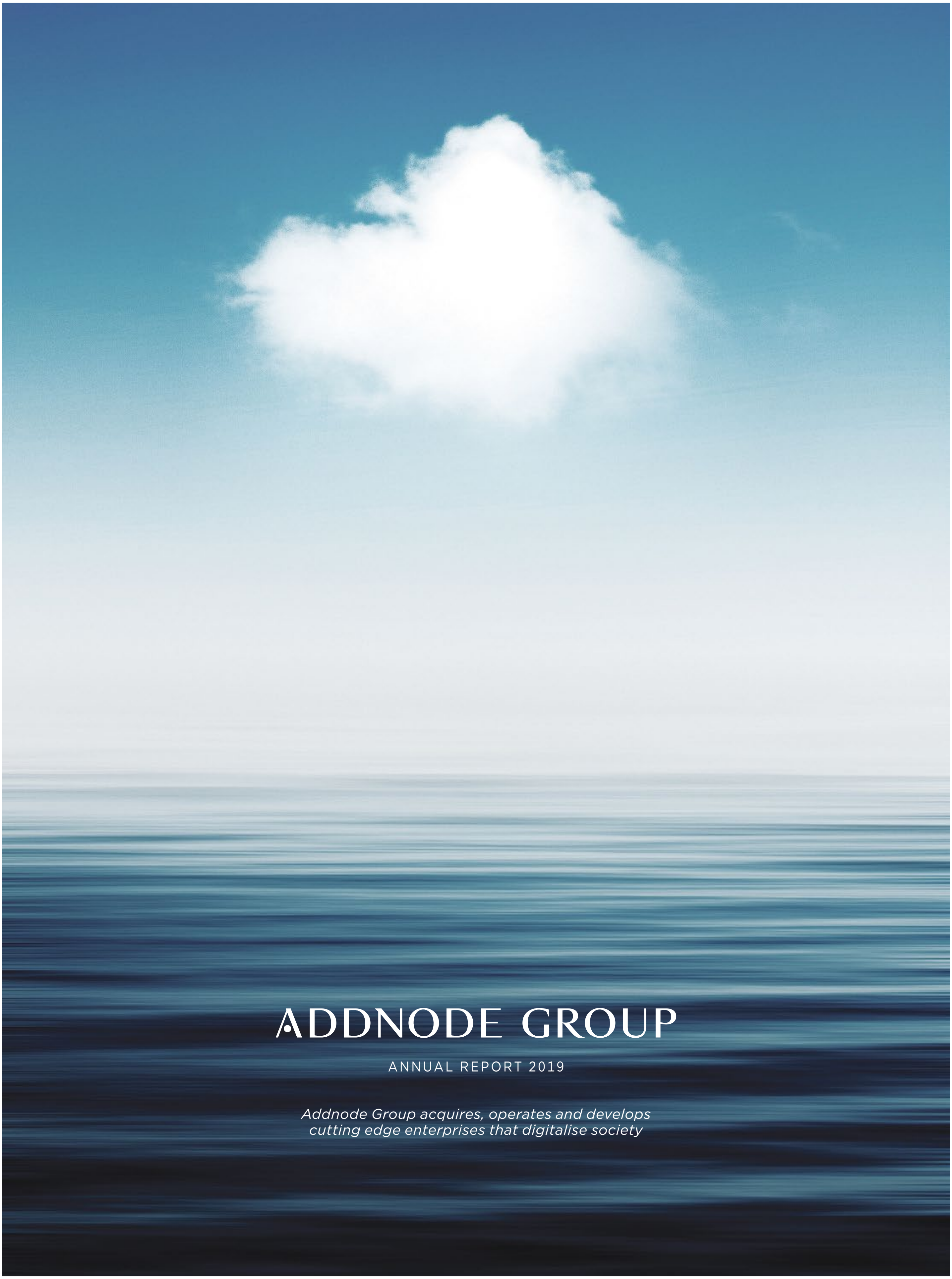

ADDNODE GROUP

ANNUAL REPORT 2019

Addnode Group acquires, operates and develops cutting edge enterprises that digitalise society

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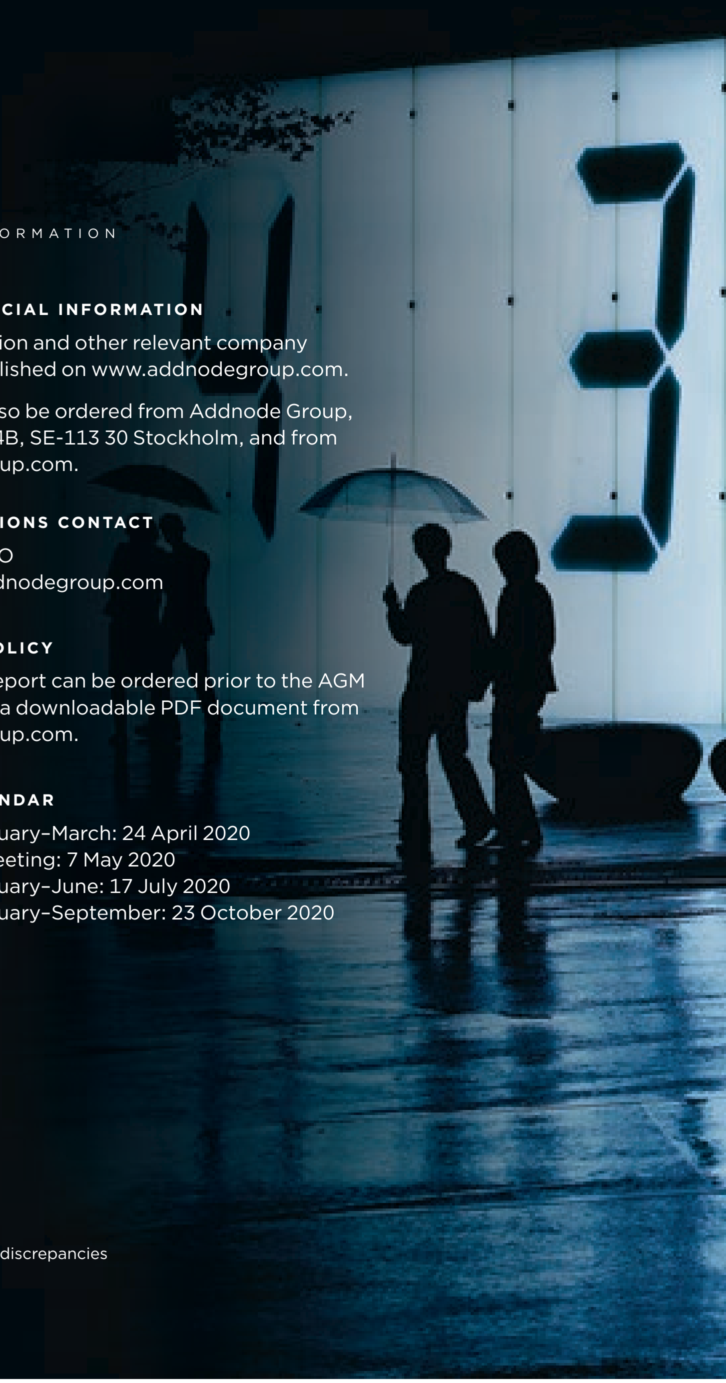

FINANCIAL INFORMATION

TO ORDER FINANCIAL INFORMATION

Financial information and other relevant company information is published on www.addnodegroup.com.

Information can also be ordered from Addnode Group, Hudiksvallsgatan 4B, SE-113 30 Stockholm, and from www.addnodegroup.com.

INVESTOR RELATIONS CONTACT

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DISTRIBUTION POLICY

The 2019 annual report can be ordered prior to the AGM and is available as a downloadable PDF document from www.addnodegroup.com.

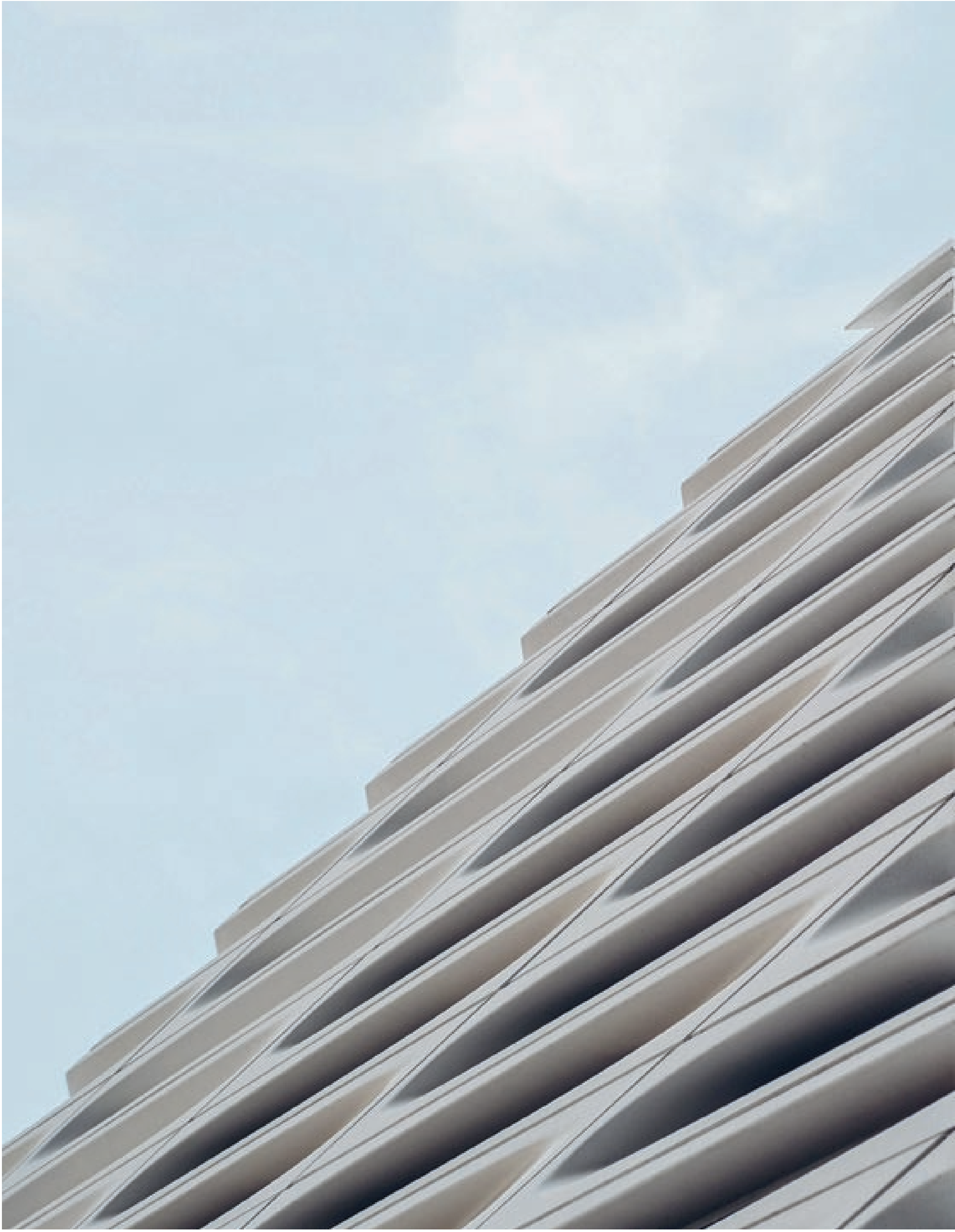
FINANCIAL CALENDAR

Interim report January–March: 24 April 2020
Annual General Meeting: 7 May 2020
Interim report January–June: 17 July 2020
Interim report January–September: 23 October 2020

ADDNODE GROUP PROVIDES INNOVATIVE SOFTWARE AND DIGITAL SOLUTIONS IN FOUR GROWTH AREAS

—

1. Architecture, engineering, construction (AEC)
2. Management & maintenance of properties and infrastructure
3. Product Lifecycle Management (PLM)
4. Digital Government



1 ARCHITECTURE, ENGINEERING, CONSTRUCTION (AEC)

Addnode Group is one of Europe's leading providers of design and BIM software as well as digital solutions for the construction and civil engineering sector. Our product portfolio supports customers' work from initial planning to management of the finished building. The Nordic countries and the UK are the largest markets.

Examples of customers include Consto Nord, ELU Konsult, LPO Arkitekter, Multiconsult, Peab, Projektengagemang, Rejlers and Tengbom.

2 MANAGEMENT & MAINTENANCE OF PROPERTIES AND INFRASTRUCTURE

Addnode Group has a broad portfolio of digital solutions for customers in facility management and property management and maintenance. The Nordic countries and the UK are the largest markets, with growing business in Australia and Canada.

Examples of customers include Akademiska Hus, Locum, Oslo Kommune, Region Skåne, Sodexo, the City of Stockholm and Spotless.

3 PRODUCT LIFECYCLE MANAGEMENT (PLM)

Addnode Group is a global supplier of digital PLM solutions and services that give customers digital support over a product's lifecycle, from simulation and design to maintenance and aftermarket. The Nordic countries, the UK and Germany are the largest markets.

Examples of customers include Alfa Laval, Arla, Dräxelmaier, European Spallation Source, Ericsson, Garrett, Stadler, Subsea 7 and Volvo.

4

DIGITAL GOVERNMENT

Addnode Group has a broad portfolio of software and digital solutions in areas such as case management, e-archives, e-services for citizens, and digital administrative support for permitting and administration. Sweden is the largest market. Customers consist mainly of government agencies and municipalities, but also regions and county councils.

Examples of customers include Lantmäteriet, the Swedish Police, the National Board of Institutional Care, the Swedish Transport Administration and the Swedish Prosecution Authority.

ADDNODE GROUP IN BRIEF

WHAT WE DO
Addnode Group is a listed group that acquires, operates and develops cutting edge enterprises that digitalise society. The Group had sales of approximately SEK 3.4 bn in 2019.

FOR WHOM
Our subsidiaries develop and provide digital solutions to customers in industries such as construction, real estate, manufacturing, automotive and life sciences as well as in the public sector.

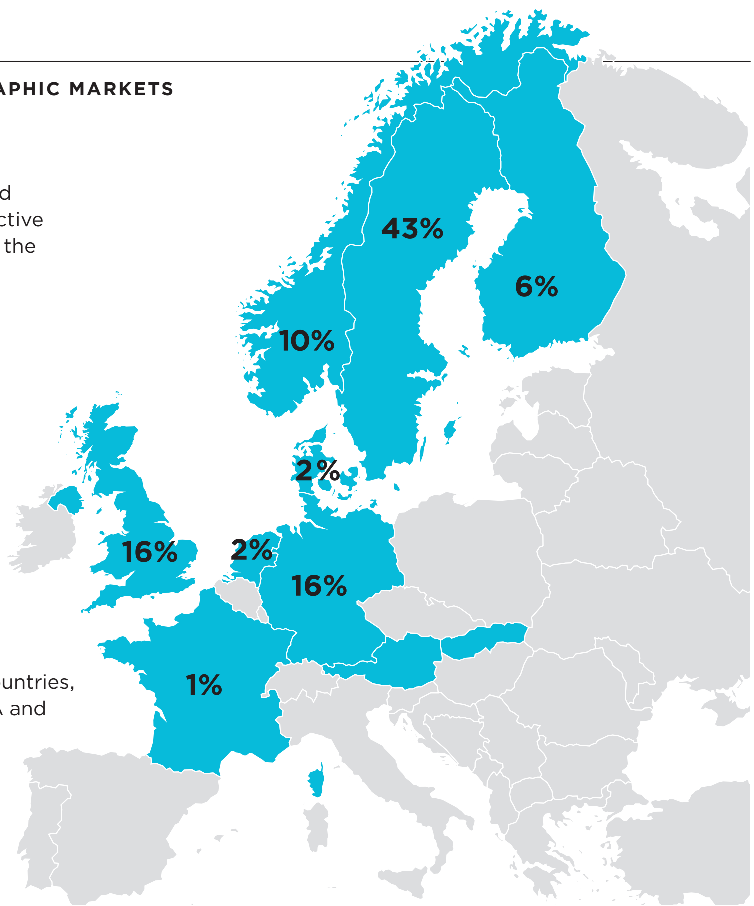
TO WHAT BENEFIT
The solutions that Addnode Group provides makes it possible for our customers by digital means to improve the efficiency of their operations, quality-assure their production and communicate better with customers and citizens.

WHERE WE ARE ACTIVE
Addnode Group has 1,600 employees in 19 countries. The company's shares are listed on Nasdaq Stockholm.

SHARE OF NET SALES BY GEOGRAPHIC MARKETS

Apart from in Sweden, where the head office is located, Addnode Group is active in Germany, the UK, Norway, Finland, the USA, Denmark and the Netherlands, among other countries.

During 2019 the Group further strengthened its international presence with acquisitions of businesses in France and Japan.



STRATEGY

Addnode Group is a group of companies that provides digital solutions. We create sustainable growth in value over time by continuously acquiring new companies and actively supporting our subsidiaries to drive organic profit growth.

SUSTAINABLE GROWTH IN VALUE

ACQUISITIONS

Complementary businesses or markets

Values-based leadership

Attractive valuation

ORGANIC GROWTH

Decentralised responsibility and authority

Strategic support

Synergies and collaborations

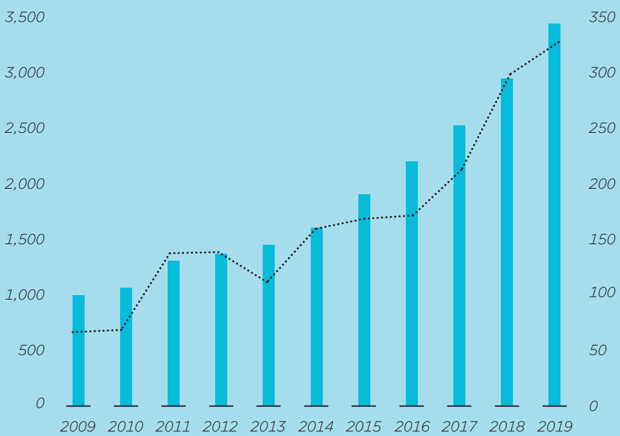
OPERATIONS IN THREE DIVISIONS

Design Management
Software and services for design and Building Information Modelling (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.

Product Lifecycle Management
Software and services for developing and managing products during their entire lifecycles, from idea, design, simulation and construction to sale, aftermarket and recycling.

Process Management
Software and services for document and case management, e-archives, information management and citizen dialogues for the public sector and private customers.

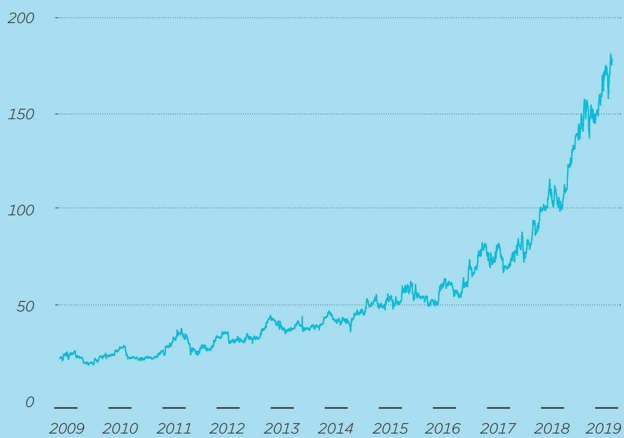
PROFITABLE GROWTH



■ *Net sales, SEK m* ····· *EBITA, SEK m*

Excluding remeasurement of contingent consideration in 2014, totalling SEK 34 m.

SHARE PRICE DEVELOPMENT



— *Addnode shares, SEK*

HIGHLIGHTS AND EVENTS 2019

2019 was a strong year for Addnode Group, with favourable growth. Growth was 17 per cent, of which 8 per cent was organic. Currency-adjusted organic growth was 6 per cent. Net sales increased to SEK 3,434 m, and EBITA strengthened to SEK 327 m, with an EBITA margin of 9.5 per cent. The share of recurring revenue increased to 64 per cent.

NET SALES GROWTH +17%

SHARE OF RECURRING REVENUE 64%

EBITA MARGIN +9.5%

NEW BUSINESS

In 2019 Addnode Group secured agreements with customers such as Amsterdam City, Arla Foods, B. Braun, Ericsson, Etteplan, JM, Luton Airport, LeoPharma, the Swedish Environmental Protection Agency, Nibe, Peab, Skanska, Sodexo, Skånetrafiken, Tomra, the Swedish Transportation Administration and Vanderlande.

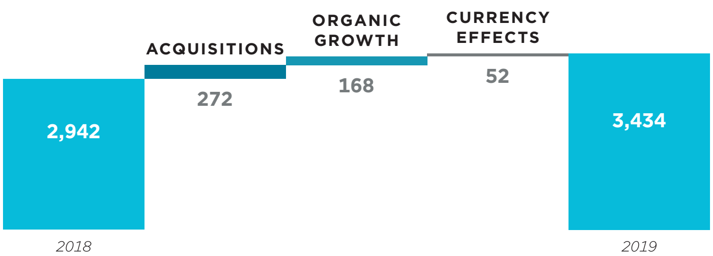
VALUE-CREATING ACQUISITIONS

During 2019 Addnode Group acquired three new businesses with combined annual sales of approximately SEK 110 m. At the same time, the companies acquired in 2018 were closely integrated in operations and made a strong contribution to the Group’s offerings with a broadened software portfolio and greater international coverage and presence.

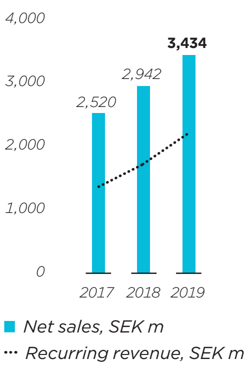
KEY FINANCIAL DATA	2019	2018	2017
Net sales, SEK m	3,434	2,942	2,520
EBITA, SEK m	327	298	212
EBITA margin, %	9.5	10.1	8.4
Operating profit, SEK m	218	203	130
Operating margin, %	6.3	6.9	5.2
Profit after tax,[1] SEK m	129	152	90
Earnings per share,[2] SEK	3.86	4.75	2.96
Cash flow per share, SEK	12.36	8.90	4.83
Dividend per share, SEK	0.00[3]	2.50	2.25
Net debt, SEK m	321	158	448
Equity/assets ratio, %	44	44	37
Debt/equity multiple	0.23	0.12	0.46
Average number of employees	1,590	1,471	1,317
Total number of employees and year-end	1,714	1,583	1,511

[1] *During 2019 profit after tax was charged with a net effect of SEK –26 m (6) attributable to remeasurements of contingent consideration.*
[2] *During 2019 earnings per share were charged with a total of SEK –26 m (6) attributable to remeasurements of contingent consideration. Excluding these remeasurements, earnings per share would have amounted to SEK 4.64 (4.56).*
[3] *Board of Directors' proposal to the Annual General Meeting.*

SALES GROWTH, SEK M

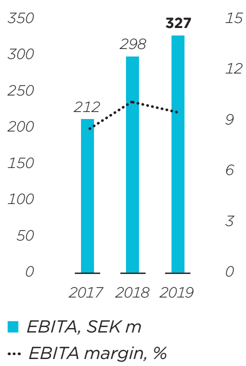


NET SALES AND RECURRING REVENUE



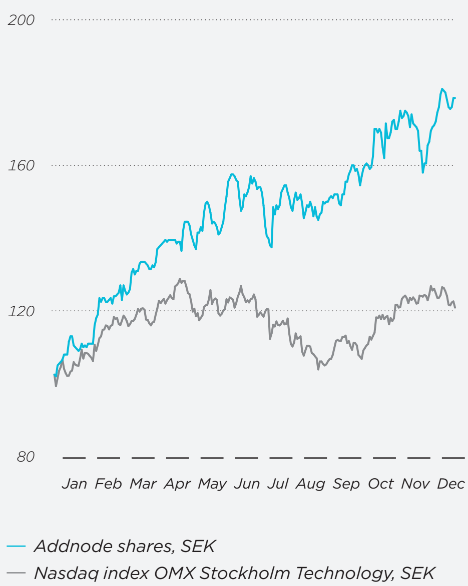
During the last three-year period, average sales growth was 17 per cent.

EBITA AND EBITA MARGIN



72% HIGHER SHAREHOLDER VALUE

During 2019, Addnode Group's share price performance was strongly positive and outperformed the OMX Stockholm Technology Index. The share price grew 72 per cent, from SEK 103.50 at the start of the year to SEK 178.50 at year-end.



CONTINUOUS DEVELOPMENT CREATES GROWTH IN VALUE

The past year was characterised by good organic growth and improved earnings. In January 2020 Excitech became part of the Group, our largest acquisition ever. We are driven by our aspiration to simplify daily life for our customers and see that companies in an increasing number of sectors are asking for our smart digital solutions to work more efficiently and more sustainably.

CREATING ORDER AND STRUCTURE IN A COMPLEX WORLD

The demands on our customers in, for example, manufacturing industries, life sciences, construction and real estate, and public administration are growing more complex and extensive. To be able to work in a distributed fashion and meet sustainability and efficiency goals as well as laws and other regulatory requirements, digital solutions are needed that help people simulate, design, construct, optimise and process large volumes of information in a smart and secure way. We deliver solutions for these – to more and more customers in more and more sectors, with one thing in common: creating order and structure is entirely crucial for their operations. By taking long-term responsibility for what we deliver, we create value and stability for our customers and profitability for the Group.

ORGANIC GROWTH AND STRATEGIC ACQUISITIONS

2019 was a strong year for Addnode Group. We continued to deliver in accordance with our strategy – to continuously acquire new companies and actively develop our subsidiaries. The Group achieved 17 per cent growth, of which 8 per cent was organic. We also increased our recurring revenue, which accounted for 64 per cent of net sales. Our growth was derived mainly from strong sales in the Design Management division. We secured business with a number of new customers, and after year-end we also completed our biggest acquisition ever, of the British market leader Excitech, with SEK 600 m in net sales. The Addnode Group companies Symetri and Excitech together now make up the largest Autodesk partner in the Nordic countries and the UK. We see clear synergies in knowledge-sharing and cross-selling between the companies, but also within the Group in general. The strategy is to complement our partners' software with a service offering and proprietary products. All-in-all this strategy has taken Addnode Group to a position as a leading European provider of digital solutions for designing, building and managing properties and infrastructure as well as industrial and consumer products.

