of associates after tax	0.7	-0.6	—	—
Translation difference	-0.1	—	—	—
<b>Carrying amount at year-end</b>	<b>5.9</b>	<b>5.3</b>	<b>7.3</b>	<b>7.3</b>

Total earnings, profit, assets and liabilities of associates are specified in the tables below.

<b>Associates 2012</b>		Country	Earnings	Profit	Assets	Liabilities	Equity	Ownership %
ÅF-Incepal S.A		Spain	20.0	0.1	33.1	22.7	10.4	47
FEM Consult I/S		Denmark	26.8	0.9	6.2	5.2	0.9	50
<b>Associates 2011</b>		Country	Earnings	Profit	Assets	Liabilities	Equity	Ownership %
ÅF-Incepal S.A		Spain	21.5	-1.2	30.8	20.1	10.7	47

## 14 Financial investments

### Financial assets that are non-current assets

Group	2012	2011
Unlisted shares and participations	0.7	0.7
Currency derivatives	0.1	0.2
	<b>0.8</b>	<b>0.9</b>

### Specification of changes in carrying amounts for the year

Group	2012	2011
Carrying amount brought forward	0.9	0.7
Acquisitions	—	0.2
Disposals/impairments	-0.1	—
Translation difference	0.0	—
<b>Carrying amount carried forward</b>	<b>0.8</b>	<b>0.9</b>

## 15 Prepaid expenses

	Group		Parent	
	2012	2011	2012	2011
Rent	45.2	35.5	35.2	32.3
Support and maintenance contracts	13.3	2.7	5.5	0.4
Other	29.8	30.0	10.4	13.1
	<b>88.3</b>	<b>68.2</b>	<b>51.1</b>	<b>45.8</b>

## 16 Equity

### Group

As at 31 December 2012, the total number of shares was divided into 1,608,876 series A shares (10 votes per share) and 38,436,041 B series (1 vote per share). On 29 November, a targeted non-cash issue of a total of 5,985,915 series B shares was made. Holders of ordinary shares are entitled to dividends as approved annually by the Annual General Meeting. All shares have the same rights to the company's residual net assets. As a result of the share buy-back authorised by the Annual General Meeting, ÅF AB held 1,022,782 of its own B shares on 31 December 2012. These shares are not

entitled to dividends. In January 2013, 558,782 ÅF B shares were cancelled. Dividends paid in 2012 and 2011 amounted to SEK 168.0 million (SEK 5.00 per share) and SEK 135.1 million (SEK 4.00 per share) respectively. At the Annual General Meeting to be held on 26 April 2013, a dividend in respect of 2012 of SEK 5.50 per share will be proposed, equivalent to a total pay-out of SEK 214.6 million. The proposed dividend has not been recognised in these financial reports.

The quota value of the share for 2012 is SEK 5 (5).

Reserves Group	Translation reserve	Hedging reserve	Total
<b>Opening balance 1 Jan 2011</b>	<b>80.2</b>	<b>1.7</b>	<b>81.9</b>
Exchange differences for the year	-0.1		-0.1
Cash flow hedges		-1.8	-1.8
Tax		0.3	0.3
<b>Closing balance 31 Dec 2011</b>	<b>80.1</b>	<b>0.2</b>	<b>80.3</b>
<b>Opening balance 1 Jan 2012</b>	<b>80.1</b>	<b>0.2</b>	<b>80.3</b>
Exchange differences for the year	-25.7		-25.7
Cash flow hedges		0.8	0.8
Tax		-0.2	-0.2
<b>Closing balance 31 Dec 2012</b>	<b>54.4</b>	<b>0.9</b>	<b>55.3</b>

### 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.

### 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.

## 17 Liabilities to credit institutions

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

Group	2012	2011
<b>Non-current liabilities</b>		
Bank loans	730.6	44.8
Finance leasing liabilities	5.3	4.7
	<b>735.9</b>	<b>49.5</b>
<b>Current liabilities</b>		
Short-term bank loans	434.3	12.8
Finance leasing liabilities	6.8	6.7
	<b>441.1</b>	<b>19.6</b>

For more information on the company's interest rate risk and exchange rate risk, please refer to Note 24.

Parent	2012	2011
<b>Non-current liabilities</b>		
Bank loans	700.0	—
	<b>700.0</b>	<b>—</b>
<b>Current liabilities</b>		
Bank loans	427.0	—
	<b>427.0</b>	<b>—</b>

ÅF AB has credit facilities amounting to EUR 80 million (equivalent to SEK 689 million) and SEK 300 million, of which SEK 277 million were utilised as at the end of the reporting period.

### Conditions and amortisation periods

Group	Interest rate, %	Nominal amount in original currency	Carrying amount	Due, year	Fair value
Long-term bank loans					
Sweden, SEK, floating interest	3.00	700.0	700.0	2015	
Switzerland, CHF, fixed interest	1.99	1.3	8.9	2014	8.9
Switzerland, CHF, fixed interest	1.81	3.0	21.4	2014	21.4
Other			0.3		
			<b>730.6</b>		
Short-term bank loans					
Sweden, SEK, floating interest	2.38	350.0	350.0	2013	
Sweden, SEK, floating interest	1.30	77.0	77.0	2013	
Switzerland, CHF, fixed interest	1.99	1.0	7.1	2013	7.1
Other			0.2		
			<b>434.3</b>		

Agreements relating to the bank loans in ÅF AB include certain covenants which must be met to avoid increased borrowing costs. The most important covenant is net debt/operating profit (EBITDA). All covenants had been met by a good margin at the end of the reporting period.

For calculation of fair value, see Note 23.

### Finance leasing liabilities

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

Group	2012			2011		
	Minimum leasing fees	Interest	Principal amount	Minimum leasing fees	Interest	Principal amount
Within 1 year	7.0	0.2	6.8	7.0	0.3	6.7

## 18 Staff convertible

During the year, ÅF AB issued targeted convertibles to staff totalling SEK 87.8 million, which run with an annual interest of Stibor 360 and a margin of 1.41 with effect from 26 July 2012. Conversion may be called during the period from 15 June 2015 to 15 March 2016. The conversion price is SEK 157.10. Under IFRS, the convertible is divided into a financial liability and a conversion option, which is recognised as equity. A commercial interest rate for the liability has been estimated at Stibor 180 and a margin of 4.50.



## 19 Retirement benefit obligations

Approximately 3 percent of the total number of employees in the Group at the year-end 2012 had defined-benefit pensions. Other ÅF employees have defined-contribution pensions.

Defined-benefit plans exist in Sweden, Switzerland and Finland. Plan assets are held in Switzerland, and consist primarily of bonds, shares and property.

Group		
Defined-benefit plans	2012	2011
Present value of funded obligations	806.2	798.5
Fair value of plan assets	-758.8	-722.7
	<b>47.4</b>	<b>75.8</b>
Present value of unfunded obligations	70.5	69.5
<b>Net recognised in respect of defined-benefit plans</b>	<b>117.9</b>	<b>145.3</b>
Recognised as assets	—	—
Recognised as liabilities	117.9	145.3
<b>Net</b>	<b>117.9</b>	<b>145.3</b>

### Changes in the fair value of plan assets during the year

	2012	2011
At start of year	722.7	713.1
Expected return	24.6	26.6
Payments made	25.8	25.0
Payments disbursed	-13.6	-13.2
Actuarial gains (+) and losses (-) recognised in other comprehensive income	22.1	-40.3
Exchange differences	-22.8	11.5
<b>At year-end</b>	<b>758.8</b>	<b>722.7</b>

### Changes in present value of obligations during the year

	2012	2011
At start of year	868.0	775.9
Payments made	12.3	11.9
Payments disbursed	-17.4	-15.8
Actuarial gains (-) and losses (+) recognised in other comprehensive income	-0.8	47.9
Cost recognised in profit or loss	39.5	36.5
Exchange differences	-24.9	11.6
<b>At year-end</b>	<b>876.7</b>	<b>868.0</b>

### Actuarial gains (-) and losses (+) recognised in other comprehensive income

	2012	2011
Recognised in other comprehensive income as at 1 January	97.4	9.0
Recognised during the year	-22.9	88.3
Exchange differences	-2.1	0.1
<b>Recognised in other comprehensive income as at 31 December</b>	<b>72.4</b>	<b>97.4</b>

Costs in other comprehensive income	2012	2011
Outcome-based adjustments to pension liability	-13.3	-10.3
Outcome-based adjustments to plan assets	-22.1	40.3
Effects of changes in actuarial assumptions	12.5	58.3
<b>Actuarial gains (-) and losses (+) for the year, net</b>	<b>-22.9</b>	<b>88.3</b>
Special employer's contribution in respect of actuarial gains and losses	0.5	2.8
<b>Total expense (+)/income (-) for defined-benefit payments in other comprehensive income</b>	<b>-22.4</b>	<b>91.1</b>

Cost recognised in profit or loss	2012	2011
Current service cost	16.9	15.0
Expected yield	-24.6	-26.6
Interest expense for the obligation	22.6	21.5
<b>Total net cost in profit or loss</b>	<b>14.9</b>	<b>9.9</b>

The current service cost is included in profit or loss 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 2013 is expected to be on a par with the cost recognised in 2012.

