

INTERIM REPORT

1 JANUARY–30 SEPTEMBER 2019

This is a translation of the Swedish original of Addnode Group's interim report for the period 1 January–30 September 2019. In the event of any discrepancies between the two versions, the original Swedish version shall apply.

THIRD QUARTER SUMMARY, JULY–SEPTEMBER 2019

- Net sales increased by 20 per cent to SEK 779 m (648), of which 9 per cent was organic. Currency-adjusted organic growth was 8 per cent.
- EBITA increased to SEK 71 m (65), for an EBITA margin of 9.1 per cent (10.0).
- Operating profit increased to SEK 43 m (40), for an operating margin of 5.5 per cent (6.2).
- Profit after tax increased to SEK 31 m (28).
- Earnings per share increased to SEK 0.93 (0.84).
- Cash flow from operating activities increased to SEK 32 m (-61).
- Lotta Jarleryd named as interim CFO.

SUMMARY OF SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- Expansion of Group Management with addition of Adam Nilsson, Head of M&A and Corporate Development.

65%

Share of recurring revenue, Q3 2019

+9%

EBITA growth Q3 2019 compared with Q3 2018

3,341 SEK m

Net sales, Oct. 2018–Sept. 2019

KEY FIGURES

	2019 Jan-Sep	2018 Jan-Sep	2018 Full year
Net sales, SEK m	2,501	2,102	2,942
EBITA, SEK m	227	193	298
EBITA margin, %	9.1	9.2	10.1
Operating profit, SEK m	145	123	203
Operating margin, %	5.8	5.9	6.9
Profit for the period, SEK m	79	85	152
Earnings per share, SEK	2.36	2.7	4.75
Cash flow from operating activities, SEK m	239	171	285
Return on shareholders' equity,* %	11.0	12.7	13.1
Return on capital employed,* %	11.2	12.2	12.3
Shareholders' equity per share, SEK	41.04	38.53	40.06

*Key ratios adjusted to reflect returns on a yearly basis.

For more information, please contact:

Johan Andersson, President and CEO, johan.andersson@addnodegroup.com +46 (0) 704 20 58 31

Lotta Jarleryd, Interim CFO, lotta.jarleryd@addnodegroup.com +46 (0)72 247 92 01

All amounts are presented in millions of Swedish kronor (SEK m) unless indicated otherwise. Rounding differences of SEK +/- 1 m may occur in the summing of figures. In cases where an underlying figure is SEK 0 m when rounded, it will be presented as 0.



“We are continuously developing our product portfolio. An example is BIMEYE, which solves a challenge customers face in handling large volumes of BIM data.”

GROWTH AND HIGHER EARNINGS

Growth remained favourable during the third quarter, amounting to 20 per cent, of which 9 per cent was organic. Recurring revenue increased by 26 per cent and accounted for 65 per cent of net sales. We continue to grow our recurring revenue, while licensing revenue as a share of total earnings is decreasing. EBITA increased to SEK 71 m (65).

Design Management had continued strong organic growth during the third quarter. Growth, mainly for Symetri, was driven by strong sales of Autodesk 3-year contracts both in the Nordic countries and UK, and by acquisitions. However, we have had weaker demand for our property management systems. We are one of Europe's leading providers of software to the construction and property management market, and we are continuously developing our product portfolio. An example is BIMEYE, which solves a challenge customers face in handling large volumes of BIM data. Another example is Naviate, which enables customers to extract greater value from their investment in Autodesk software such as Revit and Civil 3D.

Product Lifecycle Management also experienced continued good organic growth during the third quarter. We have a very strong position for customers in Europe, the USA and Asia who are looking for a partner for implementation of Dassault Systèmes' 3DEXPERIENCE platform. In the German market, however, customers in the automotive industry are showing a weaker willingness to invest, but we are working actively with new verticals such as life sciences.

Process Management has stable earnings capacity. To optimise the benefits of our product portfolio in the municipal market and leverage our employees' expertise, we are integrating the companies Essvision and Landborgen into Sokigo. Following this merger Sokigo will have 160 employees focused on serving as a digital partner to the public sector.

We have a good financial position, which makes it possible for us to continue investing in new products, services and business models. We see continued favourable opportunities for value-creating acquisitions.

Johan Andersson
President and CEO

SIGNIFICANT EVENTS

DURING THE THIRD QUARTER OF 2019

Lotta Jarleryd appointed as Interim CFO of Addnode Group
Addnode Group has appointed Lotta Jarleryd as Interim CFO, effective 9 September 2019.

As previously communicated, Helena Nathhorst has chosen to leave her position as CFO for new challenges outside Addnode Group. Helena will stay on in her position until 31 October 2019.

AFTER THE END OF THE REPORTING PERIOD

Expanded Group Management for Addnode Group
Adam Nilsson has been named as a new member of Addnode Group's Group Management, effective 7 October 2019. Adam has been employed as Head of M&A and Corporate Development at Addnode Group since January 2018.

ADDNODE GROUP IN BRIEF

Addnode Group is an international information technology company with 1,700 employees in 19 countries. In close collaboration with our customers we create digital solutions that make use of software and services to build a more sustainable society. Our customers use our digital solutions to design, build and manage products, properties and infrastructure. In the public sector our digital solutions enable efficient administration and communication with citizens.

VISION

A digitally sustainable society in which people, companies, authorities and organisations interact with the technology that surrounds us.