DIGITAL SOLUTIONS FOR THE PRIVATE AND PUBLIC SECTORS

We provide digital solutions with a high share of recurring revenue to customers in both the private and public sectors. Prevalent societal trends such as urbanisation, automation and sustainable development are the fundamental drivers behind our business. Our portfolio of niche offerings provides both growth opportunities and risk diversification. We take long-term responsibility for what we deliver, which creates value and stability for our customers, and profitability for the Group. In 2019 we continued to simplify and clarify our offerings to leverage a better effect from our operations. Our international expansion has continued to be successful. For example, in five years' time the UK has gone from being a new market for us to accounting for 16 per cent of consolidated net sales. In the German market, we were impacted by a shift in the auto industry, where our Product Lifecycle Management division had weaker sales during the year. Faced with lower investment budgets in the auto industry, we are reviewing our organisation and developing our offerings for sectors with similar needs, such as life sciences. Our Process Management division had a somewhat challenging start to the year, but we ended strong and see that we have much to offer the public sector. One clear trend is that public sector customers are searching for partners that can take a greater responsibility and deliver more comprehensive solutions. We are meeting this need by combining our resources over time and organising ourselves into larger units. The acquisition of Intraphone further broadened our offering in the primary care market.

ECONOMIC SLOWDOWN

The focus of this CEO's message should typically be 2019, but as this is being written the ongoing coronavirus outbreak is impacting our business environment and thus Addnode Group. The situation is changing daily, which makes it hard to assess the impact on Addnode Group. We are actively optimising matters that we can influence ourselves, and we are well-poised – both operationally and financially – to take on the challenges that await. In previously crises our customers in the private sector have been impacted more than our customers in the public sector.

DEDICATED EMPLOYEES CREATE VALUE

In closing I want to thank our employees for their dedicated work. It has created value for our customers and enabled us to grow with good profitability. 2019 was a successful year that we can look back on to gain inspiration for the future. I also want to thank our shareholders and other stakeholders for their confidence and interest in Addnode Group.

Johan Andersson
President and CEO

OPERATIONS IN **FOUR GROWTH AREAS**

Addnode Group develops and delivers software and services in four growth areas. Our customers work in sectors such as architecture, design, construction and civil engineering as well as in property management and maintenance, manufacturing, life sciences and public administration. Our largest geographic markets are Sweden, the UK, Germany, Norway and Finland.

ARCHITECTURE, ENGINEERING, CONSTRUCTION (AEC)

Addnode Group is one of Europe's leading providers of design and BIM software as well as digital solutions for the needs of architects, engineers and designers. Our product portfolio supports customers' work from initial planning to management of the finished building. The Nordic countries and the UK are the largest markets.

Trends and growth
Growth is being driven by urbanisation and the need to build more efficiently and sustainably. To improve efficiency, customers are digitalising their processes and embracing new ways of working. Regulatory authorities are requiring greater use of digital work methods based on BIM.[1]

GLOBAL MARKET WORTH SEK 842 BN

According to McKinsey, global IT investments in the construction industry are expected to reach SEK 4,909 bn by 2025, representing average annual growth of 19 per cent since 2015.

+19%

MANAGEMENT & MAINTENANCE OF PROPERTIES AND INFRASTRUCTURE

Addnode Group has a broad portfolio of digital solutions for customers in facility management and property management and maintenance. The Nordic countries and the UK are the largest markets, with growing business in Australia and Canada.

Trends and growth
Growth is being driven by customers' ambitions to achieve more efficient management, outsourcing of management services and authorities' environmental, health and safety requirements. Customers are increasingly searching for better systems for detailed monitoring and control as well as transparency surrounding the environmental impact of properties and facilities.

GLOBAL MARKET WORTH SEK 290 BN

Allied Market Research projects that the market will be worth SEK 757 bn by 2023, representing average annual growth of 14 per cent since 2016.

+14%

1) BIM stands for Building Information Modelling and is a collective term for digital models of a building or infrastructure along with their constituent assets over their entire lifecycle.

PRODUCT LIFECYCLE MANAGEMENT (PLM)

Addnode Group is a global provider of digital PLM solutions and services for industries such as manufacturing, life sciences, research, automotive and transport. Customers are offered digital support over a product's lifecycle, from simulation and design to maintenance and aftermarket. The Nordic countries, UK and Germany are the largest markets.

Trends and growth
Growth is being driven by customers' efforts to continuously launch new products with good economic performance over the product lifecycle as well as by regulatory requirements on traceability and product ownership. It must also be possible to share product information efficiently, both internally and with subcontractors and partners.

GLOBAL MARKET WORTH SEK 374 BN

According to Market Research Future, the global PLM market is expected to grow to SEK 561 bn by 2023, representing average annual growth of 7 per cent since 2017.

+7%

DIGITAL GOVERNMENT

Addnode Group has a broad portfolio of software and digital solutions in areas such as case management, e-archives, e-services for citizens, and digital administrative support for permitting and administration. Customers consist mainly of government agencies and municipalities, but also regions and county councils. Sweden is the largest market.

Trends and growth
Growth in this area is being driven by urbanisation and demands for efficiency improvement and improved citizen service. Digital work methods are giving authorities and municipalities opportunities to create smoother processes and communication channels.

SWEDISH MARKET WORTH SEK 42 BN

According to Radar, IT spend in the Swedish public sector is expected to grow to SEK 51 bn by 2022, representing average annual growth of 3 per cent since 2016.

+3%

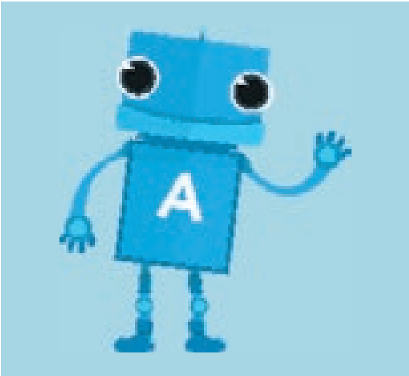
HERE'S HOW WE ARE SOLVING **OUR CUSTOMERS' CHALLENGES**

Through innovation and continuous development in close collaboration with our customers we create solutions for specific needs. With the support of digital work methods and more efficient processes, together we can build a more sustainable society.

QUALITY AND TRACEABILITY

Traceability during a product's lifecycle contributes to better quality, compatible products and faster regulatory approvals.

Digital solution
Dassault Systèmes' 3Dexperience software platform, complemented with TECHNIA's add-on product Value Components, allows our Medtech customers to perform quality control and monitor regulatory requirements early in the product development process.



PRODUCTIVITY

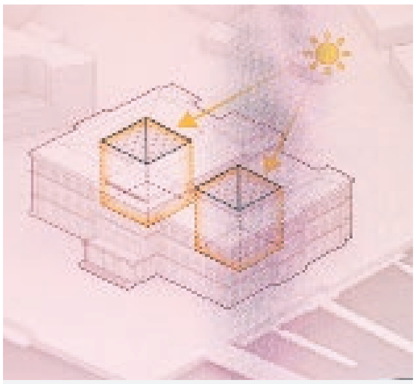
Unbroken digital chains in municipal case handling save resources. Through automation, large volumes of manual administrative tasks can be reduced.

Digital solution
Sokigo's robot "Atom" supports an automated building permit process that determines on its own what the next step of the process is. Atom communicates continuously with administrators on what is happening in the process, and citizens receive automatically generated text messages or emails regarding progress in their cases.

VISUALISATION AND SIMULATION

Visualisation in 3D models leads both to new development opportunities and cost savings when the whole picture for a product, property or operation can be analysed prior to project start and production.

Digital solution
The SIMULIA software suite from Dassault Systèmes makes virtual tests a natural part of the innovation and development process. Design and function requirements can be verified at an early stage, reducing the need for physical prototypes.



BIM – BUILDING INFORMATION MODELLING

Construction and property management companies have a need to manage and visualise extensive design data from a large number of data sources through many phases, from idea outlines and design to construction and management.

Digital solution
The BIMEYE construction management tool solves these challenges by enabling effective communication between various data sources and project participants, reg ardless of which design tools are used.

CASE MANAGEMENT

Using highly functional digital processes, public administrations can work more efficiently in executing their assignments.

Digital solution
The iipaxone case management system automates manual routines, ties together internal and external users and enables digital citizen communication. With the help of robust electronic interfaces with citizens as well as with customers and administrators, registrars and archive administrators can all work in the same system regardless of platform: smartphone, tablet or PC.

CONSTRUCTION PROJECTS

How can you ensure that pertinent parties in a construction project will have access to the right information? An effective information flow can be decisive for ensuring that deliveries are on time, that budgets are held and that projects are completed on time.

Digital solution
Interaxo is a cloud-based communication solution with digital work flows, where information is shared with all project participants. Digital content is tied to the project during the course of work. This applies to everything from documents and blueprints to files and folders, but also to dialogues, decisions and other information.

HERE'S HOW WE CREATE **PROFITABLE AND SUSTAINABLE GROWTH**

Addnode Group is a group of companies that provides digital solutions. We create sustainable growth in value over time by continuously acquiring new companies and actively supporting our subsidiaries to drive organic earnings growth. Our organisation is decentralised with large, local responsibility for operations.

VISION

Addnode Group's vision is to provide technology for a sustainable future.

STRATEGY

Addnode Group acquires, operates and develops cutting edge enterprises that digitalise society.

BUSINESS MODEL

Addnode Group's subsidiaries provide digital solutions with a high share of recurring revenue from support, maintenance, and subscription and SaaS solutions. We take long-term responsibility for the software and digital solutions we provide, which creates value and stability for our customers and profitability for the Group.

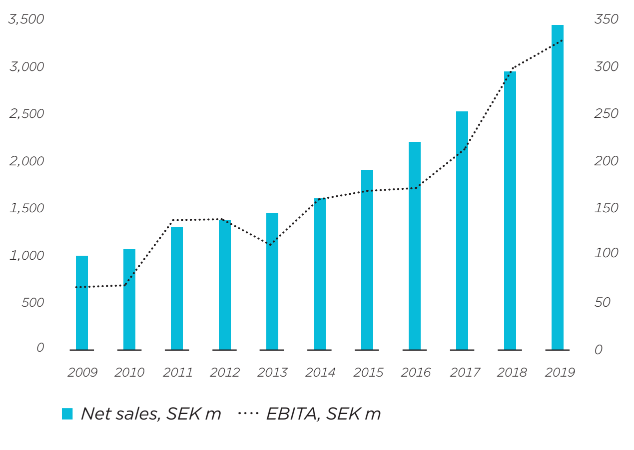
FINANCIAL TARGETS

Growth – Annual growth in net sales of at least 10 per cent.

Earnings – An operating margin before amortisation and impairment of intangible assets (EBITA margin) of at least 10 per cent.

Dividend – 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.

PROFITABLE GROWTH



Since 2009 Addnode Group has had average annual growth of 13 per cent, and EBITA has grown from SEK 66 m to SEK 327 m. This has been achieved both organically and through acquisitions. The business model generates a large share of recurring revenue, which in 2019 accounted for 64 per cent of net sales.

HERE'S HOW ADDNODE GROUP CREATES VALUE

RESOURCES

Customer relationships

15,000 customers

Employees

1,600 employees

Intangible assets

Abou, BIMEYE, CAVA, Congeria Ecos, iipax, INTERAXO, Naviate, P3RFORM QFM, SOVELIA, Topocad, TVC and more

Partnerships

Long-term relationships with software companies such as Autodesk and Dassault Systèmes

Capital 31/12/2019

SEK 1,410 m in shareholders' equity

SEK 321 m in net debt

SEK 269 m in unutilised credit

STRATEGY

Addnode Group is a group of companies that provides digital solutions. We create sustainable growth in value over time by continuously acquiring new companies and actively supporting our subsidiaries to drive organic earnings growth.

SUSTAINABLE GROWTH IN VALUE

ACQUISITIONS

Complementary businesses or markets

Values-based leadership

Attractive valuation

ORGANIC DEVELOPMENT

Decentralised responsibility and authority

Strategic support

Synergies and collaborations

VALUE CREATED

Customer value

— New business opportunities

— More efficient operations

Employee value

— Interesting product development projects, relationships and knowledge-sharing

— Employment benefits

— Safe workplace

Partner value

— Sales of products from our partners Dassault Systèmes, Autodesk, Microsoft and Pitney Bowes

Societal value

— Effective communication between authorities and citizens

— Digital solutions that contribute to sustainable development

Economic value 2019

— EBITA SEK 327 m

— Cash flow from operations SEK 413 m

— Earnings per share SEK 3.86[1]

Shareholder value 2019

— Share price growth 72%

1) Including remeasurements of contingent consideration. Excluding these remeasurements, earnings per share would have amounted to SEK 4.64.

ORGANIC DEVELOPMENT
ENTREPRENEUR-DRIVEN COMPANIES STRENGTHENED BY THE GROUP

Organic growth in net sales and earnings in our subsidiaries is, together with complementary acquisitions, the foundation of the Group's value creation. The overarching group structure, with access to industrial know-how and capital, supports the companies in further developing their business and their leaders.

DECENTRALISED RESPONSIBILITY AND AUTHORITY

Addnode Group is made up of three divisions with entrepreneur-driven companies that all contribute to the Group's development. The governance model is based on delegation of responsibility with authority to act. Operational decisions are made as close to our customers and end users as possible. Strategies and goals are set for every company based on the Group's overarching goals and strategy.

In order for the decentralised governance model to work, talented and competent leaders are needed who take responsibility for developing the business in both upswings and downturns in the market. Through our governance model we ensure that there is a shared view between Addnode Group and the respective business units' leaders on how the business should be developed going forward.

Addnode Group's companies do business under their respective company names in a joint structure in which Addnode Group is the supporting brand. This allows the companies to retain their distinctive characters and at the same time benefit from the advantages afforded by a large, listed company in the form of recognition, credibility, financial stability and access to capital for continued organic expansion and acquisitions.

STRATEGIC SUPPORT CREATES VALUE

We focus on business areas and markets in which we have competence and experience, which entails that within the Group we have the opportunity to support our companies with:

- developing a more focused business strategy,
- structuring and developing their product and brand portfolios,
- improving customer offerings,
- incorporating peripheral products and services,
- supporting a long-term focus on profitability and cash flows,
- carrying out complementary acquisitions,
- strengthening the financial control and reporting processes, and
- implementing cost efficiencies.

SYNERGIES AND COLLABORATIONS

Within the framework of the decentralised management model, active work is conducted on taking advantage of synergies in areas such as sales, product development, delivery capacity and leadership. Innovation and product development are always based on the customers' needs. Where justified from a business sense, we realise cost savings.

If one or more Addnode Group companies can create a better customer offering and competitive position, we integrate operations. One example of this is the company Sokigo, where several companies with business focused on the Swedish municipal market have been integrated during recent years. Other examples in which successful integrations have been conducted include Symetri, which is a world-leading Autodesk partner, and TECHNIA, which is a world-leading partner to Dassault Systèmes.

MONITORING AND COMPLIANCE

The companies in Addnode Group have operational freedom to conduct their operations, but the Group's policies are implemented in the respective companies. For a smaller company this may entail some adaptation to align itself in a listed group with clear demands on financial reporting, internal control and compliance. In the long run this adaptation leads to improved control and quality enhancement that are mutually beneficial.

In 2019 the Process Management division conducted its first leadership programme with focus on personal leadership, communication and business acumen. During the programme the participants worked together with a task that concluded with a report and diploma.

In 2012 TECHNIA began operations in India, which has grown to a team of some 200 employees. Over time, other subsidiaries from other divisions have established teams as part of Addnode India.

ACQUISITIONS
LONG-TERM RELATIONSHIPS SET THE STAGE FOR SMOOTH CHANGE IN OWNERSHIP

Addnode Group conducts continuous work on identifying possible acquisition candidates. We nurture long-term relationships with these in order to be well positioned prior to a potential acquisition. Within the Group we have a central function for the acquisition process.

Addnode Group has an extensive list of possible acquisition candidates – a list that is constantly evolving in pace with our expansion and development of our strategy. Leaders in our subsidiaries are encouraged to actively identify potential acquisitions, and it is often here that the most important relationship-building is conducted. This process allows us, at an early stage, to amass very good knowledge about acquisition candidates and a clear plan and ownership surrounding the integration process.

THOROUGH DUE DILIGENCE MINIMISES RISK
All acquisitions that Addnode Group carries out are preceded by thorough due diligence of the acquisition candidate that aims to identify risks and confirm valuation assumptions. In addition to customary areas such as financial, commercial, tax-related and technical due diligence, we also dedicate substantial time and commitment to evaluating cultural and personal aspects. With Addnode Group's decentralised governance model in mind, it is decisive for a successful acquisition that there is a shared view of the future strategy and business plan, and that colleagues who will be working together get along well and share our values about responsibility, simplicity and focus on customers and employees.

We are highly routined with respect to acquisitions and can act quickly when the situation requires. We prefer to carry out deals at a pace that allows us to gain an in-depth understanding of the operation. Our acquisition process is purposeful and focused.

DIVISIONS INVOLVED AT AN EARLY STAGE
Most due diligence work is conducted by own employees. Divisional management and employees of our subsidiaries are involved at an early stage and participate actively in the process. This is often a significant advantage for the entrepreneurs and acquisition candidates that are the subject of our analysis, as we ourselves can adapt the process and avoid allowing it to steal focus from the target company's business activities.

Planning and integration preparations are conducted as an integral part of due diligence. The divisional heads and our subsidiaries play a driving role in this work. In this way we ensure that key actors, including the target company's management, support the work and the plan to be carried out.

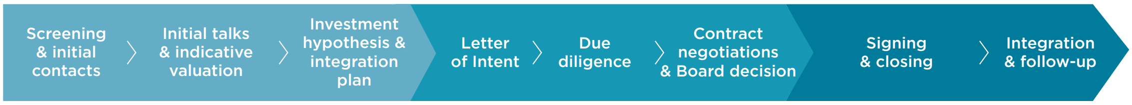
ACQUISITION CRITERIA

Addnode Group's acquisition strategy is long-term and aims to complement existing operations and develop the offerings in our markets. Addnode Group seeks to acquire companies that:

- have leadership that is characterised by sound values and shares our focus on strong relationships with customers and colleagues,
- are culturally distinguished by simplicity and entrepreneurial spirit,
- have proven business models that are profitable at the time of the acquisition,
- expand or strengthen the Group's existing businesses geographically, and
- add new offerings in existing geographic markets.

Since we are continuously making many acquisitions, our acquisition work is systematised – not only at the Group level – but also in our divisions and subsidiaries. This is a key success factor. In pace with the Group's growth, the size of its acquisitions has also grown. Since the start in 2003 Addnode Group has completed more than 60 acquisitions. The majority have been companies with sales ranging from SEK 10 m to SEK 50 m, while the largest acquired company through 2019 had sales of SEK 450 m.

THREE OVERARCHING ACQUISITION PHASES



ADDNODE GROUP WELCOMED THREE NEW BUSINESSES IN 2019

COMPANY	DESCRIPTION	DIVISION	NO. OF NEW EMPLOYEES	ANNUAL SALES
Intraphone	Software company with mobile solutions for the Swedish care and public assistance market	Process Management	25	SEK 35 m
Kpass IT	Focused service partner for Dassault Systèmes' 3DEXPERIENCE Platform, with operations in France and Japan	Product Lifecycle Management	35	SEK 40 m
Majenta's Autodesk business	Further expansion of Symetri's customer base in the UK market	Design Management	2	SEK 35 m

ACQUISITION STRATEGY IN PRACTICE

Thus was built a world-leading PLM company

Since becoming part of Addnode Group in 2004, TECHNIA has grown its annual sales from roughly SEK 100 m to SEK 1.3 bn.

"Our journey from Nordic to global leader would not have been possible without strategic coaching, risk management, acquisition competence and capital via Addnode Group," says Jonas Gejer, President of TECHNIA.

TODAY'S TECHNIA has its origins in three companies specialised in advanced systems for digital Product Lifecycle Management (PLM): Transcat (Germany), Intrinsys (UK) and TECHNIA (Sweden).

"Transcat has a strong background in the auto industry and 3D modelling for effective design, simulation and product development, while Intrinsys has depth of knowledge in engineering processes and customers in racing and the defence and aviation industries. TECHNIA brings know-how in lifecycle management of products and services in a global environment and has introduced industrial development processes also to industries such as fashion, construction, medical technology, telecommunications and travel," says Gejer, adding:

"What unites the companies is a strong customer and quality focus, their ability to retain and attract competent people, and their focus on a world-leading PLM platform, Dassault Systèmes' 3DEXPERIENCE. By working under a uniform and global brand we can take on bigger assignments than what each of these companies could be capable of on their own.

JONAS GEJER is a co-founder of TECHNIA, which was established in 1994 and became part of Addnode Group in 2004. This has resulted in a strong growth focus, coaching by a professional board and access to capital to make acquisitions.

"As the owner of a private company there is a tendency to become somewhat defensive about your growth to protect what you've built up," says Gejer, who is now in his 26th year with TECHNIA. "In the companies we acquire, the original entrepreneurs typically stay on, just like I did. By selling, the owner can realise part of his or her investment and reduce personal risk but at the same time continue on a very exciting journey and drive their life's work further with the support of a major, listed and now international group."

IN TECHNIA'S case the journey started with stable growth in the Nordic countries, continued with new customer categories in the USA, and with increasingly global demand, the next step was to build up own operations in India.

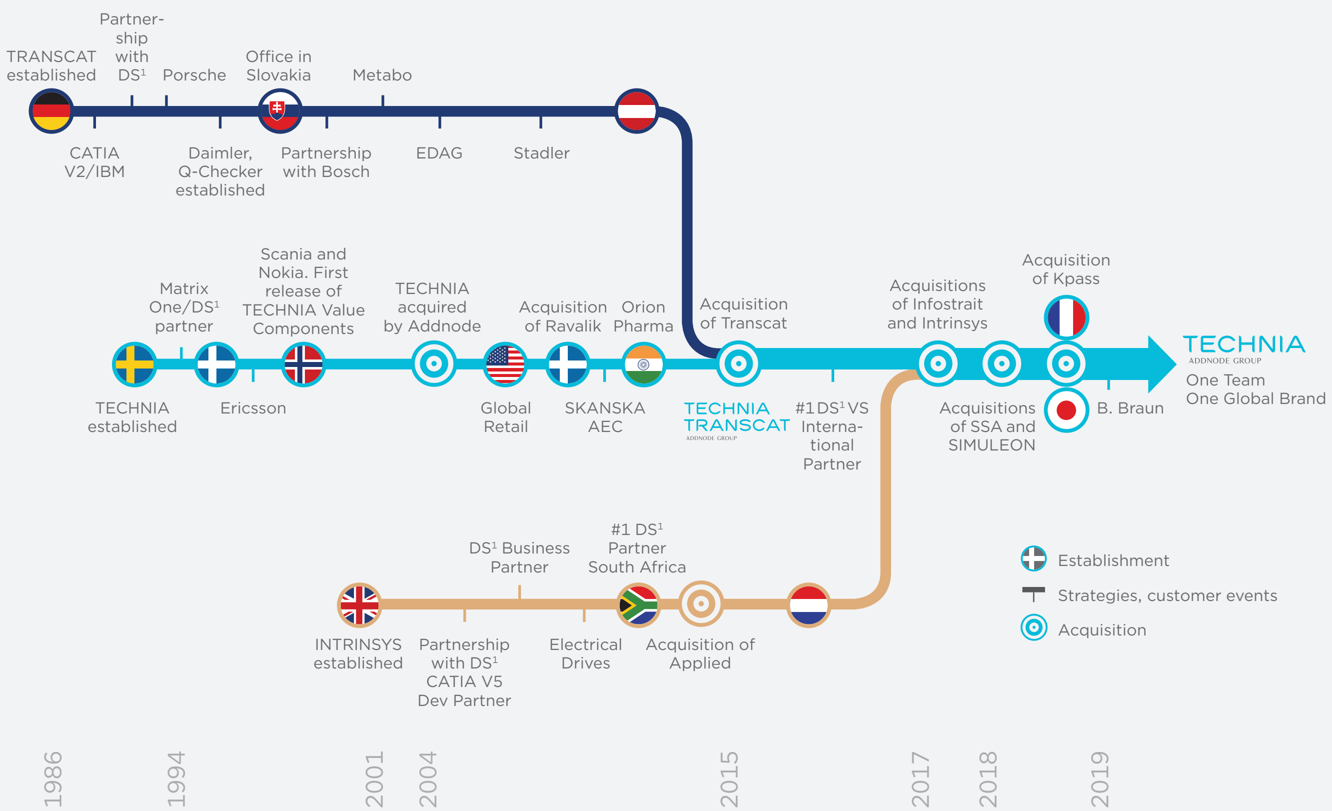
"In our first years with Addnode we grew a lot organically and made a few small acquisitions, but our really big growth journey began in 2015, when we acquired Transcat," Gejer says. "Two years later we welcomed Intrinsys. Plus we have made several complementary acquisitions, such as the companies SSA and Simuleon in 2018. They have strengthened our position as a world-leader in advanced simulations."

JONAS GEJER, HEAD OF PLM DIVISION AND PRESIDENT OF TECHNIA

IN 2019 the French systems integrator Kpass was also acquired, with operations in France and Japan, which strengthens the company's presence in these regions.

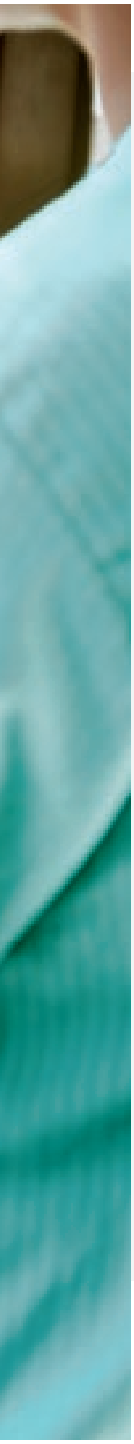
"We essentially have three different aims in our acquisitions," Gejer explains. "To expand our geographic coverage, move in to new PLM disciplines, and acquire complementary software. The digital platform we work with is becoming increasingly sophisticated, so broad competence and continuous development are needed to maintain competitive strength. Customers are asking for global systems and services to a growing extent. We are now active through 32 offices in 14 countries."