### Assumptions for defined-benefit obligations

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

Sweden	2012	2011
Discount rate as at 31 December, %	3.0	3.5
Future increase in retirement benefits, %	1.75	2.0
Annual increase in paid-up policies, %	1.75	2.0
Anticipated remaining period of service, in years	—	—

Switzerland	2012	2011
Discount rate as at 31 December, %	2.1	2.6
Expected return on plan assets, %	3.5	3.5
Future increase in retirement benefits, %	0.0	0.0
Future increases in salaries, %	1.0	1.0
Expected remaining period of service, years	9.7	8.6

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 2012, 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 128.7 million (117.5). Alecta's surplus may be allocated to the insurance policy holder and/or the insured. At the close of 2012 Alecta's surplus in the form of the collective funding ratio was 129 percent (113). 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.

## Note 19 cont'd

**Parent****Defined-benefit plans**

	2012	2011
Present value of unfunded obligations <sup>1)</sup>	26.0	26.9
<b>Net recognised in respect of defined-benefit plans</b>	<b>26.0</b>	<b>26.9</b>
Of which covered by a credit insurance through FPG/PRI	26.0	26.9

<sup>1)</sup> In accordance with Swedish principles for calculating pensions obligations.

**Change in obligations during the year**

	2012	2011
Net present value of pension obligations at start of year	26.9	26.2
Cost excluding interest expense charged to profit	0.4	1.7
Interest expense	1.1	1.2
Pensions paid	-2.4	-2.2
<b>Net present value of pension obligations at year-end</b>	<b>26.0</b>	<b>26.9</b>

**Expense recognised in profit or loss**

	2012	2011
Changed length-of-life assumptions	—	1.8
Other	0.4	-0.1
Interest expense on obligations	1.1	1.2
<b>Total net expense in profit or loss</b>	<b>1.5</b>	<b>2.9</b>

The discount rate for the parent's pension obligations in 2012 was 3.8 percent (3.8).

**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	
	2012	2011	2012	2011
Cost of defined-contribution plans	262.8	241.3	9.5	9.6

Of the Group's total expense for defined-contribution plans, SEK 128.7 million (117.5) refers to the ITP plan financed through Alecta. See above.

**20 Provisions****Group****Provisions which are non-current liabilities**

	2012	2011
Other	12.4	4.9
<b>Total</b>	<b>12.4</b>	<b>4.9</b>

**Provisions which are current liabilities**

Restructuring costs	2.0	4.5
Other	2.6	0.4
<b>Total</b>	<b>4.6</b>	<b>4.9</b>

<b>Total provisions</b>	<b>17.0</b>	<b>9.8</b>
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**Change: restructuring**

	2012	2011
Carrying amount at start of period	4.5	1.4
Transfers during reporting period	4.5	16.0
Amount used during period	-7.1	-12.9
<b>Carrying amount at end of period</b>	<b>2.0</b>	<b>4.5</b>

**Change: other provisions**

	2012	2011
Carrying amount at start of period	5.3	3.0
Transfers during reporting period	10.2	3.4
Amount used during period	-0.5	-0.4
Amount reversed in profit or loss	—	-0.7
<b>Carrying amount at end of period</b>	<b>15.0</b>	<b>5.3</b>

**Change: provisions**

	2012	2011
Total carrying amount at start of period	9.8	4.4
Transfers during reporting period	14.7	19.4
Amount used during period	-7.5	-13.3
Amount reversed in profit or loss	—	-0.7
<b>Carrying amount at end of period</b>	<b>17.0</b>	<b>9.8</b>

**Additional considerations**

	2012	2011
Long-term liability	613.6	59.9
Current liability	60.1	10.9
<b>Total additional considerations <sup>1)</sup></b>	<b>673.7</b>	<b>70.8</b>

**Change: additional considerations**

Carrying amount at start of period	70.8	77.2
Transfers during reporting period	610.3	16.1
Released during the period	—	-4.5
Amount used during period	-4.1	-17.3
Amount reversed in profit or loss	-3.3	-0.7
<b>Carrying amount at end of period</b>	<b>673.7</b>	<b>70.8</b>

<sup>1)</sup> Of which SEK 500 million relates to the acquisition of Epsilon. See also Note 3.

**Parent****Provisions**

	2012	2011
Provisions for additional consideration	642.7	68.7
Other	1.6	2.1
<b>Total</b>	<b>644.3</b>	<b>70.8</b>

**Change in provisions**

Carrying amount at start of period	70.8	69.8
Transfers during reporting period	581.4	25.7
Released during the period	-3.7	-0.7
Amount used during period	-4.2	-23.8
Amount reversed in profit or loss	—	-0.2
<b>Carrying amount at end of period</b>	<b>644.3</b>	<b>70.8</b>

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

## 21 Taxes

### Recognised in profit or loss

Group	2012	2011
<b>Current tax</b>		
Tax expense for the period	-101.5	-119.3
Adjustment of tax attributable to previous years	-0.7	1.6
<b>Deferred tax</b>		
Deferred tax expense	-21.1	4.1
<b>Total recognised tax expense in the Group</b>	<b>-123.3</b>	<b>-113.6</b>
<b>Parent</b>	<b>2012</b>	<b>2011</b>
<b>Current tax</b>		
Tax expense for the period	-72.0	-90.2
Adjustment of tax attributable to previous years	4.8	0.5
<b>Deferred tax</b>		
Deferred tax expense	0.2	—
<b>Total recognised tax receipt/expense in the parent</b>	<b>-67.0</b>	<b>-89.7</b>

### Reconciliation of effective tax

Group	2012 (%)	2012	2011 (%)	2011
Profit before tax		476.6		425.8
Tax in accordance with current tax rate for parent	-26.30	-125.3	-26.30	-112.0
Effect of other tax rates for foreign subsidiaries	0.73	3.5	0.84	3.5
Non-deductible expenses	-1.45	-6.9	-0.92	-3.9
Non-deductible expenses, on acquisitions	-0.72	-3.4	—	—
Non-taxable income, other	0.32	1.5	0.12	0.5
Effects of loss carry-forward without corresponding capitalisation of deferred tax	—	—	-0.15	-0.6
Effect of changed tax rates	1.58	7.5	—	—
Tax attributable to previous years	-0.14	-0.7	0.36	1.6
Other	0.11	0.5	-0.63	-2.7
<b>Recognised effective tax</b>	<b>-25.87</b>	<b>-123.3</b>	<b>-26.68</b>	<b>-113.6</b>

Parent	2012 (%)	2012	2011 (%)	2011
Profit before tax		410.8		400.5
Tax in accordance with current tax rate for the parent	-26.30	-108.0	-26.30	-105.3
Non-deductible expenses	-0.17	-0.7	-0.09	-0.4
Non-taxable income, other	8.65	35.5	3.87	15.5
Tax attributable to previous years	1.17	4.8	0.12	0.5
Other	0.35	1.4	—	—
<b>Recognised effective tax</b>	<b>-16.30</b>	<b>-67.0</b>	<b>-22.40</b>	<b>-89.7</b>

### Recognised in the balance sheet

The current net tax liability for the Group amounts to SEK 42.6 million (23.2). The parent has a current tax asset of SEK 11.9 million (as opposed to a current tax liability of SEK 17.0 million for 2011).

### 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	
	2012	2011	2012	2011	2012	2011
Non-current assets	0.1	—	-98.0	-22.1	-98.0	-22.1
Current receivables and liabilities	4.2	7.7	-6.0	-5.3	-1.8	2.3
Provisions	15.2	17.3	-1.7	0.0	13.5	17.3
Untaxed reserves	—	—	-47.4	-10.5	-47.4	-10.5
Loss carry-forwards	8.7	11.2	—	—	8.7	11.2
<b>Tax assets/tax liabilities</b>	<b>28.2</b>	<b>36.2</b>	<b>-153.1</b>	<b>-37.9</b>	<b>-125.0</b>	<b>-1.7</b>
Set-off	-15.9	-2.0	15.9	2.0	—	—
<b>Tax assets/tax liabilities, net</b>	<b>12.3</b>	<b>34.2</b>	<b>-137.2</b>	<b>-35.9</b>	<b>-125.0</b>	<b>-1.7</b>

## Note 21 cont'd

**Unrecognised deferred tax assets**

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

Group	2012	2011
Loss for tax purposes	26.4	28.0
	<b>26.4</b>	<b>28.0</b>

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 within the time limit allowed for this facility. The losses are attributable to parts of the Group's German and Russian operations.