MISSION

Addnode Group acquires, operates and develops entrepreneur-driven companies that help digitalise society.

We take long-term responsibility for the software and services that we provide, which creates value and stability for our customers and profitability for the Group.

BUSINESS MODEL

We provide software and services with a high level of recurring revenue from support, maintenance, subscription and SaaS solutions.

FINANCIAL TARGETS

We aim for annual growth in net sales of at least 10 per cent. Our operating margin before amortisation and impairment of intangible assets (EBITA margin) shall amount to at least 10 per cent. At least 50 per cent of consolidated profit after tax shall be distributed to the shareholders, provided that net cash is sufficient to operate and develop the business.

FINANCIAL CALENDAR



CONSOLIDATED NET SALES AND EARNINGS

THIRD QUARTER, JULY–SEPTEMBER 2019

Net sales amounted to SEK 779 m (648), representing growth of 20 per cent, of which 9 per cent was organic. Currency-adjusted organic growth was 8 per cent. Licence revenue increased to SEK 37 m (34), recurring revenue increased to SEK 508 m (403), service revenue increased to SEK 222 m (208), and other revenue totalled SEK 12 m (3). Compared with the corresponding quarter a year ago, the share of recurring revenue increased from 62 per cent to 65 per cent. The increase was mainly in the Design Management division, but also in the PLM division. EBITA increased to SEK 71 m (65), for an EBITA margin of 9.1 per cent (10.0).

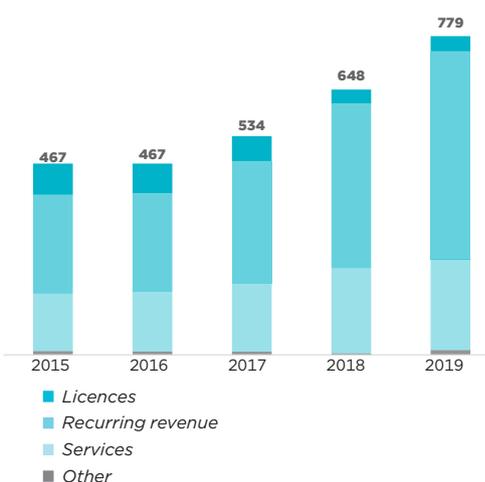
Cash flow from operating activities amounted to SEK 32 m (-61). Cash flow during the third quarter was positively affected by a lower level of working capital. Net financial items amounted to SEK -3 m (-3). Reported tax on profit for the period was SEK -9 m (-9), and profit after tax increased to SEK 31 m (28). Earnings per share increased to SEK 0.93 (0.84).

NINE-MONTH PERIOD, JANUARY–SEPTEMBER 2019

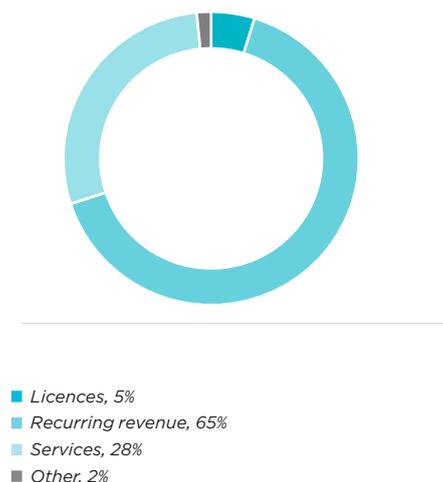
Net sales amounted to SEK 2,501 m (2,102), representing growth of 19 per cent, of which 8 per cent was organic. Currency-adjusted organic growth was 6 per cent. Licence revenue amounted to SEK 143 m (153), recurring revenue increased to SEK 1,592 m (1,234), service revenue increased to SEK 736 m (684), and other revenue totalled SEK 30 m (31). EBITA increased to SEK 227 m (193), for an EBITA margin of 9.1 per cent (9.2).

Cash flow from operating activities amounted to SEK 239 m (171). The increase from the previous year of SEK 68 m is with SEK 51 m attributable to the introduction of IFRS 16 regarding leasing. Net financial items amounted to SEK -35 m (-11). Several of our acquisitions performed better than expected in 2018, entailing that provisions for contingent earn-out payments were too low. The Group's net financial items during the first quarter were burdened by a net effect of SEK -24 m (-) pertaining to remeasurements of contingent earn-out payments mainly for companies in the UK. Reported tax on profit for the period was SEK -31 m (-27), and profit after tax was SEK 79 m (85). Excluding the remeasurement of contingent earn-out payments, profit after tax increased to SEK 103 m (85). Earnings per share were SEK 2.36 (2.70).

BREAKDOWN OF REVENUE, Q3 2015–2019



BREAKDOWN OF REVENUE, Q3 2019



DEVELOPMENT PER DIVISION

NET SALES AND EBITA, Q3

SEK m	Net sales			EBITA		
	2019 Q3	2018 Q3	Change %	2019 Q3	2018 Q3	Change %
Design Management	299	218	37	30	24	25
Product Lifecycle Management	311	264	18	23	25	-8
Process Management	174	169	3	25	24	4
Eliminations/central costs	-5	-3	-	-7*	-8	-
Addnode Group	779	648	20	71	65	9

NET SALES AND EBITA, YTD

SEK m	Net sales			EBITA		
	2019 Jan-Sep	2018 Jan-Sep	Change %	2019 Jan-Sep	2018 Jan-Sep	Change %
Design Management	1,005	750	34	108	70	54
Product Lifecycle Management	938	801	17	71	65	9
Process Management	574	562	2	77	83	-7
Eliminations/central costs	-16	-11	-	-29*	-25	-
Addnode Group	2,501	2,102	19	227	193	18

*The effect of IFRS 16 has not been allocated to the divisions in the table above, but is included on the line "Eliminations/central costs".