TECHNIA IS REACHING LARGER CUSTOMERS IN A GROWING NUMBER OF INDUSTRIES AROUND THE GLOBE



TECHNIA's expansion has entailed that local companies with strong ties in northern Europe are now global leaders in Product Lifecycle Management (PLM). In total, TECHNIA has grown from sales of SEK 100 m to more than SEK 1.3 bn. The sales growth has been driven mainly by its broader competence in PLM, complementary software solutions and geographic expansion. As a result of this business development, TECHNIA can reach larger customers around the globe in a growing number of industries.

1) Dassault Systèmes.



ACQUISITION STRATEGY IN PRACTICE — CASE INTRAPHONE

Smart support for elderly care strengthens our care offering

In April 2019 Addnode Group acquired the software company Intraphone, whose mobile solutions facilitate work for home care workers. Together with its sister company Kompanion, Intraphone continues to develop offerings that are making the Process Management division a stronger actor in Sweden's public assistance sector.

ADDNODE GROUP first laid its eyes on Intraphone in 2016, but it was not until 2018 that acquisition talks began in earnest.

"In recent years we zeroed in on the public assistance sector as a strategic area of interest to invest in. Our subsidiary Kompanion had worked both as a partner and competitor to Intraphone, so we knew each other and saw that the two companies' businesses would complement each other well in our Process Management division," says Adam Nilsson, Head of M&A for Addnode Group.

HE NOTES THAT more than a well-developed product is needed for success in the complex public assistance market. For home care workers and administrators, mobile apps and digital services must be easy to use, so that they truly help organise and improve efficiency in their daily work, at the same time that they contribute to greater patient safety and quality of care.

"Intraphone are very talented technologically, but also at understanding the customers' needs for user friendliness. Their system is a well-working digital platform and business model that also has further potential. With Addnode Group as a new owner, it has also become easier to build up sufficient resources to take the next step and dare invest in new offerings," Nilsson says, explaining that Intraphone's former owners had reached a point where they wanted to realise a profit on the value they had built up.

HISTORICALLY Addnode Group has typically bought companies directly from the business's original entrepreneur, who after selling the firm is offered to stay on and drive development further with the Group's support. Intraphone, however, was owned by a group of Dutch investors, one of whom was president of the business in Sweden for many years.

"He was not interested in continuing after the sale, but had prepared the organisation by hiring a successor who successfully led the company during the acquisition process and then became its president," Nilsson explains. "It was an important security factor for us. Our acquisitions are built upon continuity, where the key people stay on and run the company according to a clear plan."

THIS IS IMPORTANT especially in view of the company's ongoing integration, which is based on the premise that existing operations gradually combine and begin developing new offerings together.

"With an additional, competent developer team in the public assistance sector we are now combining our strengths to come up with even better services," says Nilsson. "Intraphone and Kompanion now have a joint management team, and in a few years I believe that they will become one and the same company. But the pace at which this integration takes place is determined out in the operations, depending on what is best for the customers and employees.", says Nilsson.

"People at Intraphone are very talented technologically, but also at understanding the customers' needs for user friendliness."

ADAM NILSSON
HEAD OF M&A, ADDNODE GROUP

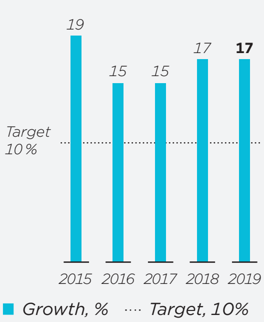
FINANCIAL TARGETS AND TARGET ACHIEVEMENT

During the last ten years Addnode Group has had average annual growth of 14 per cent, and earnings per share have grown from SEK 2.19 to SEK 3.86. This has been achieved both organically and through acquisitions. The business model yields a large share of recurring revenue, which in 2019 accounted for 64 per cent of net sales.

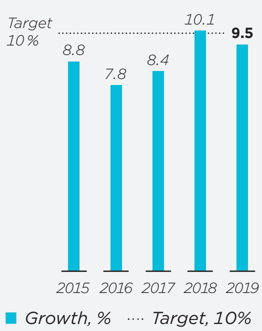
	GROWTH	EARNINGS	DIVIDEND
TARGETS SET BY THE BOARD OF DIRECTORS[1]	10% Annual growth in net sales of at least ten per cent.	10% Operating margin before amortisation and impairment of intangible assets (EBITA margin) of at least ten per cent.	50% At least 50 per cent of consolidated profit after tax shall be distributed to the shareholders, provided that net cash is sufficient to operate and develop the business.
ACHIEVEMENT 2019	17% Growth in 2019 was 17 per cent, of which 8 per cent was organic.	9.5% The EBITA margin was 9.5 per cent (10.1).	0% The Board of Directors has proposed to the Annual General Meeting than no dividend be paid for the 2019 financial year.

TARGETS AND TARGET ACHIEVEMENT OVER FIVE YEARS

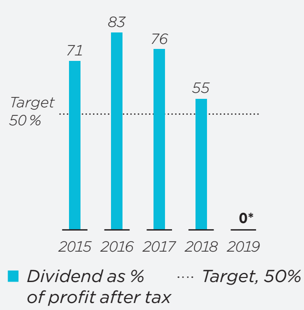
SALES GROWTH



EBITA MARGIN



DIVIDEND PAYOUT RATIO



*) Proposed by the Board of Directors to the Annual General Meeting.

1) The financial targets were set by the Board of Directors in 2013.

THREE DIVISIONS
WITH DELEGATED RESPONSIBILITY AND AUTHORITY

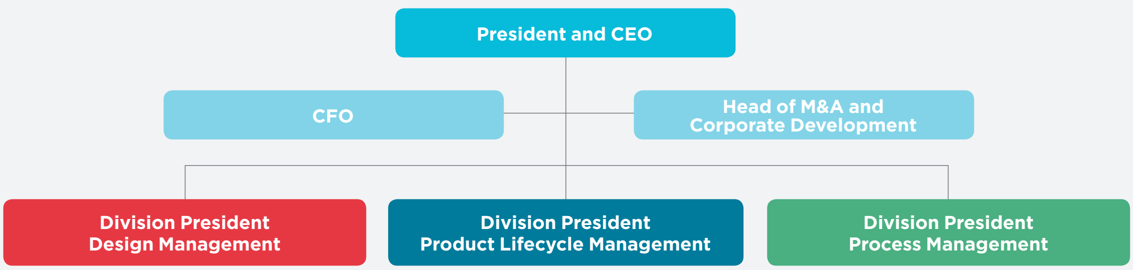
Addnode Group conducts operations in three divisions: **Design Management**, **Product Lifecycle Management** and **Process Management.** Every subsidiary conducts and develops its business activities in accordance with strategies, guidelines and joint-Group values. The decentralised governance model entails that business-critical decisions are made close to the customers and markets.

The divisional presidents are responsible, in accordance with set strategies and goals, for the subsidiaries in their respective divisions and report to Addnode Group's President and CEO. The divisions make up the Group's operating segments, according to which Addnode Group monitors business development.

Group Management, comprising the divisional presidents, the CFO and the Head of M&A, supports the CEO in strategic and operational matters.

Central functions in Addnode Group's head offices are responsible for coordination, financial follow-up and reporting, policies and guidelines at an overarching level, and contribute expertise surrounding business models, brands, acquisitions and communication.

OPERATIONAL GROUP STRUCTURE



SERVICE WORKS GLOBAL
SYMETRI
TRIBIA

TECHNIA

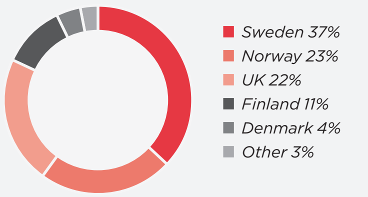
ADTOLLO
ARKIVA
CANELLA
DECERNO
ESSVISION
EVITBE
FORSLER STJERNA
IDA INFRONT
INPORT
INTRAPHONE
KOMPANION
LANDBORGEN
MITTBYGGE
SOKIGO
STAMFORD
VOICE PROVIDER

DESIGN MANAGEMENT DIVISION

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

SHARE OF NET SALES*	SHARE OF EBITA*	NUMBER OF EMPLOYEES
40%	40%	415

NET SALES 2019
(SEK 1,387 M)

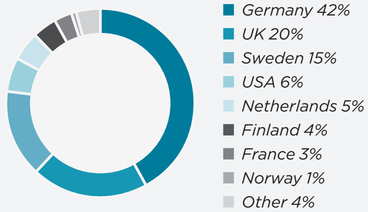


PRODUCT LIFECYCLE MANAGEMENT DIVISION

Software and services for developing and managing products throughout their lifecycles – from idea, design, simulation and construction to sale, aftermarket and recycling.

SHARE OF NET SALES*	SHARE OF EBITA*	NUMBER OF EMPLOYEES
37%	28%	644

NET SALES 2019
(SEK 1,272 M)

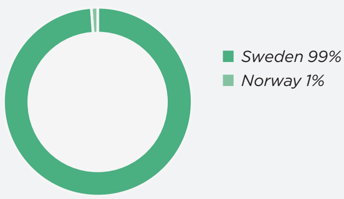


PROCESS MANAGEMENT DIVISION

Software and services for document and case management, e-archives, information management and citizen dialogue in the public sector and for private customers with similar needs.

SHARE OF NET SALES*	SHARE OF EBITA*	NUMBER OF EMPLOYEES
23%	32%	524

NET SALES 2019
(SEK 797 M)



**) Before elimination of invoicing between divisions and joint-Group costs.*

DESIGN MANAGEMENT DIVISION

Design Management is one of Europe's leading providers of software and digital solutions for design and construction to the construction and manufacturing industries. The division also has a strong offering for project collaboration, property management and facility management in the Nordic countries and the UK.

Operations of the Design Management division are conducted by the subsidiaries Symetri, Tribia and Service Works Global (SWG). In 2019 part of Majenta's retail business in the UK was acquired. The division's home markets are the Nordic countries and the UK, with growth also in Australia, Canada and the Gulf states. In early 2020 an agreement was signed to acquire the British Autodesk partner Excitech and the Norwegian company Unizite, which has developed a mobile field tool for BIM information.

OFFERING

Symetri is the Nordic region's and UK's largest supplier of Autodesk products, complementary software and services to construction and property companies, manufacturing industries and their suppliers. Customers use its software for 3D design, BIM, and product, infrastructure, plant and building simulations. We have also developed peripheral products for product data management and to be able to accommodate e.g., local standards and norms in the digital design processes.

Tribia is a product company that provides cloud-based collaboration tools for construction and civil engineering projects to principals as well as to construction companies in the Norwegian and Swedish markets.

SWG is a product company that provides digital solutions for property management and maintenance, facility management and property services. The Nordic countries and UK are the company's home markets, with growth also in Australia, Canada and the Gulf states.

CUSTOMERS

The division has a broad customer base in the construction, real estate, manufacturing and marine industries as well as in the public sector. Examples of customers include Akademiska Hus, Alfa Laval, Ericsson, Humlegården, LPO Arkitekter, Multiconsult, Oslo Kommune, Peab, Rejlers, Sodexo, Subsea 7, the City of Stockholm, Tengbom and Tetra Pak.

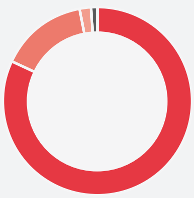
COMPETITIVE SCENARIO

Symetri's competitors are mainly global software companies such as Dassault Systèmes, Nemetscheck and Siemens as well as other local Autodesk partners. Its proprietary software and related services combined with a Nordic and British organisation are key competitive advantages. For both SWG and Tribia, the competition is mainly local, while international competitors include companies such as IBM, Planon and Trimble.

"During the year we had very strong organic growth, mainly driven by continued favourable demand for our Autodesk offering with peripheral products in both the Nordic countries and the UK. In Sweden and Norway, sales of collaboration solutions for construction, civil engineering, energy and technology projects also performed well. By gathering all products and services for property systems in one company we are also seeing great opportunities to expand that part of our business. The acquisitions of the British company Excitech and the Norwegian company Unizite in January 2020 consolidate our position as a leading European provider of solutions for designing, building and managing properties and infrastructure."

DIVISION PRESIDENT **ROLF KJÆRNSLI**

NET SALES BY REVENUE STREAM 2019



- *Recurring revenue 82%*
- *Services 15%*
- *Licences 2%*
- *Other 1%*

NET SALES GROWTH COMPARED WITH 2018

+32%

EBITA COMPARED WITH 2018

+28%

KEY RATIOS

SEK m	2019	2018	2017
Net sales	1,387	1,053	906
EBITA	146	114	76
EBITA margin, %	10.5	10.8	8.4
Operating profit	101	74	45
Operating margin, %	7.3	7.0	5.0
Average no. of employees	415	412	345

ABOUT TRIBIA

Tribia today has more than 90,000 users. Customers include major public sector developers and contractors based in the Nordic countries but with construction projects around the world.

Together with its sister companies in the division – Symetri and Service Works Global – the company provides integrated process support for Building Lifecycle Management (BLM), which can be used from early land planning to operation and maintenance as long as the building or facility remains in operation.

"Our mission is to collate, quality-assure and communicate all building information digitally through all phases of a project – from design proposal and blueprints in the early stages until the documentation is handed over to the property owner for administration."

FRODE BRURBERG HANSEN
PRODUCT MANAGER, ADDNODE'S SUBSIDIARY TRIBIA

CASE — BIM COLLABORATION

Smart collaboration solution streamlines building process

Digital work methods are changing the building industry in everything from how decisions are made and projects are conducted to what is built and how it is managed. Addnode's subsidiary Tribia has a long record of experience in this area and has now embarked on a major venture to create the Nordic region's best collaboration solution for construction projects - a tool based on BIM data in digital models that frees up time, improves quality and lowers costs.

BIM, OR Building Information Modelling, offers smarter ways of managing building and administrative processes in the intersection between the physical and virtual. The challenge has been that the BIM strategy is often associated with completing a 3D model with detailed information on doors, windows and other material. The metadata created in this process makes the models cumbersome and hard to work with. In addition, BIM systems are often based on software-specific formats, requiring users to have access to expensive design tools to update the models.

"Our ambition is to create the Nordic region's best collaboration solution for building projects," says Frode Brurberg Hansen, product manager for Addnode's subsidiary Tribia (formerly Symetri Collaboration). "Since 2001 we have provided a project portal with market-leading functions that improve daily life for project coordinators. Interaxo, which is the name of the solution, together with the BIMEYE product, will make up the cornerstones of Tribia's BIM Collaboration solution."

He explains that the solution involves much more than sharing files and documents. The idea is to make collaboration in a building project entirely seamless by allowing all of the various subcontractors to work directly with and update information in a shared model.

"The project coordinator gains full control over who updates which metadata at the same time that the model itself and any changes to it are reviewed and logged," Hansen explains. "Our solution extracts model data and makes it accessible in the cloud. The model is visualised in 3D and provides access to BIM without the use of design tools.

"WE TALK ABOUT virtual digitalisation, which links data to the objects in a 3D model, where all of the actors can gather, quality-assure and communicate information. Through all phases of the project, updated BIM information is accessible in one place, and decisions are made with full traceability about who has made the decision and when. This paves the way for smooth progress in the project, so that deliveries can be made within budget, on time, and with desired quality."

In cooperation with two other companies in the division, Symetri and Service Works Global, the BIM Collaboration solution will enable a smooth flow of data, from the architects' design to the property managers who will take charge of the building upon the project's completion. Traditionally these project hand-offs have been done in the form of paper, binders and PDF documents, which is an unwieldy process that also entails a large risk for errors.

"BY MAKING IT easier to create a uniform and consistent data model, we want many more people to begin using this collaboration solution, including vendors who today send in information by email or phone," says Hansen. "The earlier you enter all data into our BIM Collaboration solution, the faster and more reliable the handover will be of the finished building.

"Customers will quite simply be able to transfer digital copies of their buildings to our sister company SWG's property management solution," Hansen summarises.

PRODUCT LIFECYCLE MANAGEMENT DIVISION

The Product Lifecycle Management division is a global supplier of software and digital solutions for simulation, design and product data information. Its system solutions are used to digitalise the entire lifecycle of a product, service or facility. Digitalisation gives customers shorter lead times, more innovation, increased efficiency and traceability.

Operations are conducted by the subsidiary TECHNIA, one of Europe's largest suppliers of PLM software and consulting services. In 2019 Kpass IT was acquired, a service partner for Dassault Systèmes' 3DEXPERIENCE Platform, with operations in France and Japan. Kpass, with 35 consultants, establishes TECHNIA in new markets and contributes competence and experience from large PLM projects. The division's major markets are the Nordic countries, Benelux, the German-speaking areas of Europe and the UK, with growth also in the rest of Europe and the USA.

OFFERING

TECHNIA is a global provider of software and services for simulation, design, production and product lifecycle management – from research and development via design and production to sale, aftermarket and recycling. With information digitalised and globally accessible in a PLM system, design and production lead times can be shortened and resource management can be optimised while at the same time ensuring the fulfilment of environmental, quality and safety requirements. TECHNIA's software portfolio consists of its partner Dassault Systèmes' market-leading 3DEXPERIENCE platform along with unique, peripheral products and services developed internally by the company.

CUSTOMERS

Customers are in industries such as telecom, manufacturing, automotive, construction and civil engineering, pharmaceuticals, medical technology, retail and energy production. In pace with growing demands for rapid innovation, customised products and traceability requirements, a growing number of food and service companies have also embraced the PLM concept. Examples of customers include Arla, Arcelor Mittal, B Braun, Dräxlmaier, European Spallation Source, Ericsson, Honeywell, Husqvarna, JM, Jula, London Taxi, Parker Hannifin Corporation, Stadler, TUI and Vanderlande.

COMPETITIVE SCENARIO

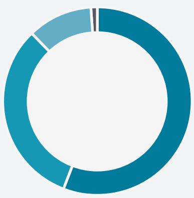
Competitors consist of other PLM software companies with own sales organisations, such as Siemens and PTC, as well as other Dassault Systèmes partners. In larger system integration projects, companies such as Tata and CAP Gemini are competitors. The division's competitive advantages include world-leading PLM know-how, a strong product portfolio, close and long-term partnerships with customers and a regional presence in several countries.

"Our position as a world-leading partner to Dassault Systèmes remains strong, and sales during the year were favourable in the Nordic countries, Benelux and the USA. We have established an advanced simulation centre to improve our offering and accelerate growth in this area. Our market presence in France has grown stronger through the acquisition of Kpass.

"We were impacted by a weaker market in Germany resulting from uncertainty and a lower willingness by the auto industry to invest. At the same time, we have attracted new customers and established ourselves in new sectors, such as life sciences. An agreement we signed at the end of the year with the international medical products company B. Braun entails a systems delivery to more than 13,000 users over a several-year period."

DIVISION PRESIDENT **JONAS GEJER**

NET SALES BY REVENUE STREAM 2019



- *Recurring revenue 56%*
- *Services 32%*
- *Licences 11%*
- *Other 1%*

GROWTH IN NET SALES COMPARED WITH 2018

+12%

EBITA COMPARED WITH 2018

+0%

KEY RATIOS

SEK m	2019	2018	2017
Net sales	1,272	1,132	920
EBITA	104	104	72
EBITA margin, %	8.2	9.2	7.8
Operating profit	73	78	54
Operating margin, %	5.7	6.9	5.9
Average no. of employees	644	555	508

CASE — EUROPEAN SPALLATION SOURCE

How PLM is contributing to materials research of the future

In a field outside Lund, Sweden, the European Spallation Source (ESS) is being built, a unique research facility based on the world's most powerful pulsed neutron source. Addnode Group's subsidiary TECHNIA is supplying the PLM solution that is keeping track of the design details in the extremely complex environment.

GROUNDBREAKING took place in summer 2014 for the 500 m accelerator tunnel, where protons are accelerated at nearly the speed of light, ultimately hitting a wall of tungsten at the end of the accelerator, whereby a shower of neutrons is released in a process called spallation. With neutrons, scientists can study the structure and dynamics of various materials, from plastics and proteins to pharmaceuticals and batteries, down to the atomic and molecular levels.

The facility, which can be likened to a gigantic microscope, spans an area as big as 13 football pitches with 23 buildings that are successively being furnished with equipment. Sweden is the host country for the ESS, a consortium project of countries across Europe.

"With hundreds of partners involved in designing the various parts of the ESS, we saw early that effective system support would be needed to manage all of the technical documentation over the facility's lifetime," says Peter Rådahl, Engineering Manager in charge of building up software for design and configuration control at the ESS.

The choice fell to Dassault Systèmes' 3DExperience software platform, complemented by TECHNIA's Value Components, a peripheral product that offers the opportunity to adapt user interfaces and functionality to the ESS's specific needs.

"TECHNIA has served as the hub for cooperation between us and Dassault Systèmes," Rådahl explains. "Their tool is by its very nature designed to support a product's lifecycle – Product Lifecycle Management. But for us it involves an entire facility, that is, Plant Lifecycle Management *and* Product Lifecycle Management. Together with TECHNIA we have built system support to handle the overarching facility configuration and every individual product.

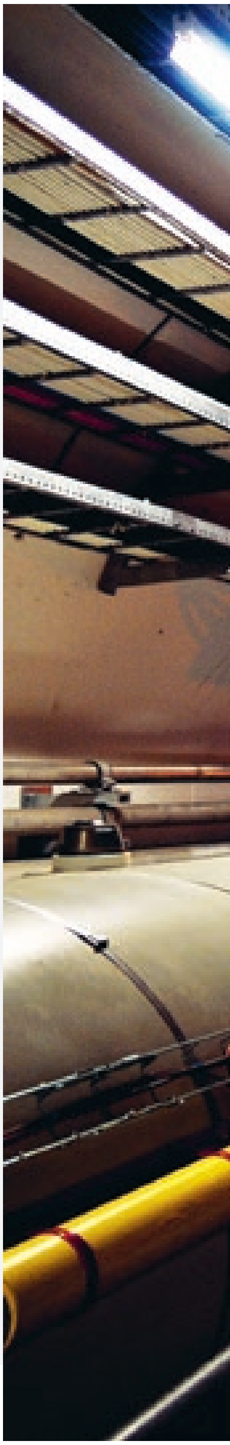
"The system keeps track of millions of parts on a scale of kilometres down to nanometres – everything from entire buildings down to tiny components that must be installed with extreme precision."

ALL DESIGN DATA on pipelines and other basic infrastructure as well as research-related equipment and instruments is compiled in a joint 3D model that everyone involved is working towards in order to keep the information updated as the project progresses. Today the system has some 1,000 users: scientists and engineers in the various EU member countries who are designing and developing the ESS's multitude of technical components as well as those who are building and installing on-site.

"Once the facility becomes operational, maintenance staff will also have access to the digital models and documentation to be able to smoothly plan trouble-shooting or service of the equipment," Rådahl says. "We have high demands on accessibility in the facility and must be able to make changes without compromising security. The PLM tool makes all changes traceable, which is also important to meet the authorities' demands for configuration control."

HE NOTES that adjustments will need to be made constantly in the complex environment, and thus it is crucial to understand what consequences any change will have:

"In the 3D model we can virtually simulate installations and maintenance measures to see if everything works before we go in to the facility physically."



"The system keeps track of millions of parts on a scale of kilometres down to nanometres – everything from entire buildings down to tiny components that must be installed with extreme precision."

PETER RÅDAHL
ENGINEERING MANAGER, ESS

ABOUT THE ESS

Five years after groundbreaking, the ESS reached an important milestone in 2019 when technical systems and equipment were installed and put in initial operation in a few of the facility's 23 buildings. In 2023 the ESS will begin producing research, and once fully operational, upwards of 3,000 scientists from around the world will visit the facility yearly to conduct their experiments.

PROCESS MANAGEMENT DIVISION

The Process Management division is a leading provider of software and digital solutions to public sector customers in Sweden and Norway. With the help of automation and digital administrator support, the division's solutions contribute to smoother case management, simplified administration and quality-assured processes in contacts between authorities and citizens.

The division's software and digital solutions are used primarily in the public sector in Sweden, but the division has a growing base of business in Norway and also helps companies in private industry take advantage of the opportunities provided by digitalisation of their processes.

In 2019 the company Intraphone was acquired, which provides mobile IT solutions for planning, registration and monitoring in home care, particularly extended care homes and personal assistance. The solutions are used by more than 45 municipalities across Sweden.

Operations are conducted by the subsidiaries Adtollo, Arkiva, Canella, Decerno, EssVision, Evitbe, Forsler & Stjerna, Ida Infront, InPort, Intraphone, Kompanion, Landborgen, Mittbygge, Sokigo, Stamford and Voice Provider.

OFFERING

Process Management's combined product portfolio is the answer to demand it has seen in the market for quite some time. The division's subsidiaries develop solutions that are focused on citizens' and customers' needs. Owing to good operational familiarity and knowledge about directives, laws and regulations, we can quickly and efficiently start up projects and develop software and systems in close collaboration with our customers.

The offering includes software and services in areas such as:

- Document and case management
- Business planning and decision support
- E-archives
- Digitalised citizen services
- Geographical information systems

CUSTOMERS

Customers consist of a large number of Swedish and Norwegian government authorities and operations, including all 290 of Sweden's municipalities and private companies in the financial sector as well as in the retail, construction and forest products industries.

Examples of the division's customers include Coop, Gemalto, Lantmäteriet, Swedish Police, Rentokil Initial, the National Board of Institutional Care, Swedbank Fastighetsbyrå, the Swedish Transport Administration, Volvo Cars and the Swedish Prosecution Authority.

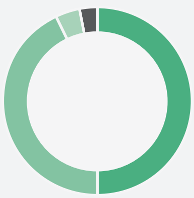
COMPETITIVE SITUATION

We have a strong position in the Swedish market for case management systems for public sector authorities and municipalities. There is currently no main competitor to the division's total offering. Examples of competing companies with somewhat similar products and services include CGI, Esri S-Group, Formpipe, Tieto and Visma. Competitive advantages include a broad product offering combined with a long record of experience in delivering system solutions to the public sector.