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

Group	Balance 1 January 2011	Recognised in profit or loss	Recognised in other comprehensive income <sup>1)</sup>	Recognised in equity	Acquisition/ disposal of busi- ness operations	Balance 31 December 2011
Non-current assets	-22.1	0.5	-0.3	—	-0.2	-22.1
Current receivables and liabilities	-0.1	2.6	-0.2	—	—	2.3
Provisions	1.9	-3.7	19.2	—	—	17.3
Untaxed reserves	-15.5	5.0	—	—	—	-10.5
Utilisation of loss carry-forwards	11.6	-0.3	-0.1	—	—	11.2
	<b>-24.2</b>	<b>4.1</b>	<b>18.6</b>	<b>—</b>	<b>-0.2</b>	<b>-1.7</b>

Group	Balance 1 January 2012	Recognised in profit or loss	Recognised in other comprehensive income <sup>1)</sup>	Recognised in equity	Acquisition/ disposal of busi- ness operations	Balance 31 December 2012
Non-current assets	-22.1	3.0	0.2	—	-79.2	-98.0
Current receivables and liabilities	2.3	-3.4	0.0	—	-0.7	-1.8
Provisions	17.3	2.1	-4.9	-2.0	1.0	13.5
Untaxed reserves	-10.5	-20.4	—	—	-16.5	-47.4
Utilisation of loss carry-forwards	11.2	-2.4	-0.1	—	—	8.7
	<b>-1.7</b>	<b>-21.1</b>	<b>-4.8</b>	<b>-2.0</b>	<b>-95.4</b>	<b>-125.0</b>

<sup>1)</sup> Includes the change made to the translation reserve during the year.

**22 Accrued expenses and prepaid income**

	Group		Parent	
	2012	2011	2012	2011
Personnel-related liabilities	510.3	358.9	17.1	15.1
Accrued expenses, sub-consultants	67.9	26.6	0.2	—
Other	63.4	31.2	18.3	8.7
	<b>641.6</b>	<b>416.7</b>	<b>35.6</b>	<b>23.8</b>



## 23 Financial assets and liabilities

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

Group 2012							Group 2011					
	Derivatives used in hedge accounting	Financial assets valued at fair value in profit or loss	Accounts receivable and loan receivables	Financial liabilities	Total carrying amount	Fair value	Derivatives used in hedge accounting	Financial assets valued at fair value in profit or loss	Accounts receivable and loan receivables	Financial liabilities	Total carrying amount	Fair value
Financial investments		0.7			0.7	0.7		0.7			0.7	0.7
Non-current receivables			4.7		4.7	4.7			18.6		18.6	18.6
Accounts receivable			1,610.0		1,610.0	1,610.0			1,006.2		1,006.2	1,006.2
Income generated but not invoiced			608.2		608.2	608.2			556.5		556.5	556.5
Currency derivatives (level 2)	2.2				2.2	2.2	0.7				0.7	0.7
Cash and cash equivalents			497.7		497.7	497.7			345.3		345.3	345.3
<b>Total</b>	<b>2.2</b>	<b>0.7</b>	<b>2,720.6</b>	<b>—</b>	<b>2,723.5</b>	<b>2,723.5</b>	<b>0.7</b>	<b>0.7</b>	<b>1,926.5</b>	<b>—</b>	<b>1,927.9</b>	<b>1,927.9</b>
Non-current liability to credit institution				735.9	735.9	735.9				49.5	49.5	49.5
Other non-current liabilities				82.3	82.3	82.3				1.3	1.3	1.3
Current liability to credit institution				441.1	441.1	441.1				19.6	19.6	19.6
Accounts payable – trade				620.4	620.4	620.4				320.0	320.0	320.0
Accrued liabilities – subcontractors				67.9	67.9	67.9				27.5	27.5	27.5
Additional consideration (level 3)				673.7	673.7	673.7				70.8	70.8	70.8
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,621.3</b>	<b>2,621.3</b>	<b>2,621.3</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>488.7</b>	<b>488.7</b>	<b>488.7</b>

Parent 2012							Parent 2011					
	Derivatives used in hedge accounting	Financial assets valued at fair value in profit or loss	Accounts receivable and loan receivables	Financial liabilities	Total carrying amount	Fair value	Derivatives used in hedge accounting	Financial assets valued at fair value in profit or loss	Accounts receivable and loan receivables	Financial liabilities	Total carrying amount	Fair value
Accounts receivable			73.0		73.0	73.0			48.4		48.4	48.4
Currency derivatives (level 2)	0.2				0.2	0.2	0.1				0.1	0.1
Cash and bank			39.3		39.3	39.3			41.7		41.7	41.7
<b>Total</b>	<b>0.2</b>	<b>—</b>	<b>112.2</b>	<b>—</b>	<b>112.5</b>	<b>112.5</b>	<b>0.1</b>	<b>—</b>	<b>90.1</b>	<b>—</b>	<b>90.2</b>	<b>90.2</b>
Non-current liability to credit institution				700.0	700.0	700.0					—	—
Other non-current liabilities				79.9	79.9	79.9					—	—
Current liability to credit institution				427.0	427.0	427.0					—	—
Accounts payable – trade				76.8	76.8	76.8				69.5	69.5	69.5
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,283.7</b>	<b>1,283.7</b>	<b>1,283.7</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>69.5</b>	<b>69.5</b>	<b>69.5</b>

### Ageing analysis of accounts receivable that are overdue but not impaired

	Group		Parent	
	2012	2011	2012	2011
< 30 days	103.6	87.9	0.3	—
30–90 days	27.2	31.7	0.3	—
91–180 days	17.2	39.8	—	—
> 180 days	15.0	21.0	—	0.2
<b>Total</b>	<b>163.0</b>	<b>180.4</b>	<b>0.5</b>	<b>0.2</b>

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

Note 23 cont'd

### Change in doubtful receivables

	Group		Parent	
	2012	2011	2012	2011
<b>Provision for doubtful receivables</b>				
Provision at start of year	21.4	12.7	—	—
Provision for probable losses	19.7	11.6	—	—
Realised losses	-10.8	-1.9	—	—
Recovered losses	-1.5	-1.0	—	—
Exchange rate differences	-0.2	0.0	—	—
<b>Provision at year-end</b>	<b>28.6</b>	<b>21.4</b>	<b>—</b>	<b>—</b>

### Calculation of fair value

Fair value agrees in all essentials with recognised value, except in the case of certain fixed-interest non-current and current liabilities to credit institutions. (See Note 17.) No deviation was noted for 2012.

The following provides a summary of the main methods and assumptions used to determine the fair value of the Group's financial instruments.

### Derivative instruments

Forward contracts are valued at recoverable amount in accordance with level 2, i.e. fair value determined using a valuation technique based on 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 the same instruments on active markets).

### Non-current and current liabilities to credit institutions

Non-current and 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.

### Additional consideration

Additional consideration is valued as a level 3 input, which means that fair value is measured using valuation techniques involving significant unobservable inputs. For changes during the year, see Note 20.

## 24 Financial risks and financial policy

The Group's overall risk management policy is intended to reduce financial risks at a cost that 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 Group Treasury on the basis of policies adopted by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close collaboration with the Group's operating units.

The Group is exposed to 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 for each company.

### 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 for each company. 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 1.5 million (0.7) and is recognised in the balance sheet under the headings Other Receivables and Other Liabilities respectively.

	2012		2011	
	Fair value	Carrying amount	Fair value	Carrying amount
<b>Receivables</b>				
Foreign exchange contracts in EUR	1.5	1.5	0.5	0.5
Foreign exchange contracts in DKK	0.7	0.7	0.2	0.2
<b>Liabilities</b>				
Foreign exchange contracts in NOK	-0.7	-0.7	—	—
<b>Net</b>	<b>1.5</b>	<b>1.5</b>	<b>0.7</b>	<b>0.7</b>

### Interest rate risk

The Group's cash and cash equivalents are placed in central cash pools or in bank accounts in local banks. There are, otherwise, no significant interest-bearing assets, for which reason income and cash flows from operating activities are essentially independent of fluctuations in market interest rates.