DIVISIONS

Addnode Group's operations are organised and managed based on the Design Management, Product Lifecycle Management (PLM) and Process Management divisions, which make up the Group's operating segments.

Within Addnode Group's three divisions, the subsidiaries provide software and digital solutions to a range of sectors, including construction, real estate, manufacturing industry, automotive, life sciences and the public sector. The solutions help companies and public authorities improve efficiency in everything from case management and citizen dialogues to design, construction and management of product data throughout a product's entire lifecycle.

There have been no changes in the segment division or calculation of segment results since the most recently published annual report.

The effect of IFRS 16 has not been allocated to the divisions in the table above, but is included on the line "Eliminations/central costs". In other respects, the segments are reported in accordance with the same accounting policies as the Group.

The difference between the sum of the segments' EBITA and consolidated operating profit for the period January–September pertains to depreciation/amortisation and impairment of intangible non-current assets, totalling SEK -82 m (-70).

There have been no significant changes in the segments' assets compared to the information in the most recent annual report.

SEASONAL VARIATIONS

Historically net sales and EBITA are highest during the fourth quarter.

DESIGN MANAGEMENT DIVISION

Software and digital solutions for design and BIM for engineers and architects in the construction and real estate sectors, manufacturing industries and the marine industry. The division also has a strong offering for project collaborations, property management and facility management.

QUARTERLY DEVELOPMENT

Net sales increased to SEK 299 m (218) during the third quarter, representing growth of 37 per cent. Organic growth was strong, at 22 per cent. Adjusted for currency effects, organic growth was 21 per cent. EBITA increased to SEK 30 m (24), for an EBITA margin of 10.0 per cent (11.0). Demand for the Autodesk offering with the Group's own complementary products continues to be good in both the Nordic countries and the UK. Demand for collaborative solutions for projects in the areas of construction, civil engineering, energy and technology has also developed well in Sweden and Norway. Sales of property management systems were weaker during the quarter. A higher share of third-party products in the revenue mix resulted in a lower margin for the division.

NEW BUSINESS

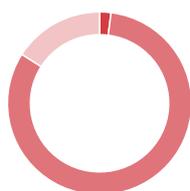
During the quarter the division secured agreements with customers such as Brush, Ericsson, Nibe, Oslo Municipality, Peab, Rejlers and Sodexo.

MARKET

The division is one of Europe's leading suppliers of design and BIM software to the construction and manufacturing industries and has a strong offering for project collaboration and property management. Customers' willingness to invest is driven by the need to design, build and manage products, facilities and infrastructure.



NET SALES Q3 2019, BY TYPE OF REVENUE



- Licences, 2%
- Recurring revenue, 83%
- Services, 14%
- Other, 1%

EBITA Q3 2019 COMPARED WITH Q3 2018

+25%

KEY FIGURES

SEK m	Q3 2019	Q3 2018	Change %
Net sales	299	218	37
EBITA	30	24	25
EBITA margin, %	10.0	11.0	-
Operating profit	20	14	43
Operating margin, %	6.7	6.4	-
Average no. employees	406	407	0

PRODUCT LIFECYCLE MANAGEMENT DIVISION

Software and digital solutions and services for developing and managing consumer and industrial products during their entire lifecycles, from idea, design, simulation and construction to sale, aftermarket and recycling.

QUARTERLY DEVELOPMENT

Net sales increased to SEK 311 m (264) during the third quarter, representing growth of 18 per cent. Organic growth was 7 per cent. Adjusted for currency effects, organic growth was 5 per cent. EBITA decreased to SEK 23 m (25), for an EBITA margin of 7.4 per cent (9.5). Demand and sales continued to be good, with favourable development in the Nordic countries, Benelux and the USA. Owing to a weaker market in Germany and worries over Brexit in the UK, customers have opted to a greater extent to rent software instead of invest in licences. Capacity utilisation in the delivery organisation was lower during the quarter, which weighed down earnings.

NEW BUSINESS

During the quarter the division secured agreements with customers such as Alpine Electronics, Arla Foods, Atlas Composites, Kalmar Industries, KSM Castings, Kongsberg Defence & Aerospace, TWI and Stadler Rail.

MARKET

The division's operations are conducted through the TECHNIA brand, which is one of Europe's leading suppliers of PLM software and consulting services in a growing global market. Customers' willingness to invest is driven by a need to develop and design products, maintain product information during an entire lifecycle and comply with authorities' requirements.



NET SALES Q3 2019, BY TYPE OF REVENUE



- Licences, 9%
- Recurring revenue, 59%
- Services, 31%
- Other, 1%

EBITA Q3 2019 COMPARED WITH Q3 2018

-8%

KEY FIGURES

SEK m	Q3 2019	Q3 2018	Change %
Net sales	311	264	18
EBITA	23	25	-8
EBITA margin, %	7.4	9.5	-
Operating profit	15	18	-17
Operating margin, %	4.8	6.8	-
Average no. employees	662	555	19

PROCESS MANAGEMENT DIVISION

Software and digital solutions for document and case management, e-archives, information management and citizen dialogues for the public sector and private customers with similar needs.