"Following a challenging start to 2019 resulting from fewer public sector tenders, we ended the year on a strong note with several new contracts and higher efficiency. More and more authorities and municipalities are looking for a long-term partner in their work on developing innovative and efficient operations that are compliant with the rule of law. We are meeting this need and mobilising our offering in the municipal market by integrating the companies Essvision and Landborgen in the company Sokigo. Completed acquisitions made a positive contribution to performance during the year. With the software company Intraphone now in the family, we are broadening our offering of solutions for elderly care and have even better prospects to help our customers improve patient safety, quality of care and availability."

DIVISION PRESIDENT **ANDREAS WIKHOLM**

NET SALES BY REVENUE STREAM 2019



- *Services, 50%*
- *Recurring revenue, 43%*
- *Licences, 4%*
- *Other, 3%*

GROWTH IN NET SALES COMPARED WITH 2018

+3%

EBITA COMPARED WITH 2018

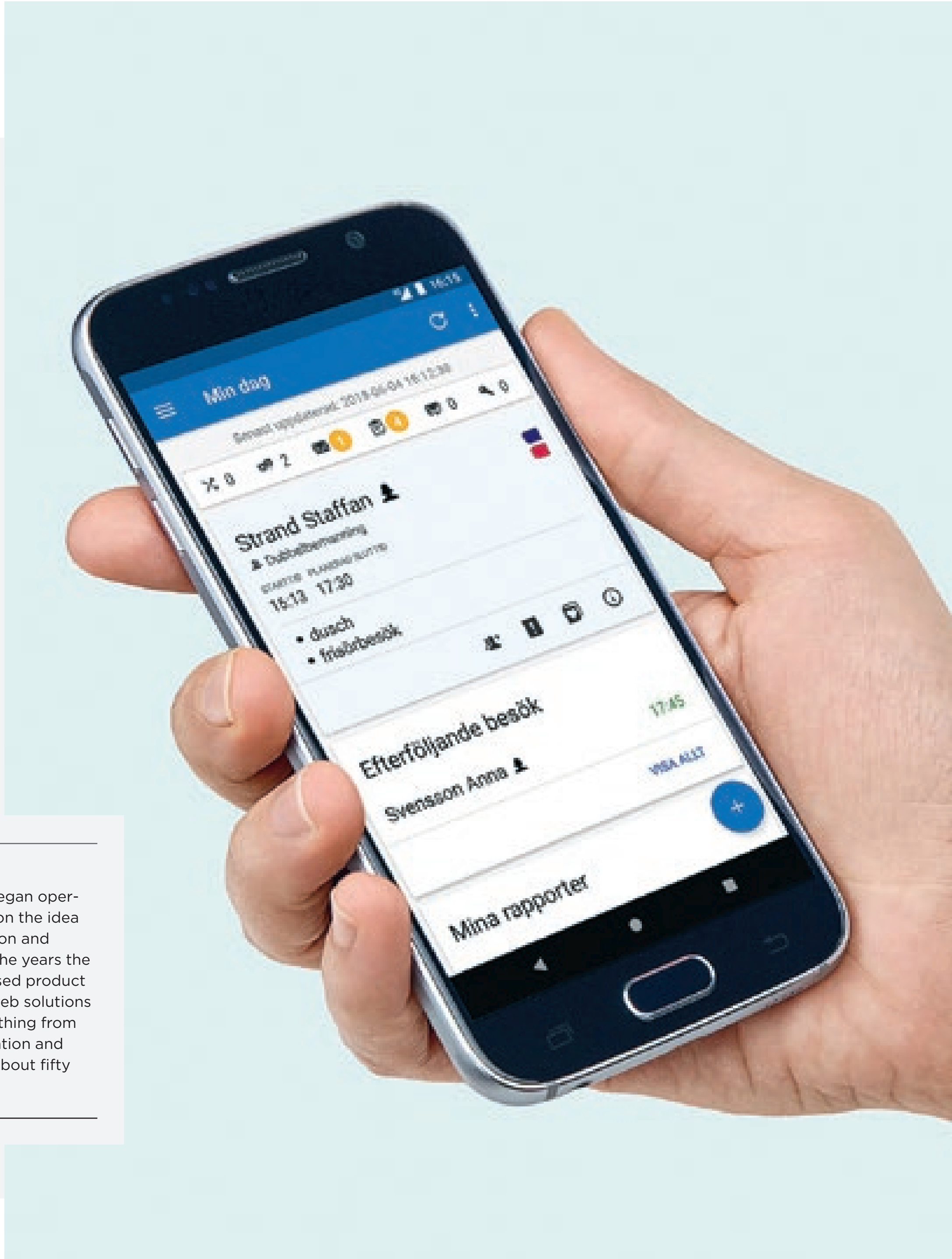
-1%

KEY RATIOS

SEK m	2019	2018	2017
Net sales	797	773	705
EBITA	115	116	101
EBITA margin, %	14.4	15.0	14.3
Operating profit	82	87	69
Operating margin, %	10.3	11.3	9.8
Average no. of employees	524	497	457

"We must use technical solutions where possible, to free up time and be able to use our human touch wherever it cannot be replaced by technology."

INGELA HEDBLOM
OPERATIONS DEVELOPER,
BOLLNÄS MUNICIPALITY



ABOUT INTRAPHONE

Intraphone, which was acquired in 2019, began operating in Sweden in the early 2000s, based on the idea to improve opportunities for communication and monitoring in the home care sector. Over the years the business has evolved from a telephony-based product with limited coverage to today's modern web solutions and mobile apps, which are used for everything from planning and route optimisation to registration and documentation of home care activities in about fifty Swedish municipalities.

CASE — BOLLNÄS MUNICIPALITY

Mobile app for home care alleviates worries for family members

Has mum really been looked after today? Bollnäs Municipality saw a need to give near and dear ones better insight into the home care services their family members were getting. They therefore teamed up with Addnode Group's subsidiary Intraphone to develop a digital service for family members that makes it easier to monitor the given care remotely.

FOR SEVERAL years the social services office in Bollnäs has been working actively with digitalisation to facilitate everyday life for the people receiving care and nursing as well as their family members and care providers.

"Our main future focus is to ensure that the economics and staffing are adequate. This means that we must use technical solutions where possible, to free up time and be able to use our human touch wherever it cannot be replaced by technology," says Ingela Hedblom, operations developer and system administrator for Intraphone's services in Bollnäs Municipality.

The municipality's partnership with Intraphone dates back more than ten years, and the family members service has been created to give family members better insight into home care visits. Bollnäs Municipality communicated its interest in participating in the development and testing of functions way back in the early development stages.

"I invited a dozen or so family members of care patients to meet with Intraphone's consultants to talk about the kind of information they saw the greatest need of. This formed the foundation of the e-service that we now offer all family members via the municipality's website, allowing them to quickly find out what kind of care their loved ones have received, when it was provided, and if the patient has declined any assistance," Hedblom explains, adding that an important user requirement was that the service would be easy to get started with:

"Naturally, the patient must first have given his or her consent, but then with a few clicks I can make the necessary registrations in the system, so that family members can log in using BankID. The only thing required is access to a smartphone, tablet or PC."

THE RESPONSE from users has been positive, and Ingela Hedblom hopes that more people will discover the new opportunities to participate in their family members' daily care remotely. She has a background herself as a home care unit manager and saw the worries that arose not knowing if your mum or dad were getting the help they needed.

"For family members of elderly people with failing memories and extensive care needs, our family members service is a major source of comfort," Hedblom says. "Via the app they can continuously see what is planned going forward and what care has been provided. At the same time, it eases a burden for home care staff, with fewer phone calls from worried family members."

NEW FUNCTIONS in both the family members service and staff's mobile-based reporting are being constantly developed in close collaboration with Intraphone's consultants and the system's users in Bollnäs.

"When we receive suggestions for improvements, I write them down and send them to my contact at Intraphone, so they are taken into consideration in their system maintenance plans" says Hedblom. "For example, recently we asked for a simplified process for colleagues on different work teams to contact each other during ongoing home visits. Minor adjustments are made quickly, and often we see that our suggestions have already been made in the next month's upgrade."

DEVELOPING SOLUTIONS FOR **LONG-TERM SUSTAINABLE SOCIETIES**

Addnode Group's solutions help ensure that the buildings we live in, the roads we drive on and the products we use every day can be designed, produced and maintained in an efficient manner. Through innovation and continuous development in close collaboration with our customers we create digital solutions that help build a more sustainable society. The Board of Directors of Addnode Group is responsible for this sustainability report for 2019.

ADDNODE GROUP'S PLACE IN SOCIETY

Building a long-term sustainable society puts great demands on responsible and efficient use of resources. Addnode Group's solutions create opportunities in a digital world to create and manage products, properties and infrastructure. We also help digitalise administration and communication for Swedish authorities and municipal administrations. For more than 20 years Addnode Group has actively contributed to more sustainable community development by providing customers software and digital solutions for sustainable design, management and maintenance of properties and facilities. Our systems are also used by municipalities for building permit administration and technical infrastructure, among other things.

In the real estate sector, for example, the benefit can entail extending the life of a property through efficient property management that is made possible by smart software that keeps track of maintenance to ensure that it is performed correctly, at the right time and with the right material. Developments in this area are advancing rapidly, and with the help of modern sensor technology we are developing, for example, systems for predictive maintenance, where nascent problems can be detected before they cause damage to equipment or buildings. For customers this leads both to cost savings and lower use of resources.

In the municipal sector our systems are used to streamline everything from document and case management to administration of home care services and school bus route planning.

We are also a global provider of software and digital solutions to companies that need to keep track of all their product-related information throughout a product's entire lifecycle. With information collated and made easily accessible in a Product Lifecycle Management system, lead times can be shortened and resource handling can be optimised at the same time that it is easier to follow up environmental, quality and safety requirements, for example. Through a depth of operational knowledge and familiarity with directives, laws and regulations we make sure that systems are kept up to date and in compliance with applicable regulatory standards.

ADDNODE GROUP'S ENVIRONMENTAL IMPACT

Addnode Group's largest footprint is the positive impact we make through the systems we supply to our customers, which they use to drive societal development forward in a more sustainable manner. The Group's negative environmental impacts are made by the offices we work in, the electricity we use and the transports we take. In our decentralised organisation, each of the divisions draws up local policy documents that are adapted to the needs of their operations with the goal of reducing our negative environmental impacts.

The subsidiaries TECHNIA and Service Works Group are ISO 9001 certified. Service Works Global is also ISO 27001 certified, and parts of TECHNIA are also ISO 14001 certified. The subsidiaries Sokigo and Decerno are FR 2000 certified.

SOCIAL CONDITIONS AND EMPLOYEES

Addnode Group's employees have roots in more than 30 countries on several continents. Our people are the foundation of our competitive strength, where a combination of qualities such as local presence, industry expertise and systems knowledge is instrumental in our ability to continue delivering products and services that meet our customers' needs.

Addnode Group's core values:

- We care about our customers, employees, suppliers, partners, and other stakeholders, and we take a long-term approach to our commitments
- We create innovative solutions for our customers' needs
- We create value through proactive employees who want to make a difference

During 2019 all subsidiaries except for the two recently acquired businesses conducted employee surveys. As new companies become part of the Group, processes are put in place to conduct employee surveys on a recurring basis. The results of the employee surveys are followed up by management teams in the subsidiaries, by divisional boards and by the Parent Company's Board of Directors. In 2019 the subsidiary Tribia was named as Norway's number one Great Place To Work in the 20–49 employees category. One challenge that we share with other companies in the industry entails achieving a more even balance between men and women among our employees. According to Almega (IT & Telecom Industries), the share of women in Swedish IT and telecom companies was 29 per cent in 2019. The share of women in Addnode Group in Sweden was 25 per cent in 2019 (24 per cent for the Group in total). Together with the IT sector and educational institutions we are working on making ourselves more accessible in order to achieve a better gender balance.

RESPECT FOR HUMAN RIGHTS AND COUNTERING CORRUPTION

The company cultures of Addnode Group's companies and their knowledge about their own markets are key to the Group's success, at the same time that strong leadership with high standards of ethics and respect for each individual are essential aspects of our values foundation. While we use subcontractors in certain projects, most deliveries to our customers are performed by employees of our subsidiaries, which entails that we have keen insight into the work environment. We do not see any significant risks related to human rights.

We engage ourselves in the countries in which we work and support local aid projects. For example, in India our subsidiary TECHNIA supports Akanksha, a non-profit organisation that operates schools for children from low income areas. With the Group's growing global reach we see a need to ensure a shared view of human rights and the countering of corruption.

At the Group level we also have a whistleblower policy, which allows employees to anonymously report any improprieties at the workplace to the Audit Committee chair, who determines if an investigation is warranted and is responsible for reporting to the Board of Directors.

WE GIVE BACK TO SOCIETY

In our decentralised governance model it is common that employees vote on which organisation they want to donate money to instead of receiving a Christmas present, and that their respective companies top this off with their own contributions. In 2019 Addnode Group companies made donations to organisations such as Children's Rights in Sweden (BRIS), the Swedish Cancer Fund, Engineers Without Borders, Christmas Jumper Day, Doctors Without Borders, Missing People, the Swedish Environmental Protection Agency, Red Nose Day, Save the Children Sweden, Stadsmissionen, Unicef, the World Cancer Research Fund International and WWF.

EMPLOYEES 2019

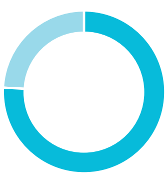
AVERAGE NUMBER OF EMPLOYEES

1,590 *(1,471)*

EMPLOYEES PER COUNTRY

- *Sweden 50% (51)*
- *Germany 12% (14)*
- *India 10% (8)*
- *UK 9% (8)*
- *Norway 6% (6)*
- *Finland 4% (4)*
- *Other 9% (9)*

GENDER BREAKDOWN

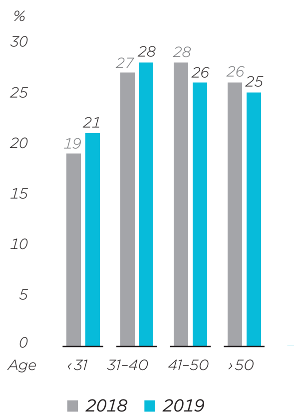


- *Men 76% (75)*
- *Women 24% (25)*

EMPLOYEES PER FUNCTION

- *Development, project administration and consulting 68% (69)*
- *Sales 17% (16)*
- *Management and administration 15% (15)*

AGE DISTRIBUTION, NUMBER OF EMPLOYEES



JOAKIM SVANTESSON

Born: 1989
Joined Addnode Group: 2018
Job: Business Area Manager, Adtollo, Process Management division
Education: M.Sc. Industrial Economics, KTH Royal Institute of Technology, Stockholm
Interests: Spending time with friends and family, travelling, cooking, playing golf or taking a motorcycle ride (weather permitting)

We help build communities

“As a business area manager I have a highly varied role. We develop and sell CAD software to municipalities and civil engineering companies, which positions us to help simplify community-building with a large breadth of activities – from efficient administration and production of map products to smart support for engineers’ technical calculations and blueprints at construction sites.

“I enjoy the variation of working both with staff responsibility for my team and my operational role in sales and product development. It can entail setting specifications for new functions, planning of releases, support, budgeting, following up campaigns and goals, and all else that this entails. Planning conferences and buying birthday cakes, for example. The challenge is in striking a good balance between the various duties and finding enough time.

“My colleagues give me energy. They are competent and share my curiosity, which makes it fun going to work every day. One journey of change we have begun since I started here involves spreading the workload and responsibility to more people. It is working very well, and has brought out a lot of creativity and joy.

“In my role I have also benefited greatly from Addnode’s leadership programme. It has been both challenging and educational, but above all I have gotten to know many pleasant colleagues and built a broader network within the division, which has simplified cross-company collaborations.”

JENNIFER BROWN

Born: 1984
Joined Addnode Group: 2010
Job: Head of Customer Care in the Product Lifecycle Management division, TECHNIA Ltd
Interests: Spending time with family and friends, films, good food and my cat Nemo

No two days are the same

"After spending seven years in advertising sales, I was looking for an opportunity to expand into a new industry. Coming to TECHNIA (formally Intrinsys) certainly provided me with exciting challenges, and nine years on I am still learning new skills.

"Within my current role as Head of Customer Care I am responsible for ensuring that customer satisfaction is maintained while order processes are adhered to and improved as needed to support the business. I have always had a passion for providing clients with the best possible service, and working so closely with a wider team, from sales, technical and support, means that I am able to understand first-hand exactly what our customers require.

"One big challenge is the ever-changing landscape of the products we provide. When new versions are released it is vital that the team gets up to speed quickly, both on a technical and commercial level. This enables us to prepare our customers and provide guidance on any changes. It is so satisfying to be in a position where I get to support clients with a solution that helps drive their business forward.

"The solutions available now provide enhancements across a whole organisation, from purchasing, quality and engineering to simulation and manufacturing departments. Companies want a lifecycle platform that provides them with collaborative tools across all areas, including connecting directly with suppliers. The industry is certainly challenging, but no two days are the same and it is definitely never dull."

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Addnode Group AB (publ), corporate identity number 556291-3185

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2019 on pages 46–50 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

OPINION

A statutory sustainability report has been prepared.

Stockholm, 30th March 2020

PricewaterhouseCoopers AB

Anna Rosendal
Authorised Public Accountant

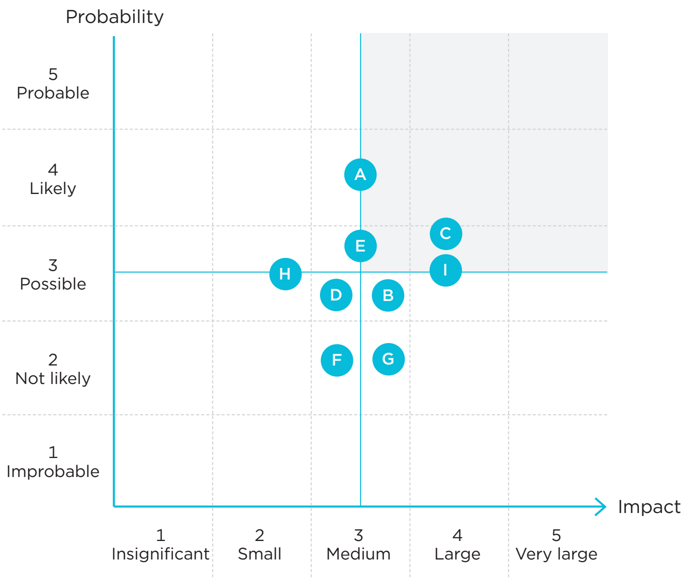
OUR WORK WITH **RISKS AND RISK MANAGEMENT**

CONTINUOUS RISK MANAGEMENT

All business activities involve risk-taking. Systematic and structured risk management combined with Addnode Group's strategy and business model contributes to good diversification of risk. Risks are managed at several levels within the Group, and the Board of Directors analyses and ensures which risks must be managed based on documentation provided by the President and Group Management. Evaluation is performed at least twice a year.

Group Management is responsible for the continuing risk management activities in the respective areas of responsibility. The divisional and subsidiary heads are responsible for managing the opportunities and risks in their respective operations, for ensuring that routines are in place in accordance with the Group's policies and rules, and for monitoring compliance with these policies and rules.

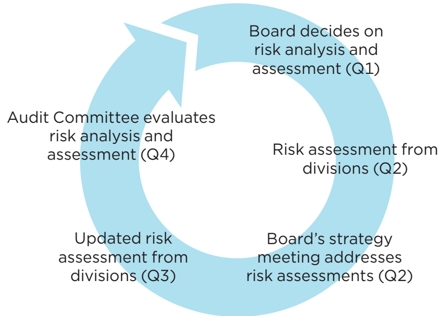
RISK ANALYSIS OVERVIEW



Business risks

- A Business cycle and macro risks
- B Products and technology
- C Partners
- D Competition
- E Organisation and employees
- F Acquisitions
- G Compliance
- H Project commitments
- I IT/cyber-security

RISK PROCESS



Probability of occurrence (1–5)
1. Improbable 2. Not likely 3. Possible 4. Likely 5. Probable

Impact on business of occurrence (1–5)
1. Insignificant 2. Small 3. Medium 4. Large 5. Very large

Business risks	Description of potential risks			How Addnode Group manages the risks
A Business cycle and macro risks	The general view of the external operating environment and economy may affect customers' willingness to invest and demand.	4	3	Addnode Group manages these risks by conducting business in both the private and public sectors and in several different markets. A high share of recurring revenue and a balanced customer structure provide stable earnings over time.
B Products and technology	New ways of working, behaviours, and rapidly changing technology may lead to changes in customers' requirements.	3	3	Addnode Group manages these risks by having close customer relationships and developing software to gain an understanding of customers' needs and market shifts.
C Partners	Our partners may change business models and terms, which affects our earnings capacity.	3	4	We have well established and strategic collaborations with numerous suppliers of IT platforms and software. Our earnings capacity is thereby not dependent on any single partnership.
D Competition	Demand for and sales of our software and services may decline as a result of greater competition.	3	3	Addnode Group manages competition risk by being a leading player in selected markets. We have close relationships with our customers, and we are continuously developing our offerings together with them and with their needs in focus.
E Organisation and employees	Ability to recruit and retain competent people.	3	3	Every subsidiary within the Group is responsible for its own competence succession. The individual companies have a recruiting advantage through their entrepreneur-driven brands at the same time that they belong to a financially stable group.
F Acquisitions	Failure to assess and integrate acquired companies.	2	3	Acquisitions are a central part of Addnode's strategy. Acquired companies are subject to a tried-and-tested acquisition process in which the Board and management participate from the start and where calculations do not include synergies.
G Compliance	Ability to comply with laws, regulations and other external requirements.	2	3	Addnode Group closely monitors developments in legislation, regulations and statutes that apply for the respective markets in which the Group has operations.
H Project commitments	Losses on project commitments.	3	2	An inability to implement and deliver on projects may affect customer relationships and have negative effects on profitability and growth. Addnode Group continuously follows up project commitments to evaluate and limit their associated risk.
i IT/cyber security	Dependence on ability to offer customers reliable IT solutions and having a secure internal IT structure.	3	4	Operational disruptions, cyber-attacks and theft of information undermine the market's trust in us and may cause substantial financial losses. Addnode Group works continuously to prevent and counter the negative effects of these.

Financial risks are presented in Note 38 on pages 119–122.

"It is gratifying to note that there are so many who follow Addnode Group's performance. During 2019 we saw greater interest from owners, investors and analysts."

CONTINUED GROWTH IN AN UNCERTAIN WORLD

2019 was characterised by geopolitical uncertainty, the Brexit threat and signs of an economic slowdown. In this landscape, Addnode Group grew successfully by 17 per cent and increased its EBITA to SEK 327 m.

We carried out three successful acquisitions in spring 2019, and in January 2020 we signed agreements on two additional acquisitions. The acquisition of the British company Excitech was strategically important, and Unizite added exciting technology. In addition, we expanded our acquisition credit facility by SEK 250 m in January 2020.

Achievement of financial targets

During 2019 Addnode Group achieved its long-term target for 10 per cent growth with a good margin. Growth in net sales was 17 per cent. Organic growth was 8 per cent, while 9 per cent was acquisition-related.

We nearly reached our target for an EBITA margin of 10.0 per cent, after summing up the year with a margin of 9.5 per cent. A changed revenue mix with a lower share of licence sales and higher personnel costs pressed down the margin from last year's level of 10.1 per cent.

Addnode Group has a strong financial position, but as a result of the uncertainty caused by the COVID-19 pandemic, the Board of Directors has decided to withdraw its previously communicated proposal for a dividend of SEK 2.50 per share. The Board thus proposes that no dividend be paid for 2019.

Greater interest in Addnode

It is gratifying to note that there are so many who follow Addnode Group's performance. During 2019 we saw greater interest from owners, investors and analysts. We received more requests to present Addnode Group than previously, and more foreign investors have shown interest in the Group. The strong share price performance in 2019 certainly attracted interest. Addnode Group's share price grew 72 per cent to SEK 178.50 at year-end.

Operational freedom and financial control

In September 2019 I took over the CFO role in connection with my predecessor's departure from Addnode Group. I understand that the decentralised governance model, which gives the subsidiaries room to make decisions close to their customers and local markets, puts high demands on the ability to combine efficient processes for financial control, with a keen understanding of the business's opportunities and challenges. The central finance function forms, together with the controllers in the three divisions, a strong and experienced team that can support the businesses in their continued growth. I am looking forward to working together to streamline the processes required for complying with the formal demands on financial reporting at the same time that we encourage simplification, support innovation and embody a present and coaching leadership aimed at further developing capabilities and further improving quality. During 2019 we worked with improving efficiency in cash management, reducing tied-up working capital and integrating acquired companies, among other things.

Lotta Jarleryd
CFO

ADDNODE GROUP **AS AN INVESTMENT**

LEADING MARKET POSITIONS

Addnode Group is an international provider of digital solutions for construction, design, simulation and product data information. The Group has a strong position in the Nordic countries and the UK in IT solutions for property management and maintenance and facility management, and is a leader in administrative systems for the public sector in Sweden.

ACQUISITION-DRIVEN GROWTH STRATEGY

The Group has extensive experience with acquisitions, and since 2004 we have carried out more than 60 acquisitions. We acquire new technical expertise and software, and establish ourselves in new markets. The acquisitions we have carried out contributed average annual growth of 13 per cent between the years 2009 and 2019. Through acquisitions we strengthen our positions while maintaining strong customer relationships.

HISTORICALLY FAVOURABLE TOTAL RETURN

During the years 2015–2019 Addnode Group's Class B shares increased in value from SEK 46.10 to SEK 178.50, corresponding to average annual growth of 31 per cent. In addition to this value growth, the shareholders received yearly dividends of SEK 2.25–2.50 during the period. The dividend policy is to distribute a minimum of 50 per cent of net profit to the shareholders. For 2019 the Board has proposed that no dividend be paid.

DIVERSIFIED BUSINESS, SOFTWARE AND RECURRING REVENUE

Addnode Group conducts business in both the private and public sectors in several geographic markets. The Group has a diversified base of business and several different business models, entailing that sales performance is not dependent on individual customers, sectors or geographic markets. The Group has a large share of recurring revenue and advance payments, which contributes to good cash generation.