Liabilities to credit institutions are bank loans at both fixed and floating interest rates. Information on borrowing conditions, interest and maturity structure is contained in Note 17.

### 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 30 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 amounting to SEK 989 million, of which SEK 712 million was unutilised at the end of the reporting period.

### Sensitivity analysis

#### Interest rate

97 percent of the Group's total borrowings at the close of the reporting period comprise loans at floating interest rates. A change in the average annual interest rate on these loans of +/- 1 percent affects interest expense by +/- SEK 12 million.

#### Currency

25 (25) percent of the Group's profit comes from foreign units, of which 4 (9) percent is generated by units whose local currency is EUR and 6 (6) percent by units whose local currency is CHF. A change in the average exchange rate for 2012 of the EUR of +/- SEK 0.25 would have affected profit before tax by +/- SEK 0.5 million, and a change in CHF of +/- SEK 0.25 would have affected profit before tax by +/- SEK 0.9 million.

Sensitivity analysis Factor	Change (all other factors unchanged)	Impact on earnings, EBIT, MSEK
Capacity utilisation	1%	74
Hourly rate	1%	56
Payroll costs	1%	42
Overheads	1%	9
Number of FTEs	1%	7

## 25 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 85 million (49).

### Non-revocable leasing payments

	Group		Parent	
	2012	2011	2012	2011
Within one year	276.8	187.6	167.3	129.8
1–5 years	614.0	453.7	456.5	320.9
More than 5 years	603.4	361.4	598.8	358.4
<b>Total</b>	<b>1,494.2</b>	<b>1,002.7</b>	<b>1,222.6</b>	<b>809.1</b>

### Leasing payments during the year

	Group		Parent	
	2012	2011	2012	2011
Premises	191.6	160.0	141.5	116.8
Other	43.9	32.9	5.3	3.5
<b>Total</b>	<b>235.5</b>	<b>192.9</b>	<b>146.8</b>	<b>120.3</b>

## 26 Pledged assets, contingent liabilities and contingent assets

	Group		Parent	
	2012	2011	2012	2011
<b>Pledged assets</b>				
<i>Pledged assets for the Group's own liabilities and provisions</i>				
Property mortgages	37.4	44.1	—	—
Floating charges	1.2	17.3	—	—
Other pledged assets	0.2	33.5	—	—
<b>Total pledged assets</b>	<b>38.8</b>	<b>94.9</b>	<b>—</b>	<b>—</b>
<b>Contingent liabilities</b>				
Guarantees, FPG/PRI	0.7	1.1	0.5	0.5
Sureties given for the benefit of subsidiaries	—	—	65.3	71.5
Sureties given	138.9	115.2	41.0	43.0
<b>Total contingent liabilities</b>	<b>139.6</b>	<b>116.3</b>	<b>106.8</b>	<b>115.0</b>

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.

## 27 Transactions with related parties

The parent has a related party relationship with its subsidiaries, please see Note 28.

### Summary of related party transactions

Ångpanneföreningen's Foundation for Research & Development, which holds 36.4 percent of the votes in ÅF AB, Danir AB which holds 11.0 percent of the votes in ÅF AB and associates are classified as related parties. Transactions with these parties took place on commercial terms.

Group	Year	Sale of services to related parties	Purchase of services from related parties	Receivables from related parties: 31 Dec	Liabilities to related parties: 31 Dec
Associates	2012	0.4	0.3	—	—
Associates	2011	0.4	—	0.2	—
Ångpanneföreningen's Foundation for R&D, Danir Group <sup>1)</sup>	2012	1.8	1.4	3.8	500.0
Ångpanneföreningen's Foundation for R&D	2011	0.5	—	—	—

<sup>1)</sup> Relates to additional consideration in connection with the acquisition of Epsilon. See also Note 3 and Note 20.

During 2012, in addition to the above, the Group received grants from Ångpanneföreningen's Foundation for Research & Development amounting to SEK 4.2 million (3.2). These grants were for projects administered by the Group.

For details of remuneration to Group executives, please see Note 6.

Parent	Year	Sale of services to related parties	Purchase of services from related parties	Receivables from related parties: 31 Dec	Liabilities to related parties: 31 Dec
Subsidiaries	2012	357.2	21.6	580.7	531.9
Subsidiaries	2011	336.4	16.8	485.2	511.3
Associates	2012	0.2	—	0.3	—
Associates	2011	0.1	—	0.2	—
Ångpanneföreningen's Foundation for R&D, Danir Group <sup>1)</sup>	2012	0.1	—	—	500.0
Ångpanneföreningen's Foundation for R&D	2011	0.1	—	—	—

<sup>1)</sup> Relates to additional consideration in connection with the acquisition of Epsilon. See also Note 3 and Note 20.



## 28 Group subsidiaries

### Companies owned directly by the parent

	Corporate ID	Reg'd office	2012		2011	
			Interest, percent <sup>1)</sup>	Carrying amount	Interest, percent <sup>1)</sup>	Carrying amount
AB Ångpanneföreningen	556158-1249	Stockholm	100	0.2	100	0.2
ÅF-Industry AB	556224-8012	Stockholm	100	646.1	100	646.1
ÅF-Infrastructure AB	556185-2103	Stockholm	100	560.9	100	490.9
ÅF-Technology AB	556092-4044	Stockholm	100	122.3	100	116.3
ÅF-Consult AB	556101-7384	Stockholm	100	39.8	100	39.8
Energo AB	556551-7355	Stockholm	100	1.3	100	1.3
ÅF-Teknik & Miljö AB	556534-7423	Stockholm	100	10.5	100	10.5
Epsilon Holding AB	556421-6884	Malmö	100	2,232.6	—	—
ÅF-Funktionspartner AB	556099-8071	Malmö	100	0.6	100	0.6
Advansia AS	883889762	Oslo	100	469.2	—	—
ÅF Norge AS	955,021,037	Oslo	100	68.0	100	68
ÅF A/S	21,007,994	Copenhagen	100	37.6	100	37.6
ÅF-Hansen & Henneberg A/S	13,59,08,85	Copenhagen	90	38.3	90	38.3
ÅF-Consult Oy	1800189-6	Espoo	100	291.1	100	291.1
ÅF-Automaatika OÜ	11,297,301	Tallinn	100	8.2	100	8.2
OOO AF Lonas	1,117,847,417	St. Petersburg	—	—	100	97.1
AF Consult LLC	1,037,800,096,641	Moscow	100	96.9	100	0
ÅF-Engineering s.r.o.	263,66,550	Plzen	100	10.6	100	10.6
AF-Consult Czech Republic s.r.o.	453,06,605	Prague	100	75.3	100	78.2
CityPlan spol. s.r.o.	473,07,218	Prague	87	21.9	87	22.1
AF-Consult Switzerland AG	CH-400.3.924.101-4	Baden	100	418.7	100	418.7
Mercados Energy Markets International Investments SL	B-854,82,883	Madrid	100	68.4	100	69.5
				<b>5,218.5</b>		<b>2,445.1</b>

<sup>1)</sup> Participating interest refers to both voting share and proportion of the total number of shares.

### Specification of the change in carrying amounts during the year

	Parent	
	2012	2011
Carrying amount brought forward	2,445.1	2,356.8
Acquisitions	2,701.8	29.4
Sales	—	-2.4
Correction of additional consideration	-4.4	7.1
Shareholders' contributions	76.0	54.2
<b>Value carried forward</b>	<b>5,218.5</b>	<b>2,445.1</b>