QUARTERLY DEVELOPMENT

Net sales increased to SEK 174 m (169) during the second quarter, representing growth of 3 per cent. Organic growth was -2 per cent. Adjusted for currency effects, organic growth was -2 per cent. EBITA increased to SEK 25 m (24), for an EBITA margin of 14.4 per cent (14.2). Demand for citizen service solutions and municipal technical systems was good during the quarter. Operating efficiency has improved, and completed acquisitions have made positive contributions to earnings performance.

NEW BUSINESS

During the quarter the division secured agreements with customers such as the City of Borås, Kommunalförbundet ITSAM, Nybro Municipality, Peab, the Swedish Police, Tjörn Municipality and the City of Trollhättan.

MARKET

The division is a leading provider of software and digital solutions to the public sector in Sweden. Customers' willingness to invest is driven by automation, simplification of administration and more effective communication with citizens. More and more authorities and municipalities are looking for a long-term partner in their work on developing innovative operations that are in conformity with the rule of law.



NET SALES Q3 2019, BY TYPE OF REVENUE



- Licences, 2%
- Recurring revenue, 46%
- Services, 49%
- Other, 3%

EBITA Q3 2019 COMPARED WITH Q3 2018

+4%

KEY FIGURES

SEK m	Q3 2019	Q3 2018	Change %
Net sales	174	169	3
EBITA	25	24	4
EBITA margin, %	14.4	14.2	-
Operating profit	17	17	0
Operating margin, %	9.8	10.1	-
Average no. employees	533	498	7

CONSOLIDATED BALANCE SHEET AND CASH FLOW

LIQUIDITY AND FINANCIAL POSITION

The Group's available liquidity amounted to SEK 278 m (423). This includes, in addition to cash and cash equivalents of SEK 178 m (323), an unutilised bank overdraft facility of SEK 100 m. In addition, the Group has a multi-currency revolving credit facility of up to SEK 750 m to finance acquisitions, of which SEK 271 m was unutilised as per 30 September 2019. Liabilities pertaining to promissory notes for completed acquisitions amounted to SEK 22 m (45), and estimated contingent earn-out payments for completed company acquisitions amounted to SEK 3 m (116). The Group's interest-bearing liabilities amounted to SEK 605 m (565) as per 30 September 2019, of which lease liabilities according to IFRS 16 amounted to SEK 112 m. Net debt amounted to SEK 427 m (242). The equity/assets ratio was 46 per cent (45) on 30 September 2019.

CASH FLOW

Cash flow from operating activities increased to SEK 239 m (171). Investments in subsidiaries and businesses resulted in a negative cash flow of SEK 232 m, of which SEK 163 m pertains to company acquisitions carried out in previous years. Cash flow also includes outgoing payments of SEK 40 m (40) for proprietary software. New bank borrowing of SEK 116 m has been taken out within the framework of existing credit facilities, and a total of SEK 168 m in bank loans has been amortised. In addition, in May 2019, SEK 84 m was paid out in share dividends.

INVESTMENTS

Investments in intangible non-current assets and in property, plant and equipment amounted to SEK 82 m (51), of which SEK 40 m (40) pertains to proprietary software and SEK 18 m (10) to equipment. Investments increased by SEK 25 m as a result of application of IFRS 16 Leases.

GOODWILL AND OTHER INTANGIBLE ASSETS

The Group's carrying amount of goodwill on 30 September 2019 was SEK 1,596 m (1,489). Other intangible assets amounted to SEK 315 m (313) and pertain mainly to customer contracts and software.

DEFERRED TAX ASSETS

Total reported deferred tax assets amounted to SEK 8 m on 30 September 2019, of which SEK 4 m pertains to tax loss carryforwards. The Group's accumulated tax loss carryforwards amounted to approximately SEK 65 m on 30 September 2019. Deferred tax assets attributable to tax loss carryforwards are reported as assets to the extent it is likely that the loss carryforwards can be offset against surpluses in future taxation.

SHAREHOLDERS' EQUITY

Shareholders' equity on 30 September 2019 amounted to SEK 1,372 m (1,288), corresponding to SEK 41.04 (38.53) per share outstanding. No share-savings, option or convertible programmes were outstanding as per 30 September 2019.

EMPLOYEES

The average number of employees in the Group was 1,575

(1,462). The number of employees at the end of the period was 1,712 (1,583 as per 31/12/2018).

DISCLOSURES OF ACQUISITIONS

Addnode Group acquired two companies during the period and made one asset/liability acquisition.

On 1 April all of the shares were acquired in the software company IntraPhone Solutions AB. The business is focused on mobile IT solutions for planning and monitoring home care services, which are used by more than 45 municipalities across Sweden. The acquisition strengthens the Group's offering in the Swedish care and public assistance market. The company has annual net sales of approximately SEK 35 m and is consolidated in the Process Management division as from April 2019. According to the preliminary purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to approximately SEK 47 m, entailing a deferred tax liability of approximately SEK 3 m. Other acquired assets and liabilities pertain mainly to intangible assets and other liabilities.