EARNINGS PER SHARE

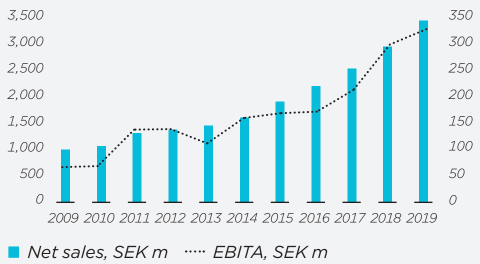
3.86* SEK

*) SEK 4.64 excluding remeasurements of contingent consideration.

CHANGE IN PRICE OF ADDNODE GROUP'S CLASS B SHARES 2019

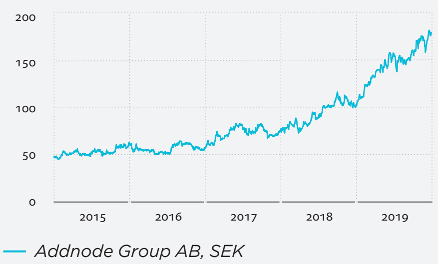
+72%

PROFITABLE GROWTH



Excluding remeasurements of contingent consideration, totalling SEK 34 m.

SHARE PRICE GROWTH, 2015–2019



SHARE DATA

Addnode Group's Class B shares are listed on Nasdaq Stockholm, where they are traded under the symbol ANOD B. On 31 December 2019 the company had 5,872 shareholders, and foreign ownership in the company was 22 per cent. The share of institutional ownership was 70 per cent.

SHARE PRICE DEVELOPMENT

At year-end 2019 Addnode Group's shares were quoted at a price of SEK 178.50 per share (103.50). The highest price paid in 2019 was SEK 181.00 (13 December), and the lowest price paid was SEK 102 (3 January). At year-end the company's market capitalisation was SEK 5,967 m (3,460). Trading volume in Addnode Group shares on Nasdaq Stockholm in 2019 was 7,044,176 shares (7,819,322), corresponding to average daily turnover of 28,177 shares (31,153) per trading day.

SHARE DATA

The number of registered shares in Addnode Group was 33,427,256 on 31 December 2019, including 987,174 Class A shares and 32,440,082 Class B shares. A-shares carry entitlement to ten votes each, and B- and C-shares carry entitlement to one vote each. Addnode Group's shares are denominated in Swedish kronor (SEK), and the share quota value is SEK 12. Class A and B shares carry entitlement to dividends. Class C shares do not carry entitlement to dividends. No Class C shares were in issue as per 30 December 2019.

OWNERSHIP STRUCTURE

The largest shareholders in Addnode Group AB as per 31 December 2019 are shown in the table on page 58. The number of shareholders as per 31 December 2019 was 5,872.

SHARE-SAVINGS PROGRAMME, OPTIONS AND C ONVERTIBLE PROGRAMMES

Addnode Group does not have any outstanding share-savings programmes, nor any option or convertible programmes.

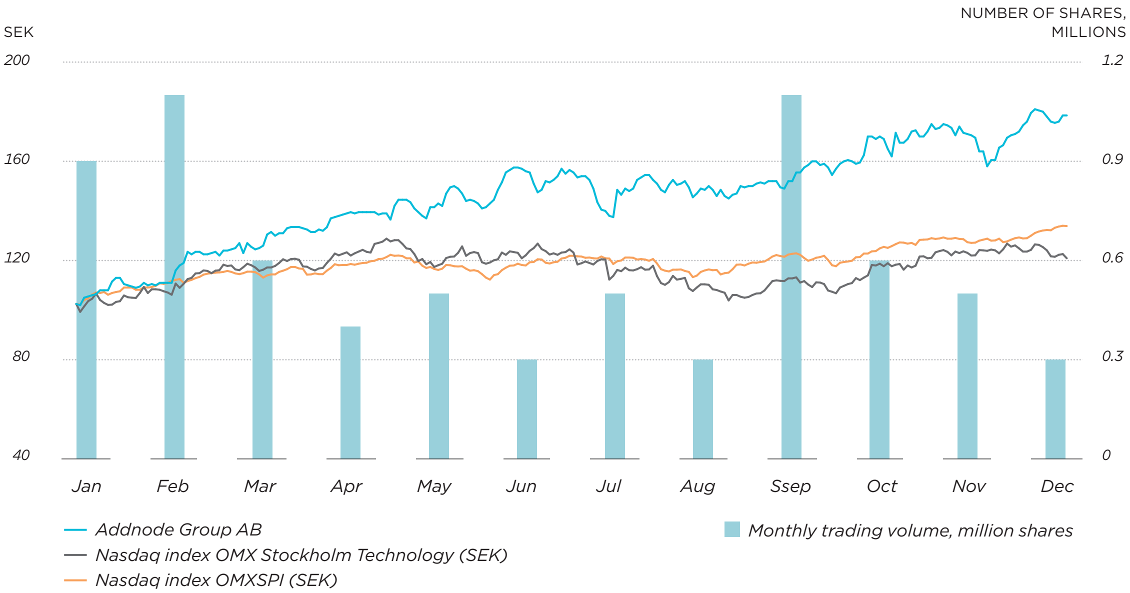
DIVIDEND POLICY

Addnode Group's policy is to distribute a minimum of 50 per cent of consolidated net profit to the shareholders, provided that the company's net cash is sufficient to operate and develop the business.

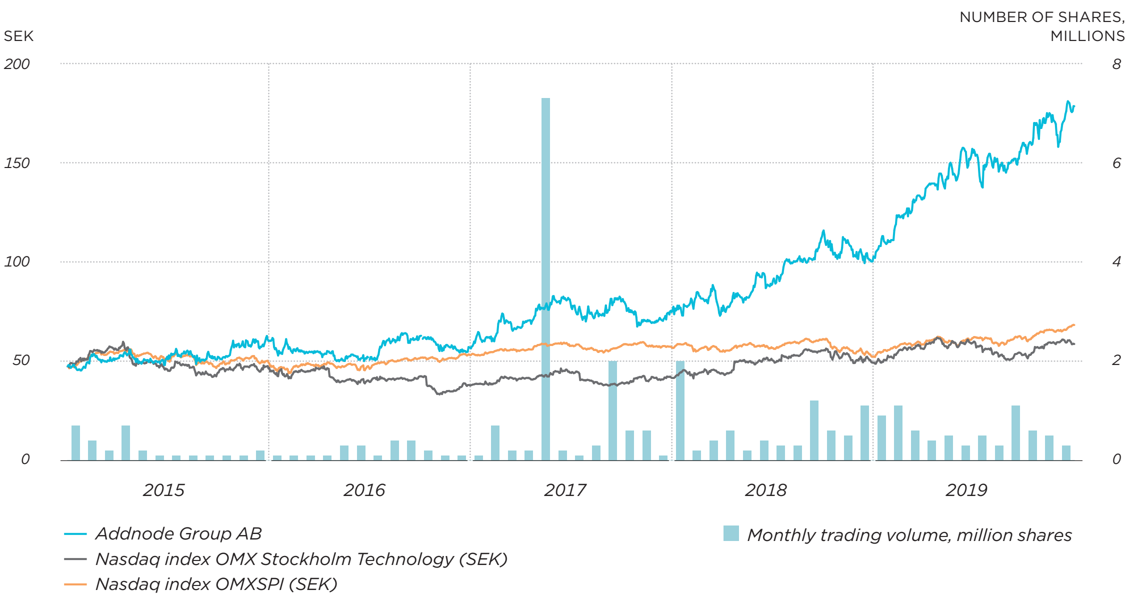
DIVIDEND PROPOSAL

The Board of Directors proposes to the Annual General Meeting that no dividend be paid per share (SEK 2.50) for the 2019 financial year, corresponding to a total dividend of 0 (SEK 84 m). Addnode Group has a strong financial position, but due to the uncertainty surrounding the COVID-19 pandemic, the Board has decided to withdraw its previously communicated proposal for a dividend of SEK 2.50 per share.

SHARE PERFORMANCE AND TRADING VOLUME 2019



SHARE PERFORMANCE AND TRADING VOLUME 2015–2019



SHARE CAPITAL DEVELOPMENT – ADDNODE GROUP

Year	Transaction	Number of shares after transaction	Total share capital after transaction, SEK
2000	New share issue – in connection with redemption of employee warrant programme	2,752,184	1,376,092
2000	Non-cash share issue – for GCI Interactive Europe AB	2,823,518	1,411,759
2000	Split 5:1	14,117,590	1,411,759
2000	New and non-cash share issues for the companies acquired in 2000	18,766,817	1,876,681
2000	New share issue in connection with broadening of ownership	21,266,817	2,126,681
2000	Withdrawal of shares/reduction in share capital	18,365,626	1,836,562
2002	Bonus share issue in connection with change of the share quota value	18,365,626	2,203,875
2003	Non-cash share issue in connection with acquisition of 100% of Teknik i Media Sv AB	477,029,244	57,243,509
2003	Non-cash share issue in connection with acquisition of 97% of Cartesia Info. Teknik AB	757,023,700	90,842,844
2003	Reverse split 1:100	7,570,237	90,842,844
2003	Non-cash share issue in connection with acquisition of 74.85% of Mogul Holding AB	8,493,512	101,922,144
2003	Non-cash share issue in connection with acquisition of 15.3% of Mogul Holding AB and 1.9% of Cartesia Informationsteknik AB	8,728,013	104,736,156
2004	Non-cash share issue in connection with acquisition of 100% of TECHNIA Holding AB	17,227,984	206,735,808
2005	Non-cash share issue in connection with acquisitions of 100% of CAD-Quality i Sverige AB and CAD-Quality AS	21,227,984	254,735,808
2006	Non-cash share issue in connection with acquisition of 100% of Ida Infront AB	22,427,984	269,135,808
2008	Non-cash share issue as partial payment for acquisition of Strand Interconnect AB	23,550,698	282,608,376
2009	Non-cash share issue as partial payment for acquisition of Strand Interconnect AB	23,645,408	283,744,896
2010	Non-cash share issue as partial payment for acquisitions of 100% of Decerno AB, Tekis AB and Mittbygge AB	28,145,408	337,744,896
2011	New share issue for share-savings programme	28,819,632	345,835,584
2013	Non-cash share issue as partial payment for acquisition of 100% of Abou AB	28,916,740	347,000,880
2013	Non-cash share issue as partial payment for 100% of Joint Collaboration AS	30,088,517	361,062,204
2015	Non-cash share issue as partial payment for acquisition of 100% of Transcat GmbH	30,427,256	365,127,072
2018	New share issue to support continued acquisitions and growth	33,427,256	401,127,072

SHAREHOLDERS – DECEMBER 2019

Owners	Number of A-shares	Number of B-shares	Total number of shares	Share of capital, %	Number of votes	Share of votes, %
Aretro Capital Group AB[1]	625,332	1,654,624	2,279,956	6.8	7,907,944	18.7
Verg AB	361,667	1,084,718	1,446,385	4.3	4,701,388	11.1
Swedbank Robur funds		3,202,879	3,202,879	9.6	3,202,879	7.6
Odin funds		2,898,846	2,898,846	8.7	2,898,846	6.9
Försäkringsbolaget Avanza Pension		2,507,925	2,507,925	7.5	2,507,925	5.9
SEB Fonder		2,475,212	2,475,212	7.4	2,475,212	5.8
Nordea funds		1,772,799	1,772,799	5.3	1,772,799	4.2
Lannebo funds		1,664,289	1,664,289	5.0	1,664,289	3.9
Fjärde AP-fonden		1,267,016	1,267,016	3.8	1,267,016	3.0
Other shareholders	175	13,911,774	13,911,949	41.6	13,913,524	32.9
Total	**987,174**	**32,440,082**	**33,427,256**	**100.0**	**42,311,822**	**100.0**

1) Aretro Capital Group AB is 50 per cent owned via companies by Staffan Hanstorp, Chairman of the Board of Addnode Group, and 50 per cent owned via companies by Jonas Gejer, President of the Product Lifecycle Management division.

DISTRIBUTION OF SHAREHOLDINGS, 30 DECEMBER 2019

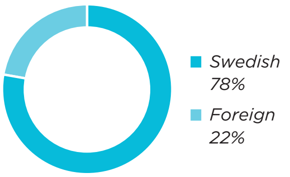
Shareholding	Number of shareholders	Capital, %	Votes, %
1 – 500	4,925	1.2	1.0
501 – 1 000	401	1.0	0.8
1 001 – 2 000	229	1.1	0.9
2 001 – 5 000	147	1.5	1.1
5 001 – 10 000	59	1.2	1.0
10 001 – 20 000	38	1.8	1.4
20 001 – 50 000	18	1.9	1.4
50 001 – 100 000	16	3.5	2.8
100 001 – 500 000	23	18.7	14.8
500 001 – 1 000 000	7	15.7	12.4
1 000 001 – 5 000 000	9	52.4	62.4
Total, 30/12/2019	**5,872**	**100.0**	**100.0**

SHARE DATA

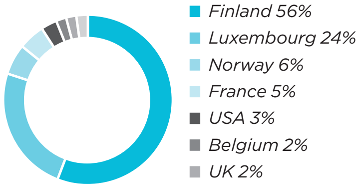
	2019	2018	2017	2016	2015
Average number of shares outstanding before and after dilution, millions	33,4	32,0	30,4	30,4	30,0
Total number of shares outstanding, millions	33,4	33,4	30,4	30,4	30,4
Total number of registered shares, millions	33,4	33,4	30,4	30,4	30,4
Earnings per share before and after dilution, SEK	3.86	4.75	2.96	2.71	3.18
Cash flow from operating activities per share, SEK	12.36	8.90	4.83	5.18	4.79
Equity per share, SEK	42.18	40.06	32.30	31.70	30.12
Dividend per share, SEK	0.00[1]	2.50	2.25	2.25	2.25
Share price on closing date, SEK	178.50	103.50	75.75	56.50	61.25
P/E multiple	46	22	26	21	19

1) Proposed by the Board of Directors to the Annual General Meeting.

BREAKDOWN OF SWEDISH AND FOREIGN SHAREHOLDERS 30/12/2019



FOREIGN SHAREHOLDERS BY COUNTRY, EXCL. SWEDEN



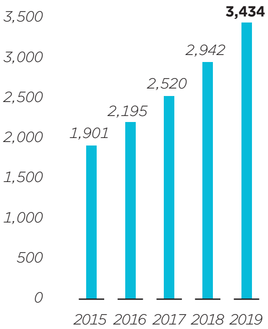
Analysts and further information
Analysts who regularly monitor Addnode Group include Fredrik Nilsson (Redeye), Daniel Thorsson and Simon Granath (ABG Sundal Collier), and Erik Elander (Handelsbanken).

Investor relations
Addnode Group conducts long-term communication work in the capital market. An important part of this work is to provide shareholders, institutional investors, analysts, the media and other interested parties with transparent, reliable and accurate information about Addnode Group's activities and financial performance.

For queries, please contact the CFO and Head of Investor Relations
Lotta Jarleryd
+46 (0)72 247 92 01
lotta.jarleryd@addnodegroup.com

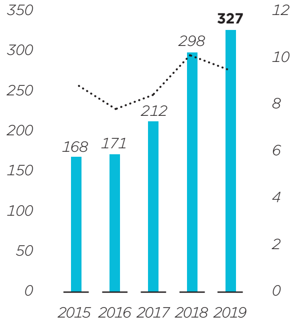
FIVE-YEAR OVERVIEW

NET SALES, SEK m



Net sales increased during the 5-year period from SEK 1,901 m to SEK 3,434 m, corresponding to average annual growth of 16 per cent. The Group's target is to achieve annual growth of at least 10 per cent.

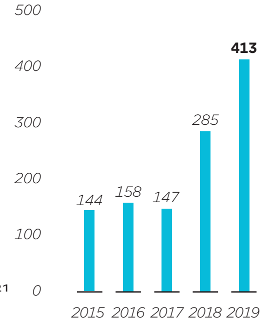
EBITA, SEK m



··· *EBITA margin, %*

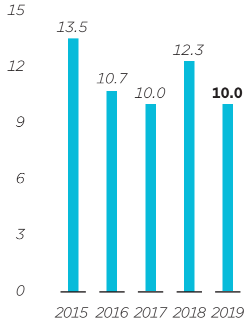
EBITA grew during the 5-year period from SEK 168 m to SEK 327 m. Growth in earnings can be credited to higher demand for the Group's software and services, and to contributions from companies acquired during the period.

CASH FLOW FROM OPERATING ACTIVITIES, SEK m



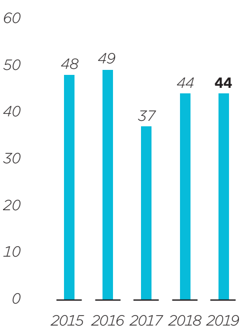
Addnode Group's business model, with a large share of prepaid support and maintenance contracts, entails that the business has a relatively small level of tied-up capital. Historically, cash flow from operating activities has been on par with EBITA. Of the increase in cash flow from 2018 by SEK 128 m, SEK 67 m is attributable to the adoption of IFRS 16 Leasing.

RETURN ON CAPITAL EMPLOYED, %



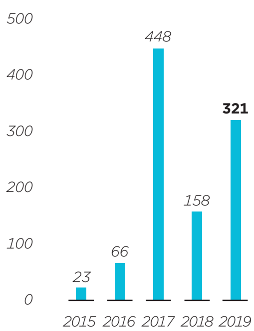
Return on capital employed was 10.0 per cent in 2019, which is lower than in 2018. This is due to the fact that remeasurements of contingent consideration, totalling SEK –26 m (6), were charged against profit in 2019.

EQUITY/ASSETS RATIO, %



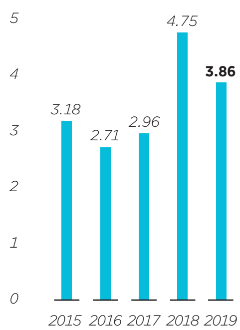
The equity/assets ratio averaged 44 per cent during the 5-year period. A new share issue was carried out in 2018, which added SEK 254 m to cash and cash equivalents.

NET DEBT, SEK m



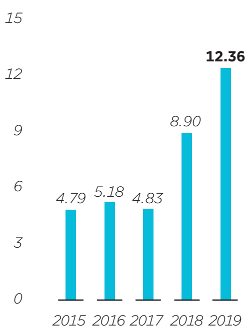
Addnode Group AB has a SEK 750 m credit facility for the financing of acquisitions, of which SEK 481 m was utilised as per 31/12/2019. Net debt increased by SEK 123 m in 2019 as a result of adoption of IFRS 16 Leasing. A new share issue was carried out in 2018, which added SEK 254 m in cash and cash equivalents.

EARNINGS PER SHARE AFTER DILUTION, SEK



Earnings per share in 2019 were SEK 3.86. Net profit for 2019 was charged with a net effect of SEK –26 m (6) from remeasurements of contingent consideration. Excluding these remeasurements, earnings per share would have been SEK 4.64 (4.56). A new share issue was carried out in 2018, which increased the average number of shares outstanding compared with 2017.

CASH FLOW FROM OPERATING ACTIVITIES PER SHARE, SEK



Cash flow from operating activities per share was SEK 12.36 in 2019. A new share issue was carried out in 2018, which increased the average number of shares outstanding compared with 2017. Cash flow per share is higher than earnings per share mainly due to depreciation of identified assets in connection with acquisitions, with no cash flow effect.

	2019	2018	2017	2016	2015
INCOME STATEMENT (SEK m)					
Net sales	3,434	2,942	2,520	2,195	1,901
of which, outside Sweden	1,956	1,585	1,264	1,133	894
Operating profit before depreciation/amortisation	412	314	228	185	182
EBITA	327	298	212	171	168
Operating profit	218	203	130	114	126
Net financial items	–43	–6	–11	–5	–1
Profit before tax	175	197	119	109	125
Tax	–46	–45	–29	–26	–29
Profit for the year	129	152	90	82	96
BALANCE SHEET (SEK m)					
Intangible assets	1,894	1,803	1,654	1,166	1,061
Property, plant and equipment	169	37	40	37	35
Financial assets	30	28	28	24	30
Inventories	1	1	1	1	1
Other receivables	781	819	729	646	662
Cash and cash equivalents	294	387	173	112	103
Total assets	**3,169**	**3,075**	**2,625**	**1,986**	**1,891**
Shareholders' equity	1,410	1,339	982	965	917
Non-current liabilities	155	93	192	68	102
Current liabilities	1,604	1,643	1,451	953	872
Total shareholders' equity and liabilities	**3,169**	**3,075**	**2,625**	**1,986**	**1,891**
CASH FLOW					
Cash flow from operating activities per share, SEK	12.36	8.90	4.83	5.18	4.79
Cash flow from operating activities, SEK m	413[1]	285	147	158	144
Cash flow from investing activities, SEK m	–321	–166	–439	–136	–115
Cash flow from financing activities, SEK m	–204	90	352	–19	7
of which, shareholder dividend	–84	–68	–68	–68	–67
RETURN METRICS					
Change in net sales, %	17	17	15	15	19
Return on capital employed, %	10.0	12.3	10.0	10.7	13.5
Return on equity, %	9.4	13.1	9.4	8.9	10.8
EBITA margin, %	9.5	10.1	8.4	7.8	8.8
Operating margin, %	6.3	6.9	5.2	5.2	6.6
Profit margin, %	5.1	6.7	4.7	5.0	6.6
FINANCIAL METRICS					
Interest coverage multiple	9	13	11	17	33
Equity/assets ratio, %	44	44	37	49	48
Debt/equity multiple	0.23	0.12	0.46	0.07	0.03
Net debt, SEK m	321	158	448	66	23
Shareholders' equity, SEK m	1,410	1,339	982	965	917
Shareholders' equity per share, SEK	42.18	40.06	32.30	31.70	30.12
EMPLOYEES					
Number of employees at 31 December	1,714	1,583	1,511	1,277	1,202
Average number of employees	1,590	1,471	1,317	1,160	1,005
Net sales per employee, SEK thousands	2,160	2,000	1,913	1,892	1,891

1) The increase in cash flow from operating activities from 2018 by SEK 128 m to SEK 67 m is attributable to the adoption of IFRS 16 Leasing.

ADDNODE GROUP 2019

ANNUAL REPORT

BOARD OF DIRECTORS' REPORT

The Board of Directors and President of Addnode Group AB hereby submit the annual report and consolidated accounts for the financial year 1 January–31 December 2019. Addnode Group AB, with registered office in Stockholm, is a public stock corporation with corporate identity number 556291-3185.

YEAR IN REVIEW

BUSINESS FOCUS

Addnode Group acquires, operates and develops entrepreneur-driven companies that help digitalise society. We are a leading European provider of software and services for design, construction, product data information, project collaboration and property management. Addnode Group is also a leading supplier of document and case management systems to Swedish and Norwegian public administrations.

Operations are organised in three divisions:

- **Design Management** – IT solutions for design, construction and property management
- **Product Lifecycle Management** – IT solutions for design and product data information
- **Process Management** – IT solutions for document and case management

NET SALES AND EARNINGS

Consolidated net sales in 2019 amounted to SEK 3,434 m (2,942), an increase of 17 per cent, of which 8 per cent was organic growth. Currency-adjusted organic growth was 6 per cent. Sales of three-year licence contracts for third-party products had a significant impact on organic growth. The Group's recurring revenue increased by 28 per cent. EBITA was SEK 327 m (298), corresponding to an EBITA margin of 9.5 per cent (10.1). Amortisation of intangible non-current assets amounted to SEK 109 m (95). Operating profit was SEK 218 m (203), corresponding to an operating margin of 6.3 per cent (6.9). Profit for 2019 was charged with SEK 2 m (2) in acquisition costs. Through business development and acquisitions, the share of proprietary software and applications increased in the IT solutions that the Group offers its customers. In 2019, investments of SEK 57 m (52) in proprietary software and applications were capitalised. Net financial items for the Group totalled SEK –43 m (–6). Several acquired companies performed better than expected in 2018, entailing that provisions for contingent consideration were too low. The Group's net financial items in 2019 were charged with a net effect of SEK -26 m (6) pertaining to remeasurements of contingent consideration, mainly related to companies in the UK. Tax on profit for the year was SEK -46 m (-45). Profit after tax was SEK 129 m (152).

DIVISIONAL PERFORMANCE

Design Management division

Design Management is one of Europe's leading providers of software and digital solutions for design and construction to the construction and manufacturing industries. The division also has a strong offering for project collaborations, property management and facility management in the Nordic countries and the UK.

Operations of the Design Management division are conducted via the subsidiaries Symetri, Tribia and Service Works Global (SWG). Symetri is the Nordic region's and UK's largest provider of Autodesk products, complementary software and services to construction and property companies, the manufacturing industry and their suppliers. Symetri has also developed complementary products for product data management and for being able to manage, for example, local standards and norms in digital design processes. Tribia is a product company that delivers cloud-based collaboration tools for construction and civil engineering projects both to contractors and construction companies in the Norwegian and Swedish markets. SWG is a product company that delivers digital solutions for property management and maintenance as well as workplace and property services. The Nordic countries and UK are the company's home markets, with growth also in Australia, Canada and the Gulf states.

In 2019 part of Majenta's retail business in the UK was acquired.

Net sales for Design Management amounted to SEK 1,387 m (1,053). EBITA was SEK 146 m (114), corresponding to an EBITA margin of 10.5 per cent (10.8). The strong growth in 2019, 32 per cent, was mainly attributable to strong demand in the Nordic countries and the UK for the Autodesk offering complemented with proprietary products. In Sweden and Norway, sales of project collaboration solutions in the areas of construction, civil engineering, energy and technology also performed well.

At the start of 2020 agreements were signed to acquire the British Autodesk partner Excitech and the Norwegian company Unizite, which has developed a mobile field tool for BIM information.

Product Lifecycle Management division

The Product Lifecycle Management division is a global provider of software and digital solutions for simulation, design and product data information. Its system solutions are used to digitalise the entire lifecycle of a product, service or facility. Digitalisation gives the division's customers shorter lead times, stronger innovative capacity, improved efficiency and traceability.