Note 28 cont'd

## Comprehensive list of Group subsidiaries

	Corporate ID	Reg'd office	2012		2011	
			Interest, percent <sup>1)</sup>	Carrying amount	Interest, percent <sup>1)</sup>	Carrying amount
AB Ångpanneföreningen	556158-1249	Sweden	100	0.2	100	0.2
ÅF-Industry AB	556224-8012	Sweden	100	646.1	100	646.1
OrbiTec AB	556470-7015	Sweden	100	—	100	—
ÅF-Infrastructure AB	556185-2103	Sweden	100	560.9	100	490.9
VTB Kristianstad AB	556453-9228	Sweden	100	—	—	—
Bygganalys AB	556461-1050	Sweden	100	—	—	—
Demikon D-miljö AB	556878-2758	Sweden	100	—	—	—
CityPlan spol. s.r.o.	473 07 218	Czech Republic	13	—	13	—
ÅF-Technology AB	556092-4044	Sweden	100	122.3	100	116.3
ÅF-Consult AB	556101-7384	Sweden	100	39.8	100	39.8
ÅF-Process GmbH	218 403 818	Germany	100	—	100	—
Energo AB	556551-7355	Sweden	100	1.3	100	1.3
Energo Installation Mitt AB	556277-0684	Sweden	100	—	100	—
Energo Installation Syd AB	556215-2024	Sweden	—	—	100	—
Energo Konsult AB	556536-7918	Sweden	—	—	100	—
ÅF-Teknik & Miljö AB	556534-7423	Sweden	100	10.5	100	10.5
ÅF-Funktionspartner AB	556099-8071	Sweden	100	0.6	100	0.6
Epsilon Holding AB	556421-6884	Sweden	100	2,232.6	—	—
Epsilon AB	556866-4444	Sweden	100	—	—	—
Epsilon Solutions AS	997 671 651	Norway	100	—	—	—
Epsilon Utvecklingscentrum Mälardalen AB	556224-2882	Sweden	100	—	—	—
Epsilon Utvecklingscentrum Syd AB	556203-2465	Sweden	100	—	—	—
Epsilon Robotic Engineering AB	556262-2489	Sweden	100	—	—	—
Epsilon Technique AB	556055-4858	Sweden	100	—	—	—
Epsilon Design AB	556314-1380	Sweden	100	—	—	—
Epsilon Tekno AB	556123-2793	Sweden	100	—	—	—
Epsilon Utvecklingscentrum Bergslagen AB	556554-4227	Sweden	100	—	—	—
Epsilon Utvecklingscentrum Väst AB	556269-5881	Sweden	100	—	—	—
Epsilon Embedded Systems AB	556671-7244	Sweden	100	—	—	—
Epsilon Embedded Systems Mälardalen AB	556680-8845	Sweden	100	—	—	—
Epsilon Embedded Systems Öresund AB	556661-2197	Sweden	100	—	—	—
Epsilon Information Technology AB	556704-6353	Sweden	100	—	—	—
Epsilon Information Technology Mälardalen AB	556711-0183	Sweden	100	—	—	—
Epsilon Information Technology West AB	556704-6551	Sweden	100	—	—	—
Epsilon Arena AB	556761-2055	Sweden	100	—	—	—
Epsilon Polen Sp.z o.o.	9521980649	Poland	100	—	—	—
Advansia AS	883 889 762	Norway	100	469.2	—	—
Advansia AB	556742-2596	Sweden	100	—	—	—
ÅF Norge AS	955 021 037	Norway	100	68.0	100	68.0
ÅF A/S	21 007 994	Denmark	100	37.6	100	37.6
ÅF-Hansen & Henneberg A/S	13 59 08 85	Denmark	90	38.3	90	38.3
ÅF-Consult Oy	1800189-6	Finland	100	291.1	100	291.1
ÅF-Consulting AS	10 449 422	Estonia	100	—	100	—
UAB AF-Consult	135 744 077	Lithuania	100	—	100	—
Elron Oy	2120645-4	Finland	50	—	50	—
Enprima Engineering Oy	0477940-2	Finland	100	—	100	—
Oy Vesirakentaja	0115808-8	Finland	100	—	100	—
ÅF-Automaatika OÜ	11 297 301	Estonia	100	8.2	100	8.2
OOO AF Lonas	1 117 847 417	Russia	—	—	100	97.1
AF Consult LLC	1 037 800 096 641	Russia	100	96.9	100	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	620 200 351 121	Kazakhstan	100	—	100	—
XO AF Lonas Technologia Turkmenistan	102 621 002 900	Turkmenistan	100	—	100	—
ÅF-Engineering s.r.o.	263 66 550	Czech Republic	100	10.6	100	10.6
AF-Consult Czech Republic s.r.o.	453 06 605	Czech Republic	100	75.3	100	78.2

<sup>1)</sup> Participating interest refers to both voting share and proportion of the total number of shares.

Note 28 cont'd

**Comprehensive list of Group subsidiaries**

	Corporate ID	Reg'd office	2012		2011	
			Interest, percent <sup>1)</sup>	Carrying amount	Interest, percent <sup>1)</sup>	Carrying amount
CityPlan spol. s.r.o.	473 07 218	Czech Republic	87	21.9	87	22.1
AF-Consult Switzerland AG	CH-400.3.924.101-4	Switzerland	100	418.7	100	418.7
International Power Design Ltd.	CH-400.3.025.445-4	Switzerland	100	—	100	—
Colenco Engineering S.r.l.	17669779	Romania	51	—	51	—
AF-Consult Italia S.r.l.	MI-1808529	Italy	100	—	100	—
AF-Consult (Thailand) Ltd	3011879733	Thailand	100	—	100	—
AF-Consult India Pvt Ltd	U74140DL2009FTC197507	India	100	—	100	—
AF Consult do Brazil Ltda	08.307.539/0001-08	Brazil	51	—	—	—
AF-Consult Ltd.	4080012527924	Macedonia	100	—	—	—
AF-Consult Energy doo Beograd	20 801 298	Serbia	100	—	—	—
Mercados Energy Markets International Investments SL	B-854 82 883	Spain	100	68.4	100	69.5
AF Mercados Energy Markets International S.A.	A-82316902	Spain	100	—	100	—
Mercados Energy Markets International Europé S.r.l.	06622220967	Italy	100	—	100	—
AF-MERCADOS EMI Enerji Mühendisligi, AR-GE, Kontrol ve Test Hizmetleri Ltd.Sti.	6 160 390 509	Turkey	100	—	100	—
AF Mercados EMI Yates + Pope Ltd	111 1461 77	UK	100	—	100	—
Mercados Energy Markets India, Pvt Ltd	AAFCM5128DST001	India	100	—	100	—
			<b>5,218.5</b>		<b>2,445.1</b>	

<sup>1)</sup> Participating interest refers to both voting share and proportion of the total number of shares.

**29 Untaxed reserves****Accumulated depreciation in excess of plan**

Parent	2012	2011
Opening balance 1 January	29.6	28.4
Depreciation during the year, equipment & fittings	5.5	1.2
<b>Closing balance 31 December</b>	<b>35.1</b>	<b>29.6</b>

**Transfers to tax allocation reserve**

Parent	2012	2011
Opening balance 1 January	—	—
Transfers for the year	91.3	—
<b>Closing balance 31 December</b>	<b>91.3</b>	<b>—</b>
<b>Total untaxed reserves</b>	<b>126.4</b>	<b>29.6</b>

**30 Statement of cash flows****Interest paid and dividends received**

	Group		Parent	
	2012	2011	2012	2011
Dividends received	—	—	134.4	54.8
Group contribution received	—	—	392.1	260.3
Interest received	8.4	4.1	3.2	1.1
Interest paid	-9.9	-10.7	-8.9	-8.7
	<b>-1.5</b>	<b>-6.6</b>	<b>520.8</b>	<b>307.5</b>

**Adjustment for items not included in cash flow and other**

	Group		Parent	
	2012	2011	2012	2011
Depreciation/ amortisation	57.6	54.6	13.6	12.7
Transaction costs relating to acquisitions	12.9	0.7	—	—
Other	10.5	0.8	1.3	0.2
	<b>81.0</b>	<b>56.1</b>	<b>15.0</b>	<b>12.9</b>

Acquisitions of financial assets in the parent, SEK -2 199 million (-94), refer to considerations paid and additional considerations for shares in Group companies and associates, as well as shareholders' contributions.

The 2011 figures for the parent have been adjusted in response to changes in the rules for the treatment of Group contributions.

**31 Events after the end of the reporting period**

No significant events have occurred since the end of the reporting period.

**32 Critical estimates and assumptions****Important sources of uncertainty in estimates and assumptions**

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.

**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 11).

Forecasts used in respect of future cash flows are based on the forecast made by Group management for the next year supplemented by an individual

## Note 32 cont'd

assessment of a further four years. From that point onwards the calculation is based on an annual growth rate of 2 percent (2). The forecast cash flows have been discounted to present value at a discount rate of 11 percent (12) before tax.

The impairment test for the year did not give rise to any impairment.

A lower 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 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.

**Additional considerations**

An additional consideration linked to a corporate acquisition is frequently dependent on the future economic development of the business acquired. In order to determine the size of the additional consideration it is therefore necessary to make certain assumptions about the future economic development. The actual outcome may deviate from these assumptions and the effect of this will be to change the size of the previously recognised additional consideration.

**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 19). The discount rate used is 3.0 percent (3.5) in Sweden and 2.1 percent (2.6) 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 majority of assignments are performed on a current-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.