On 4 April all of the shares were acquired in the company KPASS IT, a French PLM specialist with annual net sales of approximately SEK 39 m. KPASS IT has 35 employees and is consolidated in the Product Lifecycle Management division as from April 2019. The acquisition further strengthens the division's offering to customers in the PLM area by establishing operations in France and Japan. According to the preliminary purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to approximately SEK 23 m, entailing a deferred tax liability of approximately SEK 1 m. Other acquired assets and liabilities pertain mainly to trade receivables, cash and cash equivalents, and accrued expenses.

On 5 April Addnode Group's subsidiary Symetri Ltd acquired the British IT company Majenta's Autodesk business, with annual net sales of approximately SEK 40 m. The acquisition further extends Symetri's reach in the UK market and is in line with the strategy to be an international market-leading provider of software and services for design and engineering activities. Acquired assets consist mainly of customer contracts.

To date in 2019 the acquisitions have contributed approximately SEK 50 m to consolidated net sales but have not had any material impact on consolidated profit after tax. If the acquisitions had been carried out as per 1 January 2019, consolidated net sales for the period January–September 2019 would have totalled approximately SEK 2,528 m, and profit after tax would have totalled approximately SEK 81 m. Costs associated with the acquisitions are recognised in the Group in 2019 as other external costs of SEK 2 m (1).

DISCLOSURES OF FINANCIAL INSTRUMENTS

Measurement of financial assets and liabilities shows that there is no significant difference between their carrying amounts and fair value. The Group had no outstanding currency forward contracts as per 30 September 2019.

RELATED PARTY TRANSACTIONS

The Chairman of the Board, Staffan Hanstorp, has via companies invoiced the Parent Company SEK 2 m (2) in fees for consulting services associated with the Group's acquisition opportunities, financing matters, strategic partnerships and overarching strategic matters during the period January–September 2019.

PARENT COMPANY

Net sales amounted to SEK 13 m (10) and pertain mainly to invoicing to subsidiaries for rents of premises and performed services. Profit after financial items totalled SEK 166 m (-15) including SEK 212 m (24) in dividends from subsidiaries. Cash and cash equivalents amounted to SEK 91 m (160) on 30 September 2019. Investments pertaining to shares in subsidiaries amounted to SEK 76 m. No significant investments have been made in intangible non-current assets or in property, plant and equipment.

ACCOUNTING POLICIES

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and the Swedish Annual Accounts Act. The Parent Company's accounts have been prepared in accordance with the Annual Accounts Act and recommendation RFR 2 Accounting for Legal Entities.

IFRS 16 Leases is applied prospectively as from 1 January 2019, i.e., comparison figures are not recalculated. The Group's leases pertain mainly to leases of office premises and company cars. Right-of-use assets are assigned the same value as the calculated lease liability as per 1 January 2019. As per the transition date, property, plant and equipment increase by SEK 139 m, and interest-bearing liabilities increase by SEK 131 m. The Group's equity is not affected by the transition to IFRS 16.

The other new standards, amendments and interpretations of existing standards that became effective in 2019 have not had any impact on the Group's financial position or the financial statements. Apart from implementation of IFRS 16, the accounting policies and calculation methods are unchanged compared with the description in the 2018 Annual Report.

SIGNIFICANT RISKS AND UNCERTAINTIES

Addnode Group's significant risks and uncertainties are described in the 2018 Annual Report on pages 46–47 and in the section "Risks and uncertainties" on page 62, as well as in notes 39 and 40 on pages 112–115. No significant changes have subsequently taken place.

FUTURE OUTLOOK

The Board has not changed its assessment of the future outlook compared with the preceding quarter. In interim report for the second quarter of 2019 the Board communicated the following outlook: In the long-term, the areas in which Addnode Group is active are deemed to have strong underlying potential. Addnode Group's growth strategy is to grow organically and through acquisitions of new businesses in the aim of adding new, complementary offerings and additional expertise. The decision to not issue a forecast stands firm.

CERTIFICATION

The Board of Directors and the CEO certify that the interim report gives a fair overview of the Parent Company's and Group's operations, position and earnings, and describes significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 25 October 2019

Staffan Hanstorp
Chairman of the
Board

Jan Andersson
Director

Kristofer Arwin
Director

Johanna Frelin
Director

Sigrun Hjelmquist
Director

Thord Wilkne
Director

Johan Andersson
President and CEO

AUDITOR'S REPORT

Addnode Group AB (publ) corporate identity number 556291-3185

INTRODUCTION

We have reviewed the condensed interim financial information (interim report) of Addnode Group AB (publ) as of 30 September 2019 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 25 October 2019

PricewaterhouseCoopers AB

Anna Rosendal

Authorised Public Accountant

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS

SEK m	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	2018 Full year
Net sales	779	648	2,501	2,102	2,942
Purchases of goods and services	-319	-246	-1,036	-800	-1,112
Other external costs	-69*	-74	-215*	-239	-339
Personnel costs	-310	-271	-1000	-897	-1,229
Capitalised work performed by the company for its own use	12	12	40	40	52
Depreciation/amortisation and impairment of					
- tangible fixed assets	-22*	-4	-63*	-13	-16
- intangible fixed assets	-28	-25	-82	-70	-95
Operating profit	43	40	145	123	203
Financial income	2	1	4	3	5
Financial expenses	-5*	-4	-15*	-14	-17
Remeasurements of contingent earn-out payments	-	-	-24	-	6
Profit before taxes	40	37	110	112	197
Current tax	-12	-11	-36	-32	-50
Deferred tax	3	2	5	5	5
Net profit for the period	31	28	79	85	152
<i>Attributable to:</i>					
Owners of the Parent Company	31	28	79	85	152
Share data					
Earnings per share before and after dilution, SEK	0.93	0.84	2.36	2.70	4.75
Average number of shares outstanding:					
Before and after dilution	33,427,256	33,427,256	33,427,256	31,538,367	32,018,923