Operations are conducted via the subsidiary TECHNIA, one of Europe's largest providers of PLM software and consulting services. In 2019 the company Kpass IT ("Kpass"), with 35 consultants, was acquired. Kpass is a service partner for Dassault Systèmes' 3DExperience Platform, with operations in France and Japan. The division's largest markets are the Nordic countries, Benelux, the German-speaking parts of Europe and the UK.

Net sales for Product Lifecycle Management amounted to SEK 1,272 m (1,132). EBITA was SEK 104 m (104), corresponding to an EBITA margin of 8.2 per cent (9.2). The division was affected by a weaker market in Germany resulting from uncertainty and the auto industry's lower willingness to invest. At the same time, the division attracted several new customers and established itself in new sectors, such as life sciences.

Process Management division

The Process Management division is a leading provider of software and digital solutions to the public sector in Sweden, i.e., the Digital Government growth area. With the help of automation and digital administrator support, its solutions contribute to smoother case management, simplified administration and quality-assured processes in contacts between authorities and citizens.

The division's software and digital solutions are used primarily in the public sector in Sweden, but the division has a growing base of business in Norway and also helps companies in private industry take advantage of the opportunities provided by digitalisation of their processes.

In 2019 the company IntraPhone was acquired, which provides mobile solutions for planning, registration and monitoring in home care, particularly extended care homes and personal assistance.

The division's operations are conducted via the subsidiaries Adtollo, Arkiva, Canella, Decerno, EssVision, Evitbe, Forsler & Stjerna, Ida Infront, InPort, IntraPhone, Kompanion, Landborgen, Mittbygge, Sokigo, Stamford and Voice Provider.

Net sales for Process Management amounted to SEK 797 m (773). EBITA was SEK 115 m (116), corresponding to an EBITA margin of 14.4 per cent (15.0). Acquisitions completed during the year contributed to the division's growth and profitability. Following a challenging start to 2019 resulting from fewer public sector tenders, the year ended on a strong note with several new contracts and higher efficiency. More and more authorities and municipalities are looking for a long-term partner in their work on developing innovative and efficient operations that are compliant with the rule of law.

ACQUISITIONS IN 2019

Addnode Group acquired three businesses in 2019.

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 some 50 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 purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with

KEY FIGURES PER DIVISION

	Net sales		EBITA		Operating profit		Average number of employees	
SEK m	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Design Management	1,387	1,053	146	114	101	74	415	412
Product Lifecycle Management	1,272	1,132	104	104	73	78	644	555
Process Management	797	773	115	116	82	87	524	497
Central functions[1]	13	13	–38	–36	–38	–36	7	7
Eliminations	–35	–29	—	—	—	—	—	—
Addnode Group	**3,434**	**2,942**	**327**	**298**	**218**	**203**	**1,590**	**1,471**

1) EBITA and operating profit for central functions were charged with SEK 2 m (2) in acquisition costs in 2019.

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 40 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 purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to approximately SEK 22 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 35 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.

LIQUIDITY AND FINANCIAL POSITION

The Group's available liquidity amounted to SEK 394 m (487). This includes, in addition to cash and cash equivalents of SEK 294 m (387), an unutilised bank overdraft facility of SEK 100 m. In addition, the Group has a multicurrency revolving credit facility of up to SEK 750 m to finance acquisitions, of which SEK 269 m (252) was unutilised as per 31 December 2019. Liabilities pertaining to promissory notes for completed acquisitions amounted to SEK 8 m (34), and estimated contingent earn-out payments for completed company acquisitions amounted to SEK 8 m (108). The Group's interest-bearing liabilities amounted to SEK 615 m (545) as per 31 December 2019, of which lease liabilities according to IFRS 16 amounted to SEK 123 m. Net debt amounted to SEK 321 m (158). The equity/assets ratio was 44 per cent (44) on 31 December 2019. After the end of the reporting period the Parent Company expanded its acquisition credit facility by SEK 250 m to SEK 1,000 m. The new credit has not been utilised.

INVESTMENTS

Investments in intangible non-current assets and in property, plant and equipment amounted to SEK 137 m (71), of which SEK 57 m (52) pertains to proprietary software, SEK 27 m (14) to equipment and SEK 50 m to leases for office premises. Investments in 2019 included SEK 57 m attributable to application of IFRS 16 Leases.

SOFTWARE DEVELOPMENT

Through business development and acquisitions, the share of proprietary software and applications has increased in the IT solutions that the Group offers its customers. In 2019, capital expenditures of SEK 57 m (52) in proprietary software and applications were capitalised. Expenditures for customer-financed development and certain other development work that do not meet the criteria for capitalisation were expensed in the income statement.

GOODWILL AND OTHER INTANGIBLE ASSETS

The Group's carrying amount of goodwill on 31 December 2019 was SEK 1,588 m (1,495). Goodwill increased by SEK 55 m in 2019 in connection with company acquisitions. Other intangible assets amounted to SEK 306 m (308) and pertain mainly to customer contracts and software.

DEFERRED TAX ASSETS

Total reported deferred tax assets amounted to SEK 12 m (10) on 31 December 2019, of which SEK 6 m pertains to tax loss carryforwards. The Group's accumulated tax loss carryforwards amounted to approximately SEK 70 m on 31 December 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 amounted to SEK 1,410 m (1,339) on 31 December 2019. A new issue was carried out in 2018, which increased shareholders' equity by SEK 254 m. The shareholder dividend of SEK 84 m was paid out in May 2019 following a resolution by the Annual General Meeting.

PROVISIONS

Provisions, which are reported among non-current and current liabilities on the consolidated balance sheet, amounted to SEK 19 m on 31 December 2019, of which SEK 8 m pertains to estimated contingent consideration for completed company acquisitions. During 2019, a total of SEK 134 m (0) was paid in contingent consideration.

EMPLOYEES

The average number of employees in the Group in 2019 was 1,590 (1,471). At year-end the number of employees was 1,714 (1,583).

SHARE REPURCHASES, AND TRANSFERS AND HOLDINGS OF TREASURY SHARES

Addnode Group had no holdings of treasury shares on 31 December 2019 nor 31 December 2018. During 2019 no shares were repurchased or transferred. The number of registered shares and shares outstanding on 31 December 2019 was 33,427,256 (33,427,256).

PARENT COMPANY

The Parent Company's operations consist of joint-group functions for financial reporting and follow-up, financing, communication and investor relations, among other things.

Net sales amounted to SEK 16 m (15) and pertained mainly to invoicing to subsidiaries for rents of premises and performed services. Profit after financial items totalled SEK 285 m (106) including SEK 250 m (57) in dividends from subsidiaries, SEK 146 m (130) in Group contributions from subsidiaries, and SEK 52 m (33) in impairment losses on shares in subsidiaries. Cash and cash equivalents amounted to SEK 235 m (188) on 31 December 2019. Investments pertaining to shares in subsidiaries amounted to SEK 85 m. No significant investments have been made in intangible non-current assets or in property, plant and equipment.

SENSITIVITY ANALYSIS

The table below shows the impact on profit before tax of changes in various factors.

Impact factor	Change	Earnings effect*
Net sales	+/– 1%	SEK 0.60
Gross margin	+/– 1%	SEK 1.03
Payroll costs	+/– 1%	SEK 0.39
Other operating expenses	+/– 1%	SEK 0.16

**) All else equal, earnings per share before tax for the 2019 financial year.*

RISKS AND UNCERTAINTIES

In general, Addnode Group's earnings capacity and financial position are affected by customer demand, the ability to retain and recruit competent employees, the integration of newly acquired businesses, and risks associated with individual customers and current assignments. The Group's financial risks are primarily related to changes in exchange rates, interest rates and customers' ability to pay. The presentation below is not represented as being comprehensive, and the risks and uncertainties are not listed in any order of significance.

Business cycle and macro risks

The general view of the external operating environment and economy may affect customers' willingness to invest and demand. Addnode Group manages these risks by conducting business in both the private and public sectors and in several different markets. A high share of recurring revenue and a balanced customer structure provide stable earnings over time.

Products and technology

New ways of working, behaviours and rapid technology shifts may lead to changes in customer requirements. Addnode Group manages this risk by working closely with customers in software development in order to gain an understanding of their needs and changes in the market.

Partners

Our partners may change business models and terms, which affects our earnings capacity. Addnode Group manages this risk by having well-established and strategic collaborations with numerous suppliers of IT platforms and software. Our earnings capacity is thereby not dependent on any specific partnership.

Competition

Demand for and sales of our software and services may decline as a result of greater competition. Addnode Group manages competition risk by being a leading player in selected markets. We have close relationships with our customers, and we continuously develop our offering together with them and with their needs in focus.

Organisation and employees

To be able to grow, Addnode Group is dependent on its ability to recruit and retain competent employees. Every subsidiary in the Group is responsible for its own competence succession. In their recruitment activities, the individual companies benefit from entrepreneur-driven brands at the same time that they belong to a financially stable group.

Acquisitions

There is always a risk that Addnode Group will be unsuccessful in assessing and integrating an acquired company or business. Addnode Group manages this risk by making acquisitions a central part of its strategy. Acquired companies are subject to a tried-and-tested acquisition process in which the Board of Directors and management participate from the start and where calculations do not include synergies.

Compliance

Addnode Group closely monitors developments in legislation, regulations and statutes that apply for the respective markets in which the Group has operations.

Project commitments

An inability to implement and deliver on projects may affect customer relationships and have negative effects on profitability and growth. Addnode Group continuously follows up project commitments to evaluate and limit their associated risk.

IT and cyber security

Addnode Group is dependent on its ability to offer customers reliable IT solutions and having a secure internal IT structure. Operational disruptions, cyber-attacks and theft of information may undermine the market's trust in Addnode Group and cause substantial financial losses. Addnode Group works continuously to prevent and counter negative effects of IT and cyber security risks.

Financial risks

The Group is exposed to various financial risks, including interest rate risk, financing and liquidity risk, currency risk, credit risk and other price risks. On the whole, it is believed that the Group's total exposure to financial risks continued to increase during the year as a result of the increasingly international scope of its business resulting from foreign acquisitions, among other things. The Group's financial transactions and risks are handled centrally by the Parent Company. The overall objective of the Group's financial strategy is to support growth and maximise the return to shareholders based on secure and cost-efficient management of the financial risks that the Group is exposed to. See also Note 38 on pages 119–122 for a description of the financial risks identified by Addnode Group and how these are managed.

Other

Addnode Group is party to certain agreements containing stipulations that the agreement may be discontinued if control of Addnode Group changes as a result of a public takeover bid. However, the Board of Addnode Group has deemed that none of these agreements individually have significant bearing on Addnode Group's operations.

ENVIRONMENTAL IMPACT

The Group does not conduct any operations requiring permits according to applicable environmental regulations.

SUSTAINABILITY REPORT

The Group's sustainability report for 2019, which is presented on pages 46-50 of this annual report, has been prepared by Addnode Group AB (publ), corporate identity number 556291-3185, with registered office in Stockholm.

ADDNODE GROUP SHARES AND OWNERSHIP

Addnode Group's Class B shares have been listed on Nasdaq Stockholm since 1999. Class A shares carry ten votes each, and Class B and C shares carry one vote each; only Class B shares are listed. Class C shares do not carry entitlement to dividends. On 30 December 2019 the number of Class A shares was 987,174, the number of Class B shares was 32,440,082 and the number of Class C shares was 0.

The largest shareholder in terms of voting rights is Aretro Capital Group AB, which at 30 December 2019 held 18.7 per cent of the votes and 6.8 per cent of the share capital. Aretro Capital Group AB is jointly owned via companies by Staffan Hanstorp and Jonas Gejer. Staffan Hanstorp is Chairman of the Board of Addnode Group AB. Jonas Gejer is President of TECHNIA AB and the Product Lifecycle Management division.

As far as the Board of Addnode Group AB is aware, there are no agreements between major shareholders that restrict the transferability of shares. Neither are there any restrictions on the transferability of shares posed by stipulations in law or the Articles of Association. There is no limitation on the number of votes each shareholder is entitled to vote for at general meetings of shareholders. According to the Articles of Association, the Board of Directors shall comprise three to eight members, with a maximum of two deputy members. The Articles of Association do not contain any general stipulations concerning the appointment or dismissal of board members or amendments to the Articles of Association.

SHARE-SAVINGS PROGRAMMES, OPTION PROGRAMMES AND CONVERTIBLE PROGRAMMES

No share-savings, option or convertible programmes were in effect on 31 December 2019.

CORPORATE GOVERNANCE

In accordance with the Annual Accounts Act and the Swedish Corporate Governance Code ("the Code"), a separate corporate governance report, which includes a section on internal control, has been prepared and appended to this annual report, see pages 71–81. Addnode Group has no departures from the Code to report for 2019.

Authorisations

The 2019 Annual General Meeting (AGM) authorised the Board to:

- on one or more occasions during the period up until the next AGM, to decide on purchases of a maximum number of Class B shares so that the company's holding following such purchase amounts to a combined maximum of 10 per cent of the total number of shares in the company at any given time. Up until the date of publication of this annual report, no shares were purchased with the support of this authorisation;
- on one or more occasions prior to the next AGM, to decide on transfers of Class B shares in the company to a third party. The number of shares transferred may not exceed the total number of treasury shares held by the company at any given time. Up until the date of publication of this annual report, no treasury shares were transferred pursuant to this authorisation; and
- during the time up until the next AGM, to decide on new issues of shares and thereby be able to increase the share capital by a total of not more than SEK 39.6 m by issuing a total of not more than 3,300,000 new shares upon full subscription. Up until the date of publication of this annual report, no new issues have been carried out.

For further information, see the Corporate governance report on page 72.

Remuneration

Information on remuneration of the members of the Board of Directors and Group Management as well as the guidelines for remuneration of senior executives adopted by the 2019 Annual General Meeting are provided in Note 5 on pages 100–101.

The Board's proposed guidelines on remuneration of senior executives

The Board proposes that the 2020 Annual General Meeting resolve on updated guidelines for remuneration of senior executives. Compared with the guidelines that were resolved upon at the 2019 Annual General Meeting, the guidelines have been updated to meet the requirements stemming from the EU Shareholder Rights Directive II, which have been implemented into Swedish law.

By senior executives is meant the President of the Parent Company and other members of Group Management. The guidelines shall be applied for remuneration agreed upon after the guidelines were adopted by the 2020 Annual General Meeting as well as for changes made to existing agreements on remuneration. The guidelines do not pertain to remuneration decided on by a general meeting of shareholders.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

Addnode Group's strategy is to acquire, operate and develop entrepreneur-driven companies that help digitalise society. The Group's financial targets are i) annual growth in net sales of at least 10 per cent, ii) an operating margin before amortisation and impairment of intangible assets (EBITA margin) of at least 10 per cent, and iii) that 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.

Successful implementation of the company's business strategy and safeguarding of the company's long-term interests, including its sustainability, requires that the company can recruit and retain qualified employees. The company shall therefore apply market and competitive levels of remuneration and terms of employment to be able to recruit and retain management with high competence and capacity to achieve set goals.

Remuneration

Remuneration of the President of the Parent Company and other members of Group Management shall normally consist of a fixed salary, variable remuneration, share-based incentive programmes, pension and other customary benefits.

Fixed salary

Fixed salary is not conditional upon the achievement of any performance requirements. However, the employee's individual performance and qualitative competence shall be taken into account along with the business performance when setting fixed salary and any increases to fixed salary. As a rule, fixed salary is reviewed once a year.

Variable cash remuneration

In addition to fixed salary, variable cash remuneration may be payable. Variable remuneration shall be based on achieved results and/or individually set and specific goals. In addition, variable remuneration shall be based on metrics coupled to the yearly business plan, which in turn is coupled to Addnode Group's long-term business strategy and financial targets. These metrics shall include financial targets at the Group and divisional levels (for relevant members of Group Management). Other metrics may include strategic targets, operational targets, targets for employee engagement or customer satisfaction, targets pertaining to sustainability and corporate social responsibility, or other leading indicators. The starting point is that most of the variable remuneration shall be based on metrics for the part of operations that the senior executive is responsible for.

In all, a maximum of four targets may be assigned to an individual senior executive for a financial year. Financial targets shall account for at least 75 per cent of the possible target bonus, and at least 15 per cent shall be at the Group level. The minimum weight for a specific target shall be 10 per cent. The outcome for all targets shall be calculated based on a performance period of 12 months (the financial year). For the President and Chief Executive Officer, the maximum award of variable remuneration shall be an amount corresponding to 12 months' fixed salary. For other members of Group Management, the maximum award shall correspond to nine months' fixed salary.

Share-based incentive programmes

Share-based incentive programmes shall ensure a long-term commitment to the Group's development and promote a personal shareholding in the company, and shall be implemented at market terms. Share-based incentive programmes require a resolution by a general meeting of shareholders and are therefore not covered by these guidelines.

Pension and other benefits

Pensions shall always be defined contribution solutions in order to create predictability regarding the company's future obligations. Pension premiums shall be paid in an amount up to a maximum of 30 per cent of the employee's current, fixed yearly salary.

Other remuneration and benefits shall be in line with the going rate in the market and contribute to facilitating the executive's opportunities to perform his or her work duties and may amount to a maximum of 10 per cent of fixed yearly cash salary. Other benefits pertain mainly to company cars or mileage allowance.

Cessation of employment

Senior executives' employment contracts include stipulations for notice of end of employment. The policy is that employment can end at either party's request with a notice period of at least six months and not more than 12 months. During the notice period, unchanged salary, remuneration and benefits shall be paid.

Salary and terms of employment for employees

In the preparation of the Board's proposal for these guidelines, salary and terms of employment for the company's employees have been taken into account, whereby information on the employees' total remuneration, the remuneration components, and the increase in remuneration and rate of increase over time have made up part of the Remuneration Committee's and Board's decision-making documentation in evaluating the fairness of the guidelines and the limitations posed by these.

Remuneration of board members in addition to directors' fees resolved by a general meeting of shareholders

Board members elected by a general meeting shall in special cases be able to receive fees and other remuneration for work performed on behalf of the company in addition to board work (consulting services, etc., in the directors' respective areas of competence). For such services, it shall be possible to pay a fee that is in line with the going rate in the market, which shall be approved in advance by the Chairman of the Board or by two board members. These guidelines shall be applied for such remuneration.

Decision-making process for setting, reviewing and implementing the guidelines

The Board has established a remuneration committee. The committee is tasked with conducting preparatory work for the Board's decisions on proposed guidelines for remuneration of senior executives and any decisions to depart from the guidelines. The Board shall draw up a proposal for new guidelines at least every four years and submit its proposal to the Annual General Meeting for resolution. The guidelines shall remain in effect until new guidelines have been adopted by a general meeting. The Remuneration Committee shall also monitor and evaluate variable remuneration programmes for members of Group Management, the application of guidelines for remuneration of senior executives, and applicable remuneration structures and remuneration levels in the company. In the Board's consideration of and decisions on remuneration-related matters, the President or other members of Group Management shall not be present insomuch as the matters pertain to their own remuneration.

Departures from the guidelines

The Board may temporarily depart from these guidelines, fully or in part, only if there are special reasons for doing so in an individual case and a departure is necessary to safeguard the company's long-term interests, including its sustainability, or to safeguard the company's long-term financial soundness. If the Board departs from the guidelines for remuneration of senior executives, these shall be reported on in the remuneration report ahead of the next Annual General Meeting.

ANTICIPATED FUTURE DEVELOPMENT

The Board has not changed its assessment of the long-term future outlook compared with the publication of the 2019 year-end report. The Board provided the following future outlook in the year-end report:

In the long-term, the Board's assessment is that 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 Board's decision to not issue a forecast stands firm.

The Board notes, however, that there is a significant risk that the ongoing COVID-19 pandemic may have a financial impact on Addnode Group in 2020. As a result of the changing situation, at present it is not possible to predict the length of time or scope of this health crisis and its impacts. Addnode Group will provide updated information about operations and the market conditions not later than in the first quarter interim report for 2020, which will be published on 24 April 2020.

EVENTS AFTER THE BALANCE SHEET DATE

Addnode Group acquired two companies after the end of the reporting period.

On 9 January 2020 all of the shares were acquired in the Norwegian company Unizite AS ("Unizite"). Unizite has developed a cloud-based mobile field tool, and through its mobile solutions has streamlined change management, inspection, checklists, and work environment and safety processes. Unizite has ten employees and will be part of Tribia, a company in the Design Management division, and is consolidated in the Group as from January 2020.

On 16 January 2020 Addnode Group signed an agreement to acquire and take possession of Excitech Ltd ("Excitech"), with net sales of approximately GBP 50 m (last 12 months). Excitech, with more than 3,500 customers and 150 employees, is the largest Autodesk Platinum Partner in the UK market. The agreed purchase price for 100 per cent of the shares is approximately GBP 22 m. This amount includes GBP 17 m as a fixed cash payment, GBP 2 m payable in the form of a promissory note (for which the nominal amount can increase/decrease depending on the net proceeds from Excitech's office building, which is planned to be sold in a sale/leaseback transaction), and approximately GBP 3 m in cash in respect of net cash and working capital. The purchase price represents an Enterprise Value of approximately GBP 15 m (cash and debt-free basis, excluding the value of the office building). The transaction will be finalised in two steps. On 16 January, 55 per cent of the shares in Excitech were acquired. The agreement includes a binding obligation for Addnode Group to acquire, and for the sellers to sell, the remaining 45 per cent through combined call and put options. These options will be exercised during the first half of 2020. Excitech is consolidated as from January 2020 as part of Addnode Group's Design Management division.

In January 2020 Addnode Group AB expanded its acquisition credit facility by SEK 250 m to SEK 1,000 m. The new credit has not been utilised.

In February 2020 Lotta Jarleryd was named CFO after serving as interim CFO since September 2019.

As a result of the outbreak of the COVID-19 pandemic, Addnode Group is working intensively on analysing and assessing the pandemic's impact on the Group's operations. Action plans have been drawn up, and a number of measures have already been taken to safeguard the employees' health, ensure continued deliveries to customers, and balance capacity and costs. Addnode Group is closely following developments, however, the situation is hard to assess with respect to the pandemic's impacts on society in general and on the global economy.

PROPOSED DISTRIBUTION OF EARNINGS

Profit for the year of SEK 248,969,593 and other unrestricted shareholders' equity, totalling SEK 539,376,735, together totalling SEK 788,346,328, are at the disposal of the Annual General Meeting. The Board of Directors proposes that these earnings, SEK 788,346,328, be carried forward. Addnode Group has a strong financial position, but as a result of the uncertainty concerning the COVID-19 pandemic, the Board has decided to withdraw its previously communicated proposal for a dividend of SEK 2.50 per share.

"Another important future issue that is taking up greater focus in the boardroom is sustainability, which points to the responsibility we have as a modern company. In 2020 we continue to focus on developing our sustainability work, both jointly for the entire Group and for the respective subsidiaries."

LONG-TERM ISSUES TAKING UP GREATER FOCUS IN THE BOARDROOM

Apart from continued profitable expansion, in 2019 the Board dedicated time and commitment to highlighting the significance of sustainability issues for our continued long-term development.

In summing up 2019 I can credit a large part of Addnode Group's success to our continued ability to execute in accordance with our long-term strategy to acquire and develop companies irrespective of temporary and short-term trends. Most important of all has been our continued focus on expansion and profitable growth. For example, in 2019 we were highly engaged in analysing the market and the position we have now attained with the acquisition of the British company Excitech, which we announced in January 2020.

Supporting our newly acquired companies and giving them an opportunity to grow is decisive for continued value creation. We further develop many of our acquired companies as standalone enterprises. As we achieve market synergies and efficiency, we integrate them over time. The Board's role is to serve as an active sounding board for management with respect to companies that are ready for integration. With the size and scope that we have now achieved, we see numerous opportunities for synergies that we have not yet fully realised.

In addition, the Group's size and increased international presence require that we review our control functions. For every year that passes, new demands and tasks arise, and within the Board the Audit Committee is carrying a heavy load to ensure that we are in compliance with the constantly changing rules and regulations.

Another important future issue that is taking up greater focus in the boardroom is sustainability, which points to the responsibility we have as a modern company. In 2020 we continue to focus on developing our sustainability work, both jointly for the entire Group and for the respective subsidiaries. This is in line with our decentralised management structure, where the Group CEO, the divisional presidents and subsidiaries are taking great responsibility with the support of joint guidelines and an engaged board.

Staffan Hanstorp
Chairman of the Board

CORPORATE GOVERNANCE REPORT

The Group's governance is regulated by both external and internal governance documents. The external governance systems include, among other things, the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq Stockholm's Rule Book for Issuers, and other applicable laws and regulations. Internal governance systems include the Articles of Association adopted by the Annual General Meeting, the Board's Rules of Procedure, and the Board's instructions for the CEO.

Addnode Group AB ("Addnode Group") applies the Swedish Corporate Governance Code (also referred to as "the Code"). The Code is based on the "comply or explain" principle, which means that a company that applies the Code may depart from individual rules, but must in such case provide an explanation for the departure.

IMPORTANT EVENTS 2019

- Ahead of the 2020 Annual General Meeting, Jonas Gejer was named as the new chair of the Nomination Committee. This entails that Addnode Group now meets point 2.4 of the Code regarding board members represented on the Nomination Committee.
- In September Lotta Jarleryd was named interim CFO, succeeding Helena Nathhorst.
- In October, Group Management was expanded with the addition of Adam Nilsson, Head of M&A and Corporate Development.

FOR MORE INFORMATION

- Nasdaq Stockholm, www.nasdaqomxnordic.com
- Swedish Corporate Governance Code, www.bolagsstyrning.se
- Swedish Financial Supervisory Authority, www.fi.se
- Addnode Group's website, www.addnodegroup.com

OWNERSHIP STRUCTURE AND VOTING RIGHTS

Addnode Group's shares are serviced by Euroclear Sweden AB. This means that no share certificates are issued and that Euroclear Sweden maintains a shareholder register of owners and administrators in the company. Addnode Group's share capital is made up of Class A, Class B and Class C shares. A-shares carry entitlement to ten votes each, and B- and C-shares carry entitlement to one vote each. Class A and B shares carry entitlement to dividends. Class C shares do not carry entitlement to dividends.