**Disputes**

ÅF's business operations involve a risk of disputes. Disputes may arise in respect of assignments if ÅF and the client disagree about the conditions which apply to the assignment. Ongoing disputes are kept under continuous review, and provisions are recognised in accordance with the best estimate of the expenditures required to settle the obligations.

**33 Information about the parent**

ÅF 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 ÅF AB, SE-169 99 Stockholm, Sweden.

The Group consolidated accounts for the financial year 2012 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 prepared 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 – 19 March 2013

Ulf Dinkelspiel  
Chairman of the Board

Jonas Wiström  
President/CEO

Lena Treschow Torell  
Deputy Chair

Johan Glennmo  
Director

Eva-Lotta Kraft  
Director

Anders Narvinger  
Director

Björn O. Nilsson  
Director

Dan Olofsson  
Director

Joakim Rubin  
Director

Kristina Schauman  
Director

Anders Snell  
Director

Fredrik Sundin  
Employee representative

Anders Toll  
Employee representative

Our Audit Report was presented on 19 March 2013

Ernst & Young AB

Lars Träff  
Authorised Public Accountant

# Auditor's Report

**To the annual meeting of the shareholders of ÅF AB,  
corporate identity number 556120-6474**

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of ÅF AB for the financial year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 58-101.

## Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of ÅF AB for the financial year 2012.

## Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

## Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

## Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory 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 – 19 March 2013  
Ernst & Young AB

Lars Träff  
Authorised Public Accountant





“ÅF gives me space to live the kind of life I want to enjoy with my family, but it also gives me experiences that increase the scope of my professional knowledge. I feel proud when a project has been completed and the client is satisfied.

**Petr Šrámek has an engineering degree from the Czech Technical University in Prague.**

Petr is a project leader for ÅF in Prague, where he also heads the Thermal Energy Unit. Away from work, he enjoys outdoor activities with family and friends, especially the physical challenges of orienteering, jogging, cycling, hiking, snowboarding and cross-country skiing.

“ÅF gives me space to live the kind of life I want to enjoy with my family, but it also gives me experiences that increase the scope of my professional knowledge. I feel proud when a project has been completed and the client is satisfied. ÅF gives me the opportunity to work with some very advanced equipment at the cutting edge of technology as part of a team of engineers from a variety of international backgrounds, all of whom are experts in their field. Our passion for what we do and the team spirit that unites us form the foundation for the successful solutions we deliver.”

# Corporate governance at ÅF

## **Does the agreed strategy work** for the company?

Are the goals that have been set realistic? Do internal controls and governance work in a satisfactory way? These are all questions that the Board of Directors, which is ultimately responsible for the activities of the company, is constantly required to address.

In all the above respects, the results of the previous financial year cannot be regarded as anything other than a success. Let me illustrate this with a few examples.

One of the company's goals is for ÅF to 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". We are well on our way to achieving this. Notwithstanding the difficult state of the market, profitability has improved significantly both in absolute terms and in comparison with our most important competitors, and our operating margin is also well in line with our strategic target.

Another goal is for ÅF to double the size of its business between 2010 and 2015, adding half of the total increase through organic growth and half through acquisitions. This time last year I was able to report that organic growth was well above target, while developments in terms of acquisitions were slightly lagging behind. I also held out the prospect that the Board of Directors and corporate management would assign even higher priority to these issues in the future.

That is exactly what happened – and we didn't have to wait long for the outcome. The merger with Epsilon means that ÅF is today the Nordic region's largest listed technical consulting company. The purchase of Advansia in Norway has strengthened ÅF's standing both in the Nordic market for infrastructure consulting services and in Norway, where we now have 250 employees. These acquisitions, together with a number of smaller takeovers, mean that ÅF is now approaching the 2015 sales target of 1 billion euros at such a pace that we may well have reason to adjust this figure upwards before the end of the current year.

ÅF has also set ambitious sustainability goals for 2015. These involve always offering clients a more sustainable alternative in project tenders and establishing a reputation among clients as the technical consulting company that is best equipped to solve

the challenges of the future. We will also practice what we preach by halving the company's own CO<sub>2</sub> emissions over a five-year period. During 2012 ÅF intensified its commitment to becoming a more sustainable company by systematically developing methods and processes to identify the potential for factoring sustainability criteria into client-oriented activities.

ÅF maintained its strong position in the labour market. In Universum's annual Career Barometer survey canvassing more than 3,000 professional engineers in Swedish, ÅF was ranked as the fifth most popular employer among all categories of company in Sweden.

I think the corporate governance report that follows gives a good picture of how our business is run. In its formal sections it is almost identical to the previous years' reports. I see this as an endorsement of the fact that the company is being managed efficiently, that relations between the Board of Directors and executive management are good and the division of responsibility well defined.

A careful reader will note an unusually high level of intensity in the work of the Board of Directors over the past year. The main reason for this is that issues linked to acquisitions have consumed more time than usual. However, it is also in the nature of things that these issues themselves have encouraged the directors of the company to discuss a number of other strategic matters in greater depth.

One important conclusion to be drawn is that the acquisitions made, complemented by good organic growth, have led ÅF to strengthen its position in all four of its focus areas – industry, technology, energy and infrastructure. We are now number one or two in all of our main markets and, as such, have laid an even firmer foundation on which to build our growing international operations.

Another development worthy of note is the change that has taken place in ÅF's capital structure. As a consequence of the



“ ÅF is to 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.

most recent acquisitions, ÅF has moved from a position of net cash to one of net debt. This, too, is in line with our ambition for ÅF to have net debt over a period of time without net indebtedness exceeding 40 percent of equity. While the Board of Directors is of the opinion that there is still scope for further acquisitions, it is clear that the main emphasis over the coming months will be on consolidating existing operations within the company.

There is no lack of challenges. One key task will be to integrate the newly acquired companies in a way that enables us to fully realise the potential that exists for synergies. Another is to deal successfully with the uncertainties that are casting such a long shadow over the market. The picture is far from uniform, but there are clear signs of a dip in demand in some of the most important areas of the company's activities.

Even so, ÅF stands strong and is well equipped to face the future. The company has consolidated its market positions, and the corporate management team, ably led by the Group CEO, has dealt skilfully with the extraordinary amount of work that the past year has involved. On behalf of the Board of Directors, I would like to extend our sincere thanks to the CEO, Group management and all the co-workers for a job well done! It bodes well for the future – for a sustainable ÅF which, through innovation by experience, continues to lead the way ahead.

Ulf Dinkelspiel  
Chairman of the Board

# Corporate governance report

**This corporate governance report** has been submitted in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance. The report covers the corporate governance of ÅF during financial year 2012.

ÅF did not deviate from the Code in 2012. There have been no breaches of NASDAQ OMX Stockholm's Rules for issuers or of generally accepted stock exchange practice.

The corporate governance report has been reviewed by Ernst & Young.

### Corporate governance at ÅF

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. Governance, management and control are divided between the shareholders, the Board of Directors and the President/CEO in accordance with the applicable laws, rules and recommendations and with ÅF's articles of association and internal regulatory framework.

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 also introduced and developed other processes and control systems to ensure effective and profitable growth.

For the purpose of streamlining and strengthening its work in certain areas, the board has appointed an Audit Committee and

a Remuneration Committee. One important support function for the Audit Committee is ÅF's Internal Audit and Sustainability Function.

The administration of the company by the Board of Directors and the President/CEO, as well as the company's financial reporting are reviewed by the external auditor appointed by the AGM.

Internal policies and instructions constitute essential management documents for the whole company, clarifying responsibility and authority within specific areas, such as information security, regulatory compliance and risk management.

### ÅF's Annual General Meeting for 2012

The AGM for 2012 was held at the ÅF Group's head office in Solna, Sweden, on 7 May. It was attended by 161 shareholders, representing 54 percent of the share capital and 69 percent of the total number of votes. The minutes of the meeting together with all the documentation issued prior to the AGM are available on the ÅF website, under the section for Corporate Governance.





### The 10 largest owners on 31 December 2012

Owner	A shares	B shares	Holding %	Votes %
Ångpanneföreningen's Foundation for Research & Development	1,602,876	3,832,576	13.6	36.4
Danir AB	0	5,985,915	14.9	11.0
Swedbank Robur investment funds	0	2,731,024	6.8	5.0
CapMan Oyj	0	1,923,133	4.8	3.5
Nordea investment funds	0	1,802,161	4.5	3.3
AFA Försäkring	0	1,347,593	3.4	2.5
SHB investment funds	0	1,078,156	2.7	2.0
Odin investment funds	0	981,307	2.5	1.8
SHB investment funds (Finland)	0	952,000	2.4	1.7
SEB investment funds	0	859,775	2.1	1.6

### Extraordinary General Meeting

On 19 November an extraordinary general meeting of shareholders took place as a consequence of the need to make a non-cash issue to Danir AB in connection with the acquisition of the Epsilon Group, a change to the company's articles of association, and the inclusion of a further two members on the Board of Directors. The minutes and other documentation relating to the extraordinary general meeting can be found on the ÅF website under the section devoted to Corporate Governance.