*For the period January–September 2019 other external costs decrease by SEK 51 m, depreciation of tangible fixed assets increase by SEK 51 m, and financial expenses increase by SEK 2 m due to application of IFRS 16 Leases. The corresponding amounts for July–September 2019 are SEK 17 m, SEK 17 m and SEK 0 m, respectively.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	2018 Full year
Net profit for the period	31	28	79	85	152
<i>Other comprehensive income, items that will not be reclassified to the consolidated income statement:</i>					
Actuarial gains and losses on pension obligations	-	-	-	-	0
<i>Other comprehensive income, items that may be reclassified to the consolidated income statement:</i>					
Exchange rate difference upon translation of foreign operations	22	-19	77	54	25
Hedge of net investments in foreign operations	-13	9	-39	-19	-6
Total other comprehensive income after tax for the period	9	-10	38	35	19
Comprehensive income for the period	40	18	117	120	171
<i>Attributable to:</i>					
Owners of the Parent Company	40	18	117	120	171

CONSOLIDATED BALANCE SHEETS

SEK m	2019 30 Sep	2018 30 Sep	2018 31 Dec
Assets			
Goodwill	1,596	1,489	1,495
Other intangible fixed assets	315	313	308
Tangible fixed assets	156*	37	37
Financial assets	27	28	28
Total non-current assets	2,094	1,867	1,868
Inventories	2	1	1
Current receivables	714	677	819
Cash and cash equivalents	178	323	387
Total current assets	894	1,001	1,207
Total assets	2,988	2,868	3,075
Shareholders' equity and liabilities			
Shareholders' equity	1,372	1,288	1,339
Non-current liabilities	150	101	93
Current liabilities	1,466	1,479	1,643
Total shareholders' equity and liabilities	2,988	2,868	3,075
Interest-bearing receivables amount to	0	0	0
Interest-bearing liabilities amount to	605*	565	545
Pledged assets	7	6	6
Contingent liabilities	1	1	1

*Tangible fixed assets increase by SEK 126 m and interest-bearing debt increases by SEK 112 m due to application of IFRS 16 Leases.

SHAREHOLDERS' EQUITY AND NUMBER OF SHARES

Specification of changes in shareholders' equity	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	2018 Full year
Shareholders' equity, opening balance	1,332	1,270	1,339	982	982
New share issue	-	-	-	258	258
Issue expenses	-	-	-	-4	-4
Dividend	-	-	-84	-68	-69
Comprehensive income for the period	40	18	117	120	171
Shareholders' equity, closing balance	1,372	1,288	1,372	1,288	1,339
Shareholders' equity attributable to:					
Owners of the Parent Company	1,372	1,288	1,372	1,288	1,339
Specification of number of shares outstanding					
Number of shares outstanding, opening balance	33,427,256	33,427,256	33,427,256	30,427,256	30,427,256
New share issue	-	-	-	3,000,000	3,000,000
Number of shares outstanding, closing balance	33,427,256	33,427,256	33,427,256	33,427,256	33,427,256

Addnode Group had no holdings of treasury shares on 31 December 2018 nor 30 September 2019.

CONSOLIDATED CASH FLOW STATEMENTS

SEK m	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	2018 Full year
Operating activities					
Operating profit	43	40	145	123	203
Adjustment for non-cash items	48*	30	141*	75	109
Total	91	70	286	198	312
Net financial items	-6	-5	-14	-13	-13
Tax paid, etc.	-11	-17	-48	-46	-56
Cash flow from operating activities before changes in working capital	74	48	224	139	243
Total change in working capital	-42	-109	15	32	42
Cash flow from operating activities	32	-61	239	171	285
Investing activities					
Purchases and sales of intangible and tangible fixed assets	-14	-14	-54	-47	-65
Acquisition of financial fixed assets	-	-	-	-	-3
Acquisition of subsidiaries and operations	-19	-89	-239	-145	-212
Cash and cash equivalents in acquired companies	-	55	7	68	114
Repayment of receivables	-	-	-	-	0
Cash flow from investing activities	-33	-48	-286	-124	-166
Financing activities					
Paid dividend	-	-	-84	-68	-68
New share issue	-	-	-	254	254
Borrowings	48	75	116	117	117
Repayment of loans	-28*	-157	-217*	-212	-213
Cash flow from financing activities	20	-82	-185	91	90
Change in cash and cash equivalents	19	-191	-232	138	209
Cash and cash equivalents at start of period	153	523	387	173	173
Exchange rate difference in cash and cash equivalents	6	-9	23	12	5
Cash and cash equivalents at end of period	178	323	178	323	387

*For the period January-September 2019, adjustments for items not included in the cash flow include a positive effect of SEK 51 m from amortisation of tangible fixed assets, and amortisation of debt increases by SEK 49 m due to application of IFRS 16 Leases. The corresponding amounts for July-September 2019 are SEK 17 m and SEK 16 m, respectively.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENTS

SEK m	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	2018 Full year
Net sales	5	4	13	10	15
Operating expenses	-13	-11	-41	-35	-49
Operating profit	-8	-7	-28	-25	-34
Financial income	49	25	214	27	158
Financial expenses	-5	-4	-20	-17	-18
Profit after financial items	36	14	166	-15	106
Transfer to tax allocation reserve	-	-	-	-	-19
Profit before taxes	36	14	166	-15	87
Tax	-	-	-	-	-14
Net profit for the period	36	14	166	-15	73

PARENT COMPANY BALANCE SHEETS

SEK m	2019 30 Sep	2018 30 Sep	2018 31 Dec
Assets			
Intangible fixed assets	0	1	1
Financial fixed assets	2,104	1,970	1,994
Current receivables	103	74	74
Cash and cash equivalents	91	160	188
Total assets	2,298	2,205	2,257
Shareholders' equity and liabilities			
Shareholders' equity	1,196	1,024	1,113
Untaxed reserves	50	31	50
Provisions	3	108	102
Non-current liabilities	5	5	-
Current liabilities	1,044	1,037	992
Total shareholders' equity and liabilities	2,298	2,205	2,257

OPERATING SEGMENTS

The figures below refer to January–September of the respective years.

REVENUE AND PROFIT

SEK m	Design Management		PLM		Process Management		Central		Eliminations		Addnode Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue												
External sales	1,002	747	934	799	564	555	1	1	-	-	2,501	2,102
Transactions between segments	3	3	4	2	10	7	10	8	-27	-20	0	0
Total revenue	1,005	750	938	801	574	562	11	9	-27	-21	2,501	2,102
EBITA	108	70	71	65	77	83	-29	-25	-	-	227	193
EBITA margin, %	10.7	9.3	7.6	8.1	13.4	14.8	-	-	-	-	9.1	9.2
Operating profit	74	41	48	46	53	61	-30	-25	-	-	145	123
Operating margin, %	7.4	5.5	5.1	5.7	9.2	10.9	-	-	-	-	5.8	5.9
Average number of employees	417	409	631	552	520	494	7	7	-	-	1,575	1,462

REVENUE DISTRIBUTION

SEK m	Design Management		PLM		Process Management		Central		Eliminations		Addnode Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Licences	19	37	104	91	20	26	-	-	0	-1	143	153
Recurring revenue	823	551	533	458	242	229	-	-	-6	-4	1,592	1,234
Services	155	150	291	243	293	293	-	-	-3	-2	736	684
Other	8	12	10	9	19	14	11	9	-18	-13	30	31
Total revenue	1,005	750	938	801	574	562	11	9	-27	-20	2,501	2,102

KEY FIGURES – QUARTERLY

SEK m	2019			2018				2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net sales, SEK m	779	864	858	840	648	717	737	778
<i>Design Management</i>	299	336	370	303	218	245	287	277
<i>Product Lifecycle Management</i>	311	335	292	331	264	285	252	304
<i>Process Management</i>	174	199	201	211	169	192	201	202
EBITA, SEK m	71	74	82	105	65	62	66	102
<i>Design Management</i>	30	35	43	44	24	20	26	31
<i>Product Lifecycle Management</i>	23	29	19	39	25	25	15	41
<i>Process Management</i>	25	22	30	33	24	24	35	38
EBITA margin, %	9.1	8.6	9.6	12.5	10.0	8.6	9.0	13.1
<i>Design Management</i>	10.0	10.4	11.6	14.5	11.0	8.2	9.1	11.1
<i>Product Lifecycle Management</i>	7.4	8.7	6.5	11.8	9.5	8.8	6.0	13.6
<i>Process Management</i>	14.4	11.1	14.9	15.6	14.2	12.5	17.4	18.8
Average number of employees	1,607	1,596	1,524	1,496	1,467	1,447	1,453	1,420
<i>Design Management</i>	406	416	419	417	407	407	412	391
<i>Product Lifecycle Management</i>	662	642	596	570	555	538	543	544
<i>Process Management</i>	533	530	501	501	498	495	491	477
Net sales per employee, SEK 000s	485	541	563	561	442	496	507	548
Change in net sales, %	20	21	16	8	21	22	19	18
EBITA margin, %	5.5	5.3	6.5	9.5	6.2	5.4	6.0	9.9
Equity, SEK m	1,372	1,332	1,378	1,339	1,288	1,270	1,041	982
Return on shareholders' equity, % *	11.0	11.0	11.4	13.1	12.7	10.3	9.2	9.4
Equity/assets ratio, %	46	43	40	44	45	42	36	37
Return on capital employed, %*	11.2	11.0	10.5	12.3	12.2	10.8	9.6	10.0
Net debt, SEK m	427	429	195	158	242	118	316	448
Investments in equipment, SEK m	4	5	6	4	2	5	3	7

*Key ratios adjusted to reflect returns on a yearly basis.