All shares carry equal entitlement to the company's assets. However, Class C shares are limited and are not entitled to a larger share of the company's assets than what corresponds to the share quota value calculated as per the date of distribution, with an interest-rate factor of one month STIBOR plus 4 percentage points calculated from the date of payment of subscription settlement. Class C shares are redeemable upon demand by the company. At the request of a shareholder, Class A shares can be converted to Class B shares, and Class C shares can be converted to Class B shares by the Board of Directors.

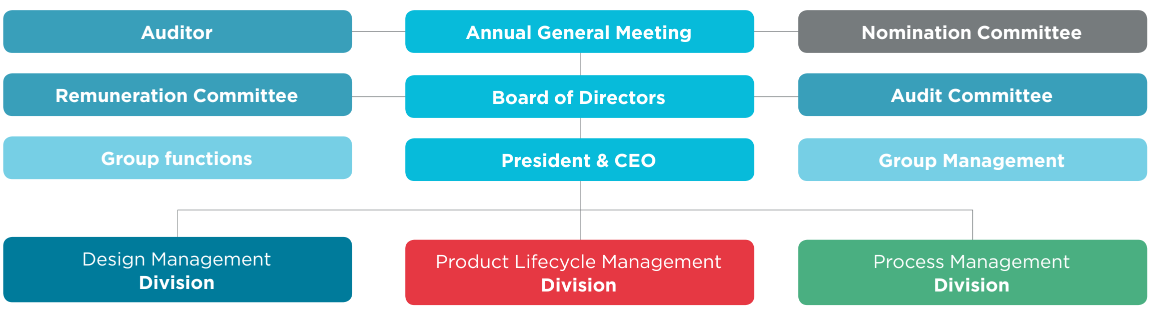
On 30 December 2019 the number of shareholders was 5,872, and the proportion of foreign-owned shares was 22 per cent. The proportion of institutional owners including mutual funds was 67 per cent.

Aretro Capital Group AB is the largest owner, with 6.8 per cent of the share capital and 18.7 per cent of the votes. Verg AB is the second largest owner, with 4.3 per cent of the share capital and 11.1 per cent of the votes. Aretro Capital Group AB is jointly owned via companies by Addnode Group's Chairman, Staffan Hanstorp, and Jonas Gejer, President of the Product Lifecycle Management division. Jonas Gejer is also President of Addnode Group's subsidiary TECHNIA AB.

NOMINATION COMMITTEE

The 2019 Annual General Meeting resolved to assign the Chairman of the Board with the task of contacting the four largest owner-registered shareholders (in terms of votes) in Euroclear Sweden's shareholder register as at 31 August 2019, to each appoint a representative who is not a member of the company's Board, to form the Nomination Committee along with the Chairman of the Board ahead of the 2020 Annual General Meeting. The Nomination Committee chair

GOVERNANCE



shall serve as the representative for the largest shareholder in terms of votes, unless its members determine otherwise. The Chairman of the Board shall not serve as chair of the Nomination Committee.

The Nomination Committee is responsible for safeguarding all of the shareholders' interests and submits recommendations to the next year's Annual General Meeting on the following:

- A chairman to preside over the Annual General Meeting
- Board members
- The Chairman of the Board
- Fees for each of the board members
- Fees for committee work
- Nomination Committee for the following year
- Auditors and auditors' fees

The Board's Audit Committee assists the Nomination Committee in the work on submitting recommendations for the election of auditors and the auditors' fees. The Audit Committee evaluates the work of the auditors and informs the Nomination Committee about the results of its evaluation.

Nomination Committee ahead of the 2020 AGM

The composition of the Nomination Committee was announced via a press release that was published on 30 October 2019 and which is also posted on Addnode Group's website.

- Jonas Gejer, appointed by Aretro Capital Group AB. Jonas Gejer is chair of the Nomination Committee as representative of the largest shareholder in terms of votes
- Dick Hasselström, appointed by Verg AB
- Vegard Søraunet, appointed by Odin Fonder
- Magnus Skåninger, appointed by Swedbank Robur funds
- Staffan Hanstorp, Chairman of the Board of Addnode Group

All of the Nomination Committee's members, apart from Jonas Gejer and Staffan Hanstorp, are independent in relation to the company and Group Management as well as to the largest shareholder in terms of votes.

Addnode Group, through its nomination committee, applies Rule 4.1 of the Swedish Corporate Governance Code as its diversity policy in drawing up recommendations for election of board members. The Nomination Committee held seven meetings ahead of the 2020 AGM. The Nomination Committee represented approximately 44 per cent of the shareholders' votes as per 31 December 2019. As the basis for the Nomination Committee's work, the President of the company presented information about the company's operations and strategic direction. In addition, the Chairman of the Board presented the annual evaluation of the board members' performance. The Chairman of the Board also provided information about the Board's work during the year.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is Addnode Group's highest decision-making body. A shareholder's right to make decisions on Addnode Group's affairs is exercised at Annual General Meetings or, where applicable, at extraordinary general meetings. The AGM is normally held in April or May.

The AGM resolves on the following:

- Adoption of the annual report
- The dividend
- Election of board members and auditors
- Directors' and auditors' fees
- Guidelines for remuneration of Group Management and other senior executives
- The Nomination Committee
- Other important matters

An extraordinary general meeting may be held if the Board deems it necessary or if requested by Addnode Group's auditors or owners with at least 10 per cent of the shares.

Annual General Meeting 2019

The 2019 AGM was held on 7 May 2019. The Chairman of the Board, Staffan Hanstorp, was elected as Chairman of the Annual General Meeting, in accordance with the Nomination Committee's proposal. The minutes from the AGM are available on Addnode Group's website. The AGM resolved in favour of the Board's proposal to pay a dividend of SEK 2.50 per share for the 2018 financial year.

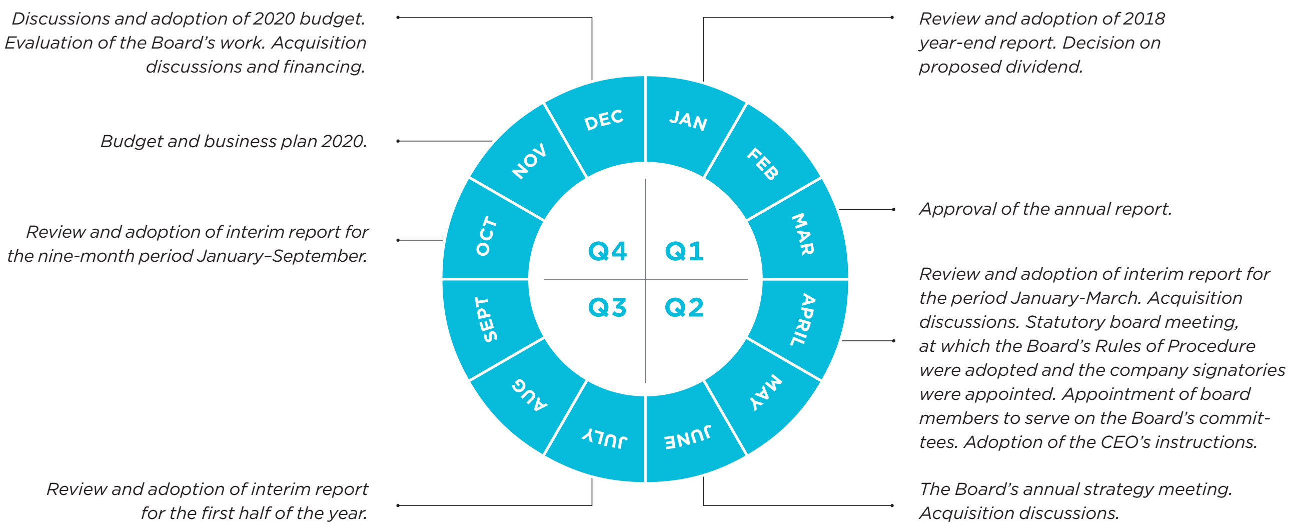
Staffan Hanstorp was re-elected as Chairman of the Board. Jan Andersson, Kristofer Arwin, Johanna Frelin, Sigrun Hjelmquist and Thord Wilkne were re-elected as board members in accordance with the Nomination Committee's proposal. The AGM approved the Nomination Committee's proposal for directors' fees as well as the Board's proposed guidelines for remuneration and terms of employment for the President and other senior executives. The Board's proposed resolution for a long-term incentive programme through the issuance of call options and the transfer of shares to participants was not adopted, as it did not receive the required majority.

Authorisations granted by the AGM

The 2019 AGM authorised the Board to decide, on one or more occasions during the period until the next AGM, on purchases of a maximum number of Class B shares so that the company's holding following such purchase amounts to a combined maximum of 10 per cent of the total number of shares in the company at any given time. The aim of any share repurchase is primarily to be able to transfer shares in connection with the financing of company acquisitions and other types of strategic investments. Up until the date of publication of this annual report, no shares were purchased with the support of this authorisation.

In addition, the 2019 AGM also authorised the Board to decide, on one or more occasions prior to the next AGM, on the transfer of Class B shares in the company to a third party. The number of shares transferred may not exceed the total number of treasury shares held by the company at any given time. Transfers may take place outside of Nasdaq Stockholm, entailing a right to deviate from the shareholders' preferential rights. The reason for allowing the Board to deviate from shareholders' preferential rights is to enable financing of potential company acquisitions and other types of strategic investments in a cost-efficient manner. Up until the date of publication of this annual report, no shares were purchased with the support of this authorisation. To finance potential company acquisitions using treasury shares, the

MAIN ITEMS OF BUSINESS FOR THE BOARD IN 2019



Board received a mandate at the AGM in 2019 for the period until the next AGM to make decisions about new issues of Class B shares. Through decisions supported by this mandate, the share capital may increase by a maximum of SEK 39.6 m through the issuance of a combined maximum of 3,300,000 shares upon full subscription. Up until the date of publication of this annual report, no new issues were carried out.

BOARD OF DIRECTORS

The Board of Directors has overarching responsibility for Addnode Group's organisation and administration.

The Board's duties

The Board of Directors' main duty is to safeguard the company's and shareholders' interests, appoint the President and be responsible for ensuring that the company adheres to applicable laws, the Articles of Association and the Swedish Code of Corporate Governance.

The Board reports each year to the shareholders on how corporate governance in Addnode Group is exercised through the corporate governance report. The Board's work is regulated by – among other things – the Swedish Companies Act, applicable rules for listed companies, including the Swedish Corporate Governance Code, the Articles of Association, other laws and regulations, and the Board's and its committees' internal Rules of Procedure.

The Board handles and decides on Group-wide matters, including:

- Strategic direction
- Short- and long-term targets
- Significant matters such as financing, investments, acquisitions and divestments
- Follow-up and control of information and organisational matters, including evaluation of the Group's organisation and operational management
- Appointment and, where necessary, dismissal of the company's President
- Overarching responsibility for establishment of effective systems for internal control and risk management, and Group-wide policies

The Board's composition

According to the Articles of Association, Addnode Group AB's Board of Directors shall consist of three to eight members elected by the AGM for a term through the end of the next AGM. The Articles of Association allow the election of deputy board members, however, there are currently no deputy members elected by the AGM. The Articles of Association contain no general stipulations about the appointment or dismissal of board members. The Board of Directors consists of six members. For further information about the board members, see pages 78–79.

Directors' independence

According to the Code, a majority of board members elected by a general meeting shall be independent in relation to the company and company management, and at least two shall also be independent in relation to the company's major shareholders. The Board of Directors of Addnode Group is considered to meet the requirement for directors' independence. All of the board members, except for Staffan Hanstorp, have been determined to be independent. Chairman of the Board Staffan Hanstorp was formerly President and CEO of Addnode Group AB, and through his part-ownership in Aretro Capital Group AB he is the largest owner of Addnode Group in terms of votes, and has thereby not been determined as being independent in relation to the company and its management or to the company's major owners.

The Board's Rules of Procedure and board meetings

Each year the Board adopts written Rules of Procedure that lay out the Board's responsibilities and regulate the Board's and its committees' internal delegation of duties, including the Chairman's role, the Board's decision-making processes, summonses to board meetings, agendas and minutes, and the Board's work with accounting and audit issues and the financial reporting. Decisions on changes to the instructions may be made at board meetings during the course of the financial year if the Board deems it necessary.

According to the Rules of Procedure, that Chairman shall:

- Consult with the President on strategic issues and, through regular and frequent contacts with the President, closely monitor Addnode Group's performance
- Lead the Board's work and ensure that board members continuously receive the information required to monitor the business performance
- Consult with the President regarding the agenda for board meetings
- Ensure that matters are dealt with in a manner that is not in conflict with the Companies Act, other laws and regulations or the Articles of Association
- Serve as chair of the Remuneration Committee

The Rules of Procedure also include detailed instructions for the President and other company functions concerning issues that require the Board's approval. The instructions stipulate the maximum amount that the various decision-making bodies in the Group are authorised to approve in terms of agreements, credits, investments and other expenditures. According to the Rules of Procedure, a statutory board meeting is to be held immediately after the AGM. At this meeting, decisions are made about who is authorised to sign for Addnode Group and which board members are to serve on the Board's two drafting committees, the Remuneration Committee and the Audit Committee. The committees' work is mainly of a preparatory and advisory nature, however, the Board can in special cases delegate decision-making authority to the committees. According to the Rules of Procedure, the Board shall meet at least four times per year and additionally when necessary.

The Board's work in 2019

The Board held ten meetings in 2019, of which one was the statutory meeting held directly in conjunction with the Annual General Meeting. All board meetings during the year followed an approved agenda, which together with documentation for each item on the agenda was provided to the board members prior to the respective meetings. Meetings normally take half a day, while the Board's annual strategic meeting is held over a full day to allow time for more in-depth discussions. The President and CEO participates in board meetings in a reporting role. The CFO serves as company secretary.

The divisional presidents are invited to board meetings on a regular basis to present reviews of their respective operations.

Other Group employees attend board meetings to present reports on specific matters when the Board deems it necessary. Set items of business at board meetings include an information report by the President and monthly financial reporting as well as an outlook for the coming quarter.

In addition, the Board dealt with a number of other matters at its meetings in 2019, with special attention dedicated to the following:

- Strategy and acquisition matters
- Financing
- Business plan
- Competence, leadership succession and incentive programmes
- Reports from the Audit Committee on internal control and the audit, among other things
- Corporate governance issues
- The yearly book-closing and interim reports
- Review of risk matrices covering business and market risks as well as sustainability issues
- Dividend proposal for the financial year

Ensuring the quality of financial reporting

The Rules of Procedure adopted each year by the Board include, among other things, detailed instructions about which financial reports and financial information are to be provided to the Board. In addition to the year-end report, interim reports and the annual report, the Board reviews and evaluates extensive financial information pertaining to the Group as a whole and the various units included in the Group. The Board also addresses information about risk assessments, disputes and any improprieties that may impact the Addnode Group's financial position. The Board also reviews, primarily through the Audit Committee, the most significant accounting policies applied in the Group pertaining to the financial reporting, as well as significant changes in the policies. The task of the Audit Committee includes reviewing reports about internal control and the processes for financial reporting.

The Group's auditors' report to the Board at least once per year and whenever necessary. At least one of these reports is presented without the President or any other member of Group Management being present. The Group's auditors also commonly participate in Audit Committee meetings. The Audit Committee submits a report to the Board after each meeting. All Audit Committee meetings are documented by minutes, which are available for all board members and the auditors.

Evaluation of the Board of Directors

The Board performs an annual evaluation of its own work. The evaluation pertains to work methods and the work climate, the focus of the

THE BOARD'S COMPOSITION AND MEETING ATTENDANCE 2019

Name	Function	Committee assignment	Year elected	Independent in relation to the company and company management/owners	Attendance at board meetings	Class A shares	Class B shares
Staffan Hanstorp 1)	Chairman of the Board	Remuneration Committee chair	2017	No/No	10/10	625,332	1,654,624
Jan Andersson	Director	Audit Committee chair	2012	Yes/Yes	10/10	—	15,000
Kristofer Arwin	Director	Member of Audit Committee	2012	Yes/Yes	10/10	—	2,180
Johanna Frelin	Director	—	2017	Yes/Yes	10/10	—	—
Sigrun Hjelmquist 2)	Director	Member of Audit Committee	2009	Yes/Yes	10/10	—	2,000
Thord Wilkne 3)	Director	Member of Remuneration Committee	2008	Yes/Yes	10/10	—	435,000
						986,999	**3,193,522**

1) Via 50 per cent ownershio of the company Aretro Capital Group AB.
2) Including spouse's holding of 1,000 shares.
3) Including spouse's holding of 35,000 shares.

All shareholdings of board members are reported as per 31 December 2019. Fees paid to the Chairman of the Board and directors are detailed in Note 5 of the annual report.

Board's work, as well as access to and the need for specific expertise on the Board. The evaluation is used as a tool to develop the Board's work and is also used as documentation for nomination work by the Nomination Committee.

Directors' fees

Fees paid to the AGM-elected board members are set by the AGM based on the recommendation by the Nomination Committee. For the period between the 2019 and 2020 Annual General Meetings, a set fee of SEK 400 thousand (380) is payable to the Chairman of the Board, and SEK 200 thousand (190) is payable to each of the other board members. In addition, a fee may be payable on account for special initiatives (consulting services, etc.) by board members within their respective areas of competence, provided that such initiatives are approved in advance by the Chairman of the Board or by two board members. A fee of SEK 55 thousand (45) is payable to each of the two regular members of the Board's Audit Committee, and a fee of SEK 85 thousand (75) is payable to the Audit Committee chair. A fee of SEK 20 thousand (15) is payable to each of the members of the Remuneration Committee. The AGM also resolved to continue using the services of Chairman of the Board Staffan Hanstorp on a consultant basis for work with the Group's acquisition opportunities, financing matters, strategic partnerships and overarching strategic issues. A maximum fee of SEK 190,000 per month may be payable for such work.

There are no agreements concerning pensions, severance pay or other benefits for board members.

COMMITTEES

The Board has established a remuneration committee and an audit committee. The work of the committees is mainly of a preparatory and advisory nature, but the Board may delegate decision-making authority to the committees in special cases. Committee members and the committee chairs are appointed at each year's statutory board meeting.

Remuneration Committee

The Remuneration Committee's main task is to represent the Board on matters pertaining to remuneration and terms of employment for the President and other senior executives based on the guidelines for remuneration and terms of employment for the President and other senior executives adopted by the AGM. The Committee reports on its work to the Board on a regular basis. The Remuneration Committee's members are Chairman of the Board Staffan Hanstorp and board member Thord Wilkne. The Remuneration Committee held two meetings in 2019.

Audit Committee

The Audit Committee's main task is to monitor the processes for Addnode Group's financial reporting and internal control in order to ensure the quality of external reporting. The Audit Committee's members are Jan Andersson (committee chair), Sigrun Hjelmquist and Kristofer Arwin. The Audit Committee held five meetings in 2019, at which all of its members were present.

The Audit Committee's work includes:

- Reviewing the financial statements and addressing accounting issues that impact the quality of the company's financial reporting
- Monitoring the effectiveness of internal control over financial reporting, including risk management
- Overseeing the audit and evaluating the work of the auditors
- Evaluating the auditors' objectivity and independence
- Assisting the Nomination Committee

AUDITOR

The auditor is appointed by the Annual General Meeting and reports via its audit report on its audit of the annual report, the bookkeeping and the consolidated accounts as well as on the Board of Directors' and President's administration of Addnode Group. The auditor also conducts a review of the nine-month interim report.

At the 2019 Annual General Meeting the chartered accounting firm PricewaterhouseCoopers AB (PwC) was re-elected, with Authorised Public Accountant Anna Rosendal as auditor-in-charge. To ensure fulfilment of the information and control requirements placed on the Board, the auditor attends the Audit Committee meetings and reports on all material accounting issues as well as on any errors or irregularities. The auditor also reports directly to the Board of Directors, in connection with a board meeting, at least once a year.

The fees paid by Addnode Group to the auditor, for both audit-related and other non-audit-related assignments, are specified in Note 6 of the annual report, Auditors' fees.

PRESIDENT AND CEO

The President and CEO is responsible for the day-to-day administration of the Group's operations in accordance with the Board's guidelines and instructions. The President provides the Board with the necessary documentation for its work both prior to and between board meetings.

Group Management

The President appoints the other members of Group Management, who consist of the CFO, the Head of M&A, and the presidents of the three divisions, Design Management, Product Lifecycle Management and Process Management. The members of Group Management are responsible for implementing the Group's strategy in their respective areas and also have overarching responsibility for Addnode Group with respect to matters of a long-term and strategic character, such as the Group's organisation, acquisitions, trademarks, investments and financing. Group Management meetings are held monthly to review the Group's financial performance, acquisition matters and joint-Group initiatives as well as for discussions on strategic matters. In addition to these scheduled meetings, Group Management also regularly reviews matters as necessary. The President and other members of Group Management are presented on page 80–81.

Group functions

Under the President's direction are Group functions for finance, communication, acquisitions and business development within Addnode Group AB.

Divisions

The three divisions – Design Management, Product Lifecycle Management and Process Management – make up Addnode Group's operational structure. The division presidents are responsible for the operations of their respective divisions and report to Addnode Group's President and CEO. Board meetings of the divisions are held quarterly to review financial development, strategic matters, acquisitions, product ventures and risk matters, among other things. In addition to the division president, the division controller as well as the Group CEO and CFO attend these meetings.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors has overarching responsibility for internal control over financial reporting. The Board has established an audit committee tasked with conducting preparatory work for the Board's work with control over the company's financial reporting. The following description has been prepared in accordance with the Swedish Corporate Governance Code (the Code) and constitutes the Board's description of the company's system for internal control and risk management with respect to financial reporting.

Addnode Group's control environment

Addnode Group's control environment includes the values and ethics that the Board, the President and Group Management communicate and work according to, as well as the Group's organisational structure, leadership, responsibilities and authorisations, and the employees' expertise.

The Board works continuously with risk assessment and risk management. Addnode Group's Board has chosen to not establish a designated audit function for internal control. The Board is of the opinion that the existing organisation and existing control structures in Addnode Group enable effective operations, identify risks in the financial reporting and ensure compliance with applicable laws and regulations. Addnode Group has a decentralised governance model in which governance, risk management and continuous financial reporting are conducted primarily by the operating divisions. This is complemented by a central finance function responsible for monitoring the divisions' financial reporting and for the external financial reporting.

Responsibilities and authorisations are defined in instructions for authorisation rights, manuals, policies, routines and codes of conduct. A few examples include the Articles of Association, the Board's Rules of Procedure, the instructions for the division of duties between the President and the Board, the instructions for financial reporting, the finance policy, and the financial manual with an accompanying accounting manual.

These guidelines, together with laws and external rules and regulations, make up the control environment. The Board tests the relevance and pertinence of these instructions on a regular basis. Responsibility for continuously maintaining an effective control environment and the day-to-day work with internal control over financial reporting is delegated to the President. Group Management and other senior executives have responsibility for internal control within their respective areas of responsibility.

Risk assessment

The Audit Committee continuously assesses the Group's risks and reports to the Board when necessary. The aim is to identify events in the market or in the Group's operations that could result in changes in the value of assets and liabilities. Another important part of risk assessment involves staying abreast of changes in accounting rules and ensuring that any changes are correctly reflected in the financial reporting. The CFO is responsible for the preparatory work behind the Audit Committee's assessments and for operational monitoring of identified risks. A key aspect of risk assessment is the company's monthly financial reporting and the management reports that are submitted each month by the divisional presidents and their directly subordinate managers.

Control structures

The company's control structures have been designed to manage the risks that the Board and management deem as being the most significant for the operations and the financial reporting. Addnode Group's control structures consist in part of an organisation with clear roles that facilitate an effective and suitable division of duties and responsibilities, and in part of instructions and specific control activities aimed at detecting or preventing risks for errors in the reporting in a timely fashion.

Examples of control activities include:

- Clear decision-making processes and authorisation instructions for important decisions (e.g., purchases, investments, agreements, and acquisitions and divestments)
- Monthly performance analyses with deviation monitoring against budgets and forecasts
- Monthly risk assessment of past-due accounts receivable and major projects
- Automatic controls in IT systems that are essential for the financial reporting and other analytical follow-ups and reconciliations
- Self-assessment of internal control of selected companies

Monitoring

Control activities are monitored on a continuous basis to ensure that risks have been identified and addressed in a satisfactory manner. Monitoring is conducted both informally and formally, and involves reconciliation of monthly financial reports against budgets, forecasts and other set targets. Monitoring to ensure the effectiveness of internal control over financial reporting is conducted by the Board, the President, Group Management, and individuals in the Group's divisions and companies who are responsible for operations.

The Audit Committee reviews reports on internal control and the financial reporting processes as well as analyses by the CFO. The auditors report to the Audit Committee in connection with their review of the nine-month interim report, the year-end report, and the annual report. In addition, the Audit Committee and the auditors maintain regular contact.

Information and communication

Guidelines for the financial reporting are communicated to employees through targeted communication initiatives, regular information meetings with the Group's controllers and financial managers, and manuals, Group-wide policies and codes that are published via Group-wide systems. Such information includes methodologies, instructions and practical checklists, descriptions of roles and responsibilities, and overarching timetables for e.g., budgets, forecasts, monthly reports, quarterly book-closings and work with the annual report. The CFO is responsible for ensuring that information and training activities are conducted on an ongoing basis with the heads of finance/accounting and administration in the various divisions. The effectiveness of this communication is followed up on a regular basis to ensure receipt of information. In addition, informal channels are in place for employees to communicate important information with relevant recipients – ultimately the Board of Directors where necessary. Addnode Group also has a whistleblower function that is accessible via the Group's website with contact information for the Audit Committee Chair, who in turn is responsible for informing the Board about reported matters. For communication with external parties, an insider policy and information policy lay out guidelines for how external communication may take place. The aim of these policies is to ensure correct and thorough compliance with all information obligations.

Financial reporting and information

Addnode Group's routines and systems for the issuance of information aim to provide the market with regular and correct information about the Group's performance and financial position in accordance with applicable regulations and laws. Via Addnode Group's intranet the employees are updated about Group-wide policies, governance documents and manuals.