### Nomination Committee

In accordance with a resolution passed at the AGM on 7 May 2012, the Nomination Committee shall, up until the time of the 2013 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 2013 AGM.

The Nomination Committee comprises: Staffan Westlin (Chair), representing Ångpanneföreningen's Foundation for Research & Development; Annika Andersson appointed by Swedbank Robur; Ulf Dinkelspiel, in his capacity as Chairman of the Board of ÅF; Jan Särilvik appointed by Nordea Fonder; Karl Åberg, appointed by CapMan Public Market Funds; and also, in connection with the acquisition of Epsilon, Göran Larsson, Chairman of the Board of Danir AB.

### 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.

### Work of the Nomination Committee

In the period up to and including February 2013 the committee has held 5 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 Committee 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 2013 AGM, and supplementary information on the proposed members of the board will be published in connection with the notice convening the 2013 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 2012 AGM appointed eight directors with no deputies. An extraordinary general meeting held on 19 November 2012 appointed a further two board members. The President/CEO of ÅF is not a member of the board. The company's employees are, however, represented on the board.



Kristina Schauman and Joakim Rubin were elected as new directors of the company by the 2012 AGM. Patrik Enblad and Helen Skåntorp stood down from re-election. Ulf Dinkelspiel, Anders Narvinger, Eva-Lotta Kraft, Björn O. Nilsson, 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. At an extraordinary general meeting held on 19 November Johan Glennmo and Dan Olofsson were appointed as new members of the board. The President/CEO of ÅF, Jonas Wiström, does not sit on the board, but participates in board meetings to present reports. The Group's CFO, Stefan Johansson, 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 112–113.

### 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, Anders Snell, Johan Glennmo and Dan Olofsson are considered to hold positions of dependence with regard to some of ÅF's major shareholders. Johan Glennmo and Dan Olofsson are also considered to hold positions of dependence in view of the additional consideration that may be paid to Danir as a consequence of ÅF's acquisition of Epsilon.

### 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

During 2012 the board held 14 meetings in addition to the inaugural meeting, including two per capsulam and three 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 office in Helsinki.

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

### Attendance at Board/Committee meetings 2012

		Board	Remuneration Committee	Audit Committee
Total number of meetings		14	3	4
Ulf Dinkelspiel, Chairman of the Board		14	3 (Chair)	2
Patrik Enblad, Director	Resigned at 2012 AGM	3		
Johan Glennmo, Director	w.e.f. 29 November 2012	1		
Eva-Lotta Kraft, Director		14		4
Anders Narvinger, Director		14	3	
Björn O. Nilsson, Director		13		
Dan Olofsson, Director	w.e.f. 29 November 2012	1		
Joakim Rubin, Director	w.e.f. 2012 AGM	11		
Kristina Schauman, Director	w.e.f. 2012 AGM	11		3 (Chair)
Helena Skåntorp, Director	Resigned at 2012 AGM	3		1 (Chair)
Anders Snell, Director		14		
Lena Treschow Torell, Deputy Chair		13	3	
Fredrik Sundin, Employee representative		12		
Anders Toll, Employee representative	Deputy until 2012 AGM	11		
Anders Forslund, Employee rep. (deputy)		2		
Magnus Forslund, Employee rep. (deputy)	Resigned at 2012 AGM	0		
Patrik Tillack, Employee rep. (deputy)	Employee rep. until 2012 AGM	4		

Employee representatives' deputies attend only when the employee representative is absent and in conjunction with the inaugural meeting of the board.

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. Most of the ordinary board meetings include an in-depth presentation of one of ÅF's business areas or departments.

On one occasion each year the board discusses issues related to succession planning for senior executives in the company.

### **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 Group management. 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 2013 AGM the committee has met on 3 occasions. The committee consists of Ulf Dinkelspiel (Chair), Anders Narvinger and Lena Treschow Torell. The President/CEO and ÅF's Director of Human Resources attend as co-opted members. Remuneration has been paid to the company's directors for their 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 2012 AGM the committee has consisted of Kristina Schauman (Chair), Ulf Dinkelspiel and Eva-

Lotta Kraft. All members are independent of the owners and the company's management. The committee held four minuted meetings in 2012. The company's auditor has attended all of the meetings of the committee. The CFO and the manager responsible for the Group Accounting and Reporting department attend as co-opted members. The company's internal auditor attends two meetings each year. Remuneration has been paid to the directors for their 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 2012 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 2013. Ernst & Young carries out the audit of ÅF AB and major units within the ÅF Group. A full audit of the annual accounts is carried out, and there is also an examination of the nine-month interim report for the period up to September each year. An examination is also carried out 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 Group 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 Group management team with day-to-day responsibility for various aspects of the Group's operation. From August 2012 this Group management team has consisted of the CEO, divisional Presidents, CFO, General Counsel, Executive Vice President for Corporate Information, head of Business Development and M&A, and the PA to the President, who serves as secretary to the Group management team. For further information about the members of the Group management team, please see pages 114–115.

ÅF's Group management team 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 2012.

Once a month the CEO and the CFO discuss each of the divisions' income statements, balance sheets 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 & 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 guidance documents are available in the form of policies, guidelines and manuals.

A description of ÅF's internal control system is included in the company's process-orientated business management system 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 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 provides a basis for managing risk through a variety of control structures. The risks are consid-

ered, 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.

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 the Group Accounting and Reporting department. All accounting and reporting activities for ÅF's Swedish operations are centralised under ÅF Business Services (ÅBS) at the Group's head office, 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 the communication of 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.

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

The sustainability goals set up by ÅF constitute the basis for ÅF's long-term strategic work to become a more sustainable business. This sustainability work is to contribute to the company's growth and is therefore followed up by both the Board of Directors and by Group management. For further details about the work that ÅF is engaged in with regard to sustainability, please see pages 42–47.

### Auditor's report on the Corporate Governance Statement

*To the annual meeting of the shareholders of ÅF AB, corporate identity number 556120-6474*

It is the board of directors who is responsible for the corporate governance statement for the year 2012 on pages 106–111 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, Sweden – 19 March 2013  
Ernst & Young AB

Lars Träff  
Authorised Public Accountant

# Board of Directors



	<b>Ulf Dinkelspiel</b>	<b>Lena Treschow Torell</b>	<b>Johan Glennmo</b>	<b>Eva-Lotta Kraft</b>	<b>Anders Narvinger</b>	<b>Björn O. Nilsson</b>
	Chairman of the Board, Chair of the Remuneration Committee and member of the Audit Committee	Deputy Chair of ÅF AB. Member of the Remuneration Committee	Director	Director. Member of the Audit Committee	Director. Member of the Remuneration Committee	Director
<b>Elected</b>	2004	2006	Nov 2012	2002	2011	2010
<b>Born</b>	1939	1946	1974	1951	1948	1956
<b>Education</b>	Graduate business administrator, Stockholm School of Economics.	Ph.D. in Physics, University of Gothenburg; Research Fellow/Associate Professor in Physics, Chalmers University of Technology.	Bachelor of Science, University of Tampa.	M.Sc. Chemical Engineering, Royal Swedish Institute of Technology (KTH); MBA International Entrepreneurship, Uppsala University.	M.Sc., Faculty of Engineering (LTH), Lund University; Graduate business administrator, Uppsala University.	Doctor of Technology.
<b>Current position/ Other assignments</b>	Ambassador E. Öhman J:or AB. Director of Nordnet AB, Premiefinans K Bolin AB and Bockholmen Gruppen AB; Member of the Royal Swedish Academy of Engineering Sciences, IVA; Deputy Director of Ponte Fiore AB.	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, Investor AB, Aktiebolaget SKF and Chalmers University of Technology Foundation.	Chairman of Epsilon; Director of Danir, Sigma Aktiebolag (publ) and FC Rosengård.	Director of Boule Diagnostics AB, Eva-Lotta Kraft Affärskonsult AB, NIBE Industrier AB, Opus Group AB and XANO Industri AB.	Chairman of Alfa Laval AB, Coor Service Management Group AB, Capi Holding AB, Telia Sonera, Trelleborg AB; Director of Anders Narvinger Consulting AB, JM AB and Pernod Ricard SA.	Professor, President and Member of the Royal Swedish Academy of Engineering Sciences, IVA; Research Fellow/ Associate Professor at Royal Swedish Institute of Technology (KTH); Chairman of BioInvent International AB; Deputy Chair of Ångpanneföreningen's Foundation for Research and Development; Director of Jubileum P 350 AB and SwedNanoTech AB.
<b>Shares in ÅF 31 Dec 2012</b>	61,000	4,000	5,985,915 B shares (through Danir AB)	3,000	3,000	0