SHARE DATA

	2019			2018				2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Average number of shares outstanding before and after dilution, millions	33.4	33.4	33.4	33.4	33.4	30.8	30.4	30.4
Total number of shares outstanding, millions	33.4	33.4	33.4	33.4	33.4	33.4	30.4	30.4
Total number of registered shares, millions	33.4	33.4	33.4	33.4	33.4	33.4	30.4	30.4
Earnings per share before and after dilution, SEK	0.93	0.99	0.45	2.00	0.84	0.91	0.95	1.81
Cash flow from operating activities per share, SEK	0.96	-0.60	6.76	3.41	-1.82	0.88	6.74	2.14
Shareholders' equity per share, SEK	41.04	39.85	41.22	40.06	38.53	38.02	34.24	32.30
Share price at end of period, SEK	158.50	154.00	132.00	103.50	116.00	89.40	77.60	75.75
Share price/shareholders' equity	3.86	3.86	3.20	2.58	3.01	2.35	2.27	2.35

ALTERNATIVE PERFORMANCE MEASURES USE AND RECONCILIATION

Guidelines for information about Alternative Performance Measures (APMs) for companies with securities listed on a regulated market within EU have been issued by the European Securities and Markets Authority (ESMA) and are to be applied for Alternative Performance Measures in published compulsory information. Alternative Performance Measures refer to financial measures regarding historical or future development of earnings, financial position, financial results or cash flows that are not defined or stated in applicable rules for financial reporting. In the interim report, certain performance measures are used that are not defined in IFRS, with the purpose to give investors, analysts and other interested parties clear and relevant information about the company's operations and development. The use of these performance measures and reconciliation to the financial statements are presented below.

Definitions are provided on page 20.

EBITA

EBITA is a measure that the Group considers as relevant for investors, analysts and other interested parties in order to understand earnings generation before investments in intangible fixed assets. The measure is an expression of operating profit before amortisation and impairment of intangible fixed assets.

NET DEBT

The Group considers this key ratio as useful for the readers of the financial statements as a complement in order to evaluate the dividend potential, to execute strategical investments and to evaluate the Group's possibilities to comply with financial commitments. The key ratio is an expression of the level of financial borrowing in absolute amount after deducting cash and cash equivalents.

RECONCILIATION OF EBITA

	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	2018 Full year
Operating profit	43	40	145	123	203
Amortisation and impairment of intangible fixed assets	28	25	82	70	95
EBITA	71	65	227	193	298

RECONCILIATION OF NET DEBT

	2019 30 Sep	2018 30 Sep	2018 31 Dec
Non-current liabilities	150	101	93
Current liabilities	1,466	1,480	1,643
Non interest-bearing non-current and current liabilities	-1,011	-1,016	-1,191
Total interest-bearing liabilities	605	565	545
Cash and cash equivalents	-178	-323	-387
Other interest-bearing receivables	0	0	0
Net debt (+)/receivables (-)	427	242	158

DEFINITIONS

Average number of employees

Average number of full-time employees during the period.

Capital employed

Total assets less noninterest-bearing liabilities and noninterest-bearing provisions including deferred tax liabilities.

Cash flow per share

Cash flow from operating activities divided by the average number of shares outstanding.

Currency-adjusted organic growth

Change in net sales, recalculated at the preceding year's exchange rate, excluding acquired units during the last 12-month period.

Earnings per share

Net profit for the period divided by the average number of shares outstanding.

EBITA

Earnings before amortisation and impairment of intangible non-current assets.

EBITA margin

EBITA as a percentage of net sales.

Equity/assets ratio

Shareholders' equity (including shareholders' equity attributable to non-controlling interests) as a percentage of total assets.

Net debt

Interest-bearing liabilities less cash and cash equivalents and other interest-bearing receivables. According to this definition, a negative level of net debt means that cash and cash equivalents and other interest-bearing financial assets exceed interest-bearing liabilities.

Net sales per employee

Net sales divided by the average number of employees (full-time equivalents).

Operating margin

Operating profit as a percentage of net sales.

Organic growth

Change in net sales excluding acquired entities during the last 12-month period.

Recurring revenue

Revenue of an annually recurring character, such as revenue from support and maintenance contracts and revenue from subscription agreements, rental contracts and SaaS solutions.

Return on capital employed

Profit before tax plus financial expenses as a percentage of average capital employed. It is based on the profit for the last 12 months and the average of opening and closing balance of capital employed.

Return on shareholder's equity

Net profit for the period as a

percentage of average shareholders' equity. It is based on profit for the last 12 months and the average of opening and closing balance of shareholders' equity.

Share price/shareholders' equity

Share price in relation to shareholders' equity per share.

Shareholders' equity

Reported shareholders' equity plus untaxed reserves less deferred tax at the current tax rate.

Shareholders' equity per share

Shareholders' equity divided by the total number of shares outstanding.

ADTOLLO

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ARKIVA

ADDNODE GROUP

CANELLA

ADDNODE GROUP

DECERNO

ADDNODE GROUP

ESSVISION

ADDNODE GROUP

EVITBE

ADDNODE GROUP

FORSLER STJERNA

ADDNODE GROUP

IDA INFRONT

ADDNODE GROUP

INPORT

ADDNODE GROUP

INTRAPHONE

ADDNODE GROUP

KOMPANION

ADDNODE GROUP

LANDBORGEN

ADDNODE GROUP

MITTBYGGE

ADDNODE GROUP

SERVICE WORKS GLOBAL

ADDNODE GROUP

SOKIGO

ADDNODE GROUP

STAMFORD

ADDNODE GROUP

SYMETRI

ADDNODE GROUP

SYMETRI COLLABORATION

ADDNODE GROUP

TECHNIA

ADDNODE GROUP

VOICE PROVIDER

ADDNODE GROUP

ADDNODE GROUP

ADDNODE GROUP AB (publ.)

Hudiksvallsgatan 4B, SE-113 30 Stockholm

Corporate identity number: 556291-3185

Phone: +46 (0)8 630 70 70

info@addnodegroup.com

www.addnodegroup.com