Dan Olofsson	Joakim Rubin	Kristina Schauman	Anders Snell	Fredrik Sundin	Anders Toll
Director	Director	Director. Chair of the Audit Committee	Director	Employee representative	Employee representative
Nov 2012	2012	2012	2009	2009	2009
1950	1960	1965	1950	1972	1955
M.Sc., Faculty of Engineering (LTH), Lund University.	M.Sc., Institute of Technology, Linköping University.	Graduate business administrator, Stockholm School of Economics.	M.Sc. Chemistry, Royal Swedish Institute of Technology (KTH).	M.Sc. Engineering Physics, Uppsala University.	
Director. Chairman of Sigma Aktiebolag (publ) and Innerstaden 10:14 Holding AB; Director of Danir and Epsilon.	Senior Partner in the Finnish venture capital company CapMan; Director of Intrum Justitia AB and B&B TOOLS AB.	Director and Chair of the Audit Committee of Apoteket AB, Livförsäkringsaktiebolaget Skandia AB and Orexo AB. Directory of Save the Children's Advisory Board in Sweden.	Active within Billerud AB. Chairman of Ångpanneföreningen's Foundation for Research & Development and Wibax AB; Director of Värmeforsk Thermal Engineering Association and the trade organisation Swedish Forest Industries.	Employed in ÅF's Technology Division.	Employed in ÅF's Industry Division.
5,985,915 B shares (through Danir AB)	0	0	0	1,400 2012 Staff Convertible Programme: nominal amount SEK 60,000	0

#### Anders Forslund

Deputy for Employee representative. **Elected:** 2012. **Born:** 1974, **Education:** B.Sc. in Mechanical Engineering, Faculty of Engineering (LTH), Lund University. **Other assignments:** Employed in ÅF's Industry Division. **Shares in ÅF 31 Dec 2012:** 0. Staff convertible programme 2012: nominal amount SEK 60,000.

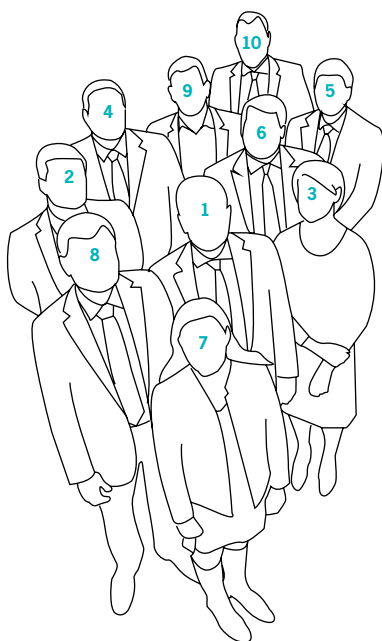
#### Patrik Tillack

Deputy for Employee representative. **Elected:** 2008. **Born:** 1967. **Education:** Upper secondary school engineering studies (Electrical Engineering & Telecommunications).

**Other assignments:** Employed in ÅF's Industry Division. **Shares in ÅF 31 Dec 2012:** 32.

# Group management





### 1 Jonas Wiström

President and CEO

**Employed by ÅF since:** 2002 **Born:** 1960

**Other assignment:** 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 (incl. related parties):** 26,776

Staff convertible programme 2012: nominal amount SEK 3,060,000

### 2 Mats Boström

President, Technology Division

**Employed by ÅF since:** 2012 **Born:** 1966

**Professional experience:** President Epsilon AB, Sigma Innovation AB; Development engineer Siemens-Elema and St. Jude Medical

**Education:** M.Sc., Faculty of Engineering, Lund University, and studies in business administration, Lund University

**Shares in ÅF (incl. related parties):** Capital insurance comprising 200,000 call options on class B shares

### 3 Marie Edman

PA to the President

**Employed by ÅF since:** 2010 **Born:** 1953

**Professional experience:** PA to the President at Proffice, Electrolux Cleaning Appliances and Skandex

**Education:** Managerial Secretary studies; PR & Business Communication, IHM Business School

**Shares in ÅF (incl. related parties):** 600

Staff convertible programme 2012: nominal amount SEK 1,500,000

### 4 Roberto Gerosa

President, International Division

**Employed by ÅF since:** 2007 **Born:** 1965

**Professional experience:** Managing Director of AF-Colenco Ltd, Switzerland; Managing Director of Colenco Power Engineering Ltd, Switzerland

**Education:** M.Sc., Swiss Federal Institute of Technology, Zürich

**Shares in ÅF (incl. related parties):** 9,911

### 5 Stefan Johansson

CFO

**Employed by ÅF since:** 2011 **Born:** 1958

**Professional experience:** CFO Haldex and Duni, and various positions in the ABB Group

**Education:** Graduate business administrator, Linköping University

**Shares in ÅF (incl. related parties):** 7,364

Staff convertible programme 2012: nominal amount SEK 1,500,000

### 6 Jacob Landén

General Counsel

**Employed by ÅF since:** 2008 **Born:** 1965

**Professional experience:** Legal profession

**Education:** LL.B., Uppsala University

**Shares in ÅF (incl. related parties):** 1,575

Staff convertible programme 2012: nominal amount SEK 1,500,000

### 7 Ulrika Lundgren

Mergers & Acquisitions

**Employed by ÅF since:** 2012 **Born:** 1970

**Professional experience:** M&A and strategic business development with Saab AB, Gambro, Investor and Handelsbanken Capital Markets

**Education:** Graduate business administrator, Stockholm School of Economics

**Shares in ÅF (incl. related parties):** 650

### 8 Per Magnusson

President, Industry Division

**Employed by ÅF since:** 2006 **Born:** 1954

**Professional experience:** Plant engineer at ASEA AB; Consultant at Rejlers Ingenjörer AB; Consulting Manager with J&W AB, Sigma AB; Managing Director of Benima Sydväst

**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 (incl. related parties):** 3,620

Staff convertible programme 2012: nominal amount SEK 1,500,000

### 9 Mats Pålsson

President, Infrastructure Division

**Employed by ÅF since:** 2009 **Born:** 1954

**Professional experience:** Site engineer, 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 (incl. related parties):** 2,015

Staff convertible programme 2012: nominal amount SEK 1,500,000

### 10 Viktor Svensson

Corporate Resources

**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 (incl. related parties):** 7,014

Staff convertible programme 2012: nominal amount SEK 1,500,000

# Annual General Meeting

**The Annual General Meeting** of shareholders in ÅF AB (publ) will commence at 14.00 (2.00 pm) on Friday, 26 April 2013 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 Saturday 20 April at the latest, and
- confirm their intention to participate to the company's head office by Monday 22 April 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 20 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/arsstamma2013](http://www.afconsult.com/arsstamma2013)

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](http://www.afconsult.com)

## Dividend

The Board of Directors proposes a dividend to shareholders of SEK 5.50 per share. It is proposed that 2 May be made the record day for the right to receive this dividend. It is anticipated that payment will be made via Euroclear Sweden on 7 May.

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](http://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.



Scan the QR code into your phone or tablet to go directly to the AGM 2013 website.

# Events and reports

## Green Advisor Reports



Scan the QR code into your phone or tablet to connect to ÅF's Green Advisor Reports.

## Financial reports



Scan the QR code into your phone or tablet to connect to ÅF's financial news.

## ÅF Annual Report 2012 online



Scan the QR code into your phone or tablet to connect to ÅF's annual report online.

## Calendar of events – 2013

<b>5 February</b> Year-end report 2012		<b>26 April</b> Interim report Jan–March 2013 and Annual General Meeting			<b>12 July</b> Interim report Jan–June 2013		<b>September</b> Capital Markets Day		<b>21 October</b> Interim report Jan–Sept 2013		<b>13 November</b> ÅF Green Day	
■	■	■	■	■	■	■	■	■	■	■	■	■
Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	

### Group Head Office

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**ÅF – leading the way in technical consulting:** Our work focuses on energy, 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, our networks and the technical consulting industry's greatest bank of experience. It's all summed up in our corporate motto: "ÅF – innovation by experience."