Financial reporting and business information are provided on a regular basis in the following ways:

- Year-end and interim reports, which are published via press releases
- Annual reports
- Press releases on significant events
- Presentations for financial analysts, investors and the media on the same day that year-end and interim reports are published as well as in connection with the publication of other important information
- Meetings with financial analysts and investors

The Board monitors and ensures the quality of the financial reporting through instructions on the division of duties between the President and the Board, and instructions for financial reporting to the Board. The Audit Committee is responsible for conducting preparatory work for the Board's work with control over the company's financial reporting. In addition, the Board ensures the quality of the financial reporting by thoroughly reviewing interim reports, the year-end report and the annual report at board meetings. The Board also reviews information about risk assessment, disputes and any irregularities. The Board has delegated responsibility to the executive management for ensuring the quality of press releases with financial content as well as presentation material in connection with meetings the media, owners and financial institutions.

BOARD OF DIRECTORS

STAFFAN HANSTORP

Born 1957. Chairman of the Board, Remuneration Committee chair.

Education and experience: Civil engineer, KTH Royal Institute of Technology. More than 35 years of experience as sales manager/marketing manager and CEO in IT sector. Founded TECHNIA in 1994, which was acquired by Addnode Group in 2004. President and CEO of Addnode Group 2007–2017.

Current assignments: Chairman of Bioteria Technologies AB, Byggnadsfirman Viktor Hansson AB, director of IT & telecom companies in Almega.

Shareholding in Addnode Group: Staffan Hanstorp owns, via companies, 50 per cent of Aretro Capital Group AB, which owns 625,332 A-shares and 1,654,624 B-shares in Addnode Group. Personal holding of 3,973 B-shares. Aretro Capital Group AB has issued call options on 70,000 B-shares.

JAN ANDERSSON

Born 1959. Director, Audit Committee chair.

Education and experience: Civil engineer with specialisation in computer technology. Co-founder of Readsoft and President 1991–2011.

Current assignments: Chairman of DH Anticounterfeit, Fast2 AB and Mildef Group AB, director of Entrepenörinvest AB, Innovum Invest AB, Myloc AB and TimeZynk AB, among other companies.

Shareholding in Addnode Group: 15,000 B-shares.

KRISTOFER ARWIN

Born 1970. Director and member of Audit Committee.

Education and experience: B.Sc. Business Administration, Finance, Stockholm University. Co-founder of TestFreaks, CEO of TestFreaks 2006–2013. Founded Pricerunner in 1999 and CEO 1999–2005. Director of Trade-Doubler 2007–2013, Stagepool 2007–2012 and Alertsec 2007–2017. Director and member of audit committee of Kindred Group 2008–2019.

Current assignments: Chairman of the Board of TestFreaks AB.

Shareholding in Addnode Group: 2,180 B-shares.

JOHANNA FRELIN

Born 1969. Director.

Education and experience:
Journalist, B.A. Luther College, USA. MBA Stockholm School of Economics. 20 years of management experience, including 12 years in group management with SVT. CEO of Hyper Island and Tengbom.

Current assignments:
CEO of Riksbyggen, director of Springtime AB.

Shareholding in Addnode Group:
No shareholding.

SIGRUN HJELMQUIST

Born 1956. Director and member of Audit Committee.

Education and experience:
Civil engineer, M.Sc. Engineering Physics from KTH Royal Institute of Technology. Active in the Ericsson Group 1979–2000, most recently as President of Ericsson Components AB. Investment manager at BrainHeart Capital 2000–2005. Currently executive partner at Facesso AB.

Current assignments:
Director of Azelio AB, Eolus Vind AB, Edgeware AB, Ragnsellsbolagen AB, Trancendent Group AB and Teqnion AB.

Shareholding in Addnode Group:
1,000 B-shares, plus 1,000 B-shares owned by spouse.

THORD WILKNE

Born 1943. Director and member of Remuneration Committee.

Education and experience:
Secondary school economics degree. Co-founder of WM-data and CEO 1970–1997, Chairman 1998–2004.

Current assignments:
Director of Silver Life AB and Wilgot AB.

Shareholding in Addnode Group:
400,000 B-shares, plus 35,000 B-shares owned by spouse.

AUDITOR

At the 2019 Annual General Meeting, the chartered accounting firm PricewaterhouseCoopers AB (PwC) was re-elected as Addnode's Auditor, with Authorised Public Accountant Anna Rosendal as Auditor-In-Charge.

GROUP MANAGEMENT

JOHAN ANDERSSON

Born 1974. President and CEO of Addnode Group AB.

Education and experience: M.Sc. Econ., Uppsala University. Executive Management Programme, IFL/Stockholm School of Economics. Active in Addnode Group since 2006 as Head of IR and M&A, and as CFO. Previous experience as adviser at investment bank for tech companies.

Current assignments outside the Group: Chairman of Teknik i Media Datacenter Stockholm AB.

Shareholding in Addnode Group: 57,778 B-shares and call options on 60,000 B-shares.

LOTTA JARLERYD

Born 1966. CFO of Addnode Group AB.

Education and experience: B.Sc. Business Administration and Economics and journalism degree, Stockholm University. Active in Addnode Group since 2019. Previous experience as an Authorised Public Accountant, as an adviser in company acquisitions, and as CFO of Protect Data AB (publ) and Acando AB (publ), among other companies.

Current assignments outside the Group: Director of V.S. Visit Sweden AB.

Shareholding in Addnode Group: No shareholding.

JONAS GEJER

Born 1963, President of Product Lifecycle Management division.

Education and experience: Secondary school degree in engineering and Market Economics degree, IHM Business School. 30 years of experience in product development and related digital tools, such as PLM, simulation and CAD. One of three co-founders of TECHNIA in 1994, which was acquired by Addnode Group in 2004.

Current assignments outside the Group: None.

Shareholding in Addnode Group: Jonas Gejer owns, via companies, 50 per cent of Aretro Capital Group AB, which owns 625,332 A-shares and 1,654,624 B-shares in Addnode Group. Personal holding of 3,973 B-shares. Aretro Capital Group AB has issued call options for 70,000 B-shares.

ROLF KJÆRNSLI

Born 1958. President of Design Management division.

Education and experience: Civil engineer, Norwegian Institute of Technology. Active in Addnode Group since 2005, more than 30 years of experience as head of R&D and as CEO in the IT industry.

Current assignments outside the Group: Director of WK Entreprenør AS.

Shareholding in Addnode Group: 79,498 B-shares via companies, and call options on 40,000 B-shares.

ANDREAS WIKHOLM

Born 1974, President of Process Management division.

Education and experience: Degree in Public Health Science, Karolinska Institutet. Numerous continuing education courses in company management, economics and business development. Active in Addnode Group since 2015, with 20 years of experience from the IT industry in roles such as divisional manager, CEO, and other executive positions.

Current assignments outside the Group: None.

Shareholding in Addnode Group: 20,000 B-shares and call options on 40,000 B-shares.

ADAM NILSSON

Born 1984. Head of M&A, Addnode Group AB.

Education and experience: M.Sc. Business administration/ Finance, Stockholm University. Active in Addnode Group since 2018. Previous experience as a consultant on transactions and financial analysis.

Current assignments outside the Group: None.

Shareholding in Addnode Group: 1,000 B-shares.

CONSOLIDATED INCOME STATEMENTS

SEK m 1 January–31 December	Note	2019	2018
Net sales	2, 3, 40	3,434	2,942
Operating expenses			
Purchases of goods and services	40	–1,425	–1,112
Other external costs	6, 17, 18	–299[1]	–339
Personnel costs	4, 5	–1,355	–1,229
Capitalised work performed by the company for its own use	15	57	52
Depreciation/amortisation and impairment of intangible non-current assets and property, plant and equipment	15, 16	–194[1]	–111
Operating profit		**218**	**203**
Financial income	9	4	5
Financial expenses	10	–21[1]	–17
Remeasurement of contingent consideration	28	–26	6
Profit after financial items		**175**	**197**
Tax	11, 12	–46	–45
Profit for the year		**129**	**152**
Attributable to:			
Owners of the Parent Company		129	152
Share data			
Earnings per share before and after dilution, SEK	13	3.86	4.75
Shareholders' equity per share outstanding, SEK		42.18	40.06
Average number of shares outstanding before and after dilution		33,427,256	32,018,923
Number of shares outstanding at year-end		33,427,256	33,427,256
Number of registered shares at year-end		33,427,256	33,427,256

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK 1 January–31 December	Note	2019	2018
Net profit for the year		129	152
Other comprehensive income, items that will not be reclassified to profit or loss:			
Actuarial gains and losses on pension obligations		–1	0
Capital gain on long-term securities holdings		4	–
Other comprehensive income, items that may be reclassified to profit or loss:			
Exchange rate difference upon translation of foreign operations		67	25
Hedge of net investments in foreign operations		–44	–6
Total comprehensive income for the year, net after tax	11	**26**	**19**
Comprehensive income for the year		**155**	**171**
Attributable to:			
Owners of the Parent Company		155	171

1) For 2019, other external expenses decreased by SEK 70 m, depreciation of property, plant and equipment increased by SEK 69 m, and financial expenses increased by SEK 3 m as a result of application of IFRS 16 Leases.

CONSOLIDATED BALANCE SHEETS

SEK m per 31 December	Note	2019	2018
ASSETS			
Non-current assets			
Intangible non-current assets	15	1,894	1,803
Property, plant and equipment	16, 17, 18	169[1]	37
Deferred tax assets	12	12	10
Long-term securities holdings	21	9	11
Non-current receivables	22	9	7
Total non-current assets		**2,093**	**1,868**
Current assets			
Inventories		1	1
Trade receivables		559	600
Tax assets		27	18
Other receivables		11	9
Prepaid expenses and accrued income	23	184	192
Cash and cash equivalents	36	294	387
Total current assets		**1,076**	**1,207**
TOTAL ASSETS		**3,169**	**3,075**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	25		
Share capital	25	401	401
Other capital contributions		433	433
Reserves		29	6
Profit brought forward		547	499
Total shareholders' equity		**1,410**	**1,339**
Non-current liabilities			
Non-current interest-bearing liabilities	17, 27	64[1]	1
Deferred tax liabilities	12	77	79
Provisions	28	14	13
Total non-current liabilities		**155**	**93**
Current liabilities			
Current interest-bearing liabilities	17, 27	551[1]	545
Trade payables		167	158
Taxes payable		33	22
Advances from customers		19	17
Other liabilities		143	137
Accrued expenses and deferred income	30	686	655
Provisions	28	5	109
Total current liabilities		**1,604**	**1,643**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,169**	**3,075**

Pledged assets and contingent liabilities are reported in Note 31 and Note 32, respectively.

1) As per 31/12/2019, property, plant and equipment increased by SEK 129 m and interest-bearing liabilities increased by SEK 123 m as a result of application of IFRS 16 Leases.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SEK m 1 January–31 December	Note	2019	2018
Operating activities			
Profit after financial items	33	175	197
Adjustments for non-cash items	34	222[1]	103
Income tax paid		–48	–56
Cash flow from operating activities before changes in working capital		**349**	**244**
Changes in working capital:			
– Increase/decrease in inventories		0	0
– Increase/decrease in receivables		64	–28
– Increase/decrease in current liabilities		0	69
Total changes in working capital		**64**	**41**
Cash flow from operating activities		**413**	**285**
Investing activities			
Acquisitions of:			
– intangible non-current assets		–60	–56
– property, plant and equipment		–21	–15
–financial non-current assets		–	–3
– subsidiaries and businesses	35	–248	–97
Sales of:			
– intangible non-current assets		–	1
– property, plant and equipment		2	4
– financial non-current assets		6	–
Repayment of receivables		–	0
Cash flow from investing activities		**–321**	**–166**
Financing activities			
Dividend paid		–84	–68
New share issue		–	254
Loans raised	37	116	118
Repayment of debts	37	–236[1]	–214
Cash flow from financing activities		**–204**	**90**
Change in cash and cash equivalents		**–112**	**209**
Cash and cash equivalents at start of year		387	173
Exchange rate difference in cash and cash equivalents		19	5
Cash and cash equivalents at year-end	36	**294**	**387**

1) For 2019, adjustments for non-cash items increased by SEK 69 m, and repayment of debt increased by SEK 67 m as a result of application of IFRS 16 Leases.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to owners of the Parent Company				
SEK m	Share capital	Other capital contributions	Reserves[1]	Profit brought forward	Total shareholders' equity
Shareholders' equity according to adopted balance sheet per 31/12/2017	**365**	**214**	**–13**	**416**	**982**
Comprehensive income					
Net profit for the year				152	152
Other comprehensive income, items that will not be reclassified to profit or loss:					
Actuarial gains and losses on pension obligations				0	0
Other comprehensive income, items that may be reclassified to profit or loss:					
Exchange rate differences upon translation of foreign operations			25		25
Hedge of net investments in foreign operations			–6		–6
Total other comprehensive income			**19**	**0**	**19**
Total comprehensive income			**19**	**152**	**171**
Transactions with shareholders					
New issue	36	222			258
Issue costs		–4			–4
Tax effect on issue costs		1			1
Dividend				–69	–69
Total transactions with shareholders	**36**	**219**		**–69**	**186**
SHAREHOLDERS' EQUITY, 31/12/2018	**401**	**433**	**6**	**499**	**1,339**
Comprehensive income					
Net profit for the year				129	129
Other comprehensive income, items that will not be reclassified to profit or loss:					
Actuarial gains and losses on pension obligations				–1	–1
Capital gain on long-term securities holdings				4	4
Other comprehensive income, items that may be reclassified to profit or loss:					
Exchange rate differences upon translation of foreign operations			67		67
Hedge of net investments in foreign operations			–44		–44
Total other comprehensive income			**23**	**3**	**26**
Total comprehensive income			**23**	**132**	**155**
Transactions with shareholders					
Dividend				–84	–84
Total transactions with shareholders				**–84**	**–84**
SHAREHOLDERS' EQUITY, 31/12/2019	**401**	**433**	**29**	**547**	**1,410**

1) Pertains to exchange rate differences upon translation of foreign operations, and gains and losses attributable to hedges of net investments in foreign operations (see also Note 25).

PARENT COMPANY INCOME STATEMENTS

SEK m 1 January–31 December	Note	2019	2018
Net sales	40	16	15
Operating expenses			
Other external costs	6, 40	–31	–26
Personnel costs	4	–23	–22
Depreciation of property, plant and equipment	15, 16	0	0
Operating profit		**–38**	**–33**
Net financial items			
Profit from participations in Group companies	9	343	154
Profit from other securities that are non-current assets	9	1	1
Interest income and similar profit/loss items	9	3	2
Interest expense and similar profit/loss items	10	–24	–18
Profit after financial items		**285**	**106**
Appropriations			
Provision to tax allocation reserve		–22	–19
Profit before tax		**263**	**87**
Tax	11, 12	–14	–14
Net profit for the year		**249**	**73**

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

SEK m 1 January–31 December	Note	2019	2018
Net profit for the year		249	73
Total other comprehensive income for the year, net after tax		**0**	**0**
Comprehensive income for the year		**249**	**73**

PARENT COMPANY BALANCE SHEETS

SEK m as per 31 December	Note	2019	2018
ASSETS			
Non-current assets			
Intangible assets			
Software	15	0	1
Total intangible non-current assets		**0**	**1**
Property, plant and equipment			
Equipment and installations	16	0	0
Total property, plant and equipment		**0**	**0**
Financial assets			
Participations in Group companies	19	2,064	1,992
Other long-term securities holdings	21	1	2
Deferred tax assets	12	0	0
Receivables from Group companies		8	–
Total financial assets		**2,073**	**1,994**
Total non-current assets		**2,073**	**1,995**
Current assets			
Current receivables			
Receivables from Group companies	24	85	69
Taxes receivable		1	0
Other receivables		1	1
Prepaid expenses and accrued income	23	3	4
Total current receivables		**90**	**74**
Cash and bank balances	24	235	187
Total current assets		**325**	**261**
TOTAL ASSETS		**2,398**	**2,256**

PARENT COMPANY BALANCE SHEETS

SEK m as per 31 December	Note	2019	2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	25		
Restricted shareholders' equity			
Share capital	25	401	401
Statutory reserve		89	89
Unrestricted shareholders' equity	14		
Share premium reserve		344	344
Profit brought forward		195	206
Net profit for the year		249	73
Total shareholders' equity		**1,278**	**1,113**
Untaxed reserves	26	**72**	**50**
Provisions			
Other provisions	28	8	102
Total provisions		**8**	**102**
Current liabilities			
Liabilities to credit institutions	27, 29	443	488
Trade payables		2	2
Liabilities to Group companies	24	573	446
Other liabilities		9	42
Accrued expenses and deferred income	30	13	13
Total current liabilities		**1,040**	**991**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,398**	**2,256**

Pledged assets and contingent liabilities are reported in Note 31 and Note 32, respectively.

PARENT COMPANY CASH FLOW STATEMENTS

SEK m 1 January–31 December	Note	2019	2018
Operating activities			
Profit after financial items	33	285	106
Adjustments for non-cash items	34	–87	–95
Income tax paid		–14	–20
Cash flow from operating activities before changes in working capital		**184**	**–9**
Changes in working capital:			
– Change in current receivables		0	0
– Change in current liabilities		0	2
Total changes in working capital		**0**	**2**
Cash flow from operating activities		**184**	**–7**
Investing activities			
Acquisitions of and investments in participations in Group companies		–252	–241
Sale of participations in Group companies		—	9
Acquisition of other long-term securities holdings		0	—
Cash flow from investing activities		**–252**	**–232**
Financing activities			
Paid dividend		–84	–68
New share issue		—	253
Loans raised		116	118
Utilisation of bank overdraft		—	–42
Repayment of loans		–166	–210
Change in intra-Group receivables and liabilities		120	257
Group contributions received		130	120
Cash flow from financing activities		**116**	**428**
Change in cash and cash equivalents		**48**	**189**
Cash and cash equivalents at start of year		187	0
Exchange rate differences in cash and cash equivalents		0	–2
Cash and cash equivalents at year-end	24	**235**	**187**

PARENT COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SEK m	Restricted shareholders' equity: Share capital	Restricted shareholders' equity: Statutory reserve	Unrestricted shareholders' equity	Total shareholders' equity
Shareholders' equity at 1/1/2018	**365**	**89**	**400**	**854**
Comprehensive income				
Net profit for the year			73	73
Total other comprehensive income			**0**	**0**
Total comprehensive income			**73**	**73**
Transactions with shareholders				
New share issue	36		222	258
Issue costs			–5	–5
Tax effect of issue costs			1	1
Dividend			–68	–68
Total transactions with shareholders	**36**		**150**	**186**
SHAREHOLDERS' EQUITY, 31/12/2018	**401**	**89**	**623**	**1,113**
Comprehensive income				
Net profit for the year			249	249
Total other comprehensive income			**0**	**0**
Total comprehensive income			**249**	**249**
Transactions with shareholders				
Dividend			–84	–84
Total transactions with shareholders			**–84**	**–84**
SHAREHOLDERS' EQUITY, 31/12/2019	**401**	**89**	**788**	**1,278**

SUPPLEMENTARY DISCLOSURES AND NOTES

NOTE 1

ACCOUNTING AND VALUATION POLICIES

The most important accounting policies applied when preparing these consolidated financial statements are stated below. These policies have been applied consistently for all years presented, unless otherwise indicated.

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, Swedish Financial Reporting Board (RFR) recommendation RFR 1 Supplementary Accounting Rules for Groups, and International Financial Reporting Standards (IFRS) as endorsed by the EU. The consolidated financial statements have been prepared in accordance with the cost method, except for remeasurement of financial assets and liabilities measured at fair value through other comprehensive income and financial assets and liabilities measured at fair value through profit or loss.

Preparing financial statements in conformity with IFRS requires the use of certain important accounting estimates. It also requires management to make certain assessments in applying the Group's accounting policies. The areas involving a high degree of assessment or complexity, or areas where assumptions and estimates are of significant importance for the consolidated financial statements, are addressed in Note 39.

New standards that came into force in 2019

IFRS 16 Leases

IFRS 16 (effective as from 1 January 2019, endorsed by the EU) replaces IAS 17 Leases and related interpretations. The greatest effect for lessees is that the previous distinction between operating leases and finance leases no longer remains. All leases, including rents of premises, shall be recognised on the balance sheet except for short-term leases and leases with a low value. Recognition is based on the view that the lessee has a right to use an asset for a specific period of time and at the same time has an obligation to pay for this right. A lessee shall therefore recognise a right-of-use asset and a financial liability on the consolidated balance sheet. In the consolidated income statement, the linear operating lease cost is replaced by an interest expense for the financial liability. Before IFRS 16 began to be applied, lessees did not recognise operating leases on the consolidated balance sheet.

Addnode Group applies IFRS 16 prospectively as from 1 January 2019, i.e., comparison figures are not restated. 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 increased by SEK 139 m, and interest-bearing liabilities increased by SEK 131 m. The Group's equity is not affected by the transition to IFRS 16. The Group's leases are described in more detail in Note 17, and the transitional effects are described in Note 18.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 (effective as from 1 January 2019, endorsed by the EU) explains how current and deferred tax assets and tax liabilities are to be recognised and measured when there is uncertainty in the handling of income taxes. The interpretation is applied as from 1 January 2019, but has not had any material effect on the consolidated financial statements.

Other new and amended standards

Other new and amended standards and interpretations of existing standards that came into effect in 2019 have not had any material effect on the Group's financial position or financial statements.

New standards that had not come into force in 2019

Published new and amended standards and interpretations of existing standards that have not taken effect in 2019 and that have not either begun to be applied are not expected to have any material effect on the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements cover the Parent Company and the companies over which the Parent Company, directly or indirectly, has control. The Parent Company has control of an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its influence over the entity.

The consolidated financial statements have been prepared in accordance with the acquisition method, which entails that the shareholders' equity of subsidiaries on acquisition, determined as the difference between the fair value of the assets and the liabilities, is eliminated in its entirety. Only the part of the subsidiaries' shareholders' equity that accrued after the acquisition is included in the Group's shareholders' equity.

The purchase price for the acquisition of a subsidiary consists of the fair value of the assets transferred to the former owners of the acquired company, the liabilities incurred by the Group from the former owners, and the new shares issued by the Group. The purchase price also includes the fair value of assets or liabilities resulting from a contingent consideration arrangement. Subsequent changes in the fair value of contingent consideration are recognised through profit or loss. Transaction costs in conjunction with acquisitions are expensed in the consolidated income statement when they arise.

Companies acquired during the year are included in the consolidated financial statements in amounts pertaining to the period after the acquisition. Profit from companies sold during the year is included in the consolidated income statement for the period until the divestment date.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Swedish kronor (SEK), which is the Parent Company's functional currency and presentation currency. All foreign subsidiaries are translated to SEK by applying the current method. This means that all of the assets and liabilities of foreign subsidiaries are translated at the exchange rate in effect on the balance sheet date. All items in the income statements are translated at the average rate for the year. Translation differences are recognised in the consolidated statement of comprehensive income.

Intra-Group transactions and balance sheet items, as well as unrealised gains on transactions between Group companies, are eliminated in their entirety. Unrealised losses are also eliminated, unless the transaction provides evidence of impairment of the

Note 1, cont.

transferred asset. Where necessary, the accounting policies for subsidiaries have been adjusted to guarantee consistent application of the Group's policies.

The consolidated income statement includes non-controlling interests (previously termed "minority shares") under net profit for the year. On the consolidated balance sheet, non-controlling interests are reported as a separate item under the Group's shareholders' equity.

In connection with each individual company acquisition, the Group determines whether non-controlling interests are to be measured at either fair value or at the proportional share of net assets of the acquired company. Transactions with non-controlling interests that do not result in a change in control are reported in shareholders' equity. When the Group no longer has control, each remaining holding is measured at fair value at the date on which control ceased. Changes in carrying amounts are then recognised in the consolidated income statement. The fair value subsequently forms the basis of future reporting of the remaining holding as an associated company, joint venture or financial asset.

REVENUE RECOGNITION

Revenue is recognised when the customer gains control over the sold product or service, which entails that the customer can decide on the use of the asset and draw benefit from it. Revenue is recognised in the manner that best reflects the transfer of the promised good or service to the customer at the amount that the company expects to be entitled to receive in exchange for the transferred product or service. This recognition is conducted with the help of a five-step model:

Step 1: Identify the contract with the customer
Step 2: Identify the various performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations
Step 5: Recognise revenue when the performance obligation is fulfilled

The Group's revenue is derived mainly from consulting services, licences for own and external vendors' software, and recurring revenue from software subscriptions, support and maintenance services, and SaaS solutions.

Service assignments performed on a current account basis are recognised as revenue in pace with performance of the services, i.e., both revenue and expenses are recognised in the period in which they are earned and consumed, respectively. Fees earned as per the balance sheet date that have not been invoiced are recognised as accrued income. When the outcome of a fixed-price assignment can be reliably calculated, income and expenses attributable to the assignment are recognised as revenue and expenses in proportion to the degree of completion as per the balance sheet date (percentage of completion). The degree of completion is primarily determined based on the number of hours as per the balance sheet date in proportion to the estimated total number of hours for the assignment. If it is difficult to calculate the earnings of an assignment, yet nevertheless probable that costs incurred will be covered by the customer, revenue is recognised as per the balance sheet date in an amount corresponding to the costs incurred for the assignment. Accordingly, no profit is recognised.

When the outcome of an assignment cannot be reliably calculated, only the costs that the customer is expected to pay are recognised as revenue. No revenue is recognised if it is probable that expenses incurred will not be paid by the customer. An expected loss is immediately recognised as an expense to the extent that it can be calculated.

Fixed-price assignments currently make up a small portion of the Group's net sales. Invoiced fees for fixed-price service assignments that have not been performed are recognised as advances from customers.

Licence fees for software, which represent a distinct performance obligation, are recognised as revenue immediately upon delivery, as the customer gains control over the software. Licences for proprietary software may in certain cases be included as part of a larger implementation project with a high degree of customisation. If these performance obligations are determined to be so integrated that they each constitute distinct performance obligations, the licence revenue is recognised successively in pace with performance of the implementation services.

Software subscriptions and support and maintenance agreements where companies in the Group do not have any obligation to the customer are recognised as revenue immediately at the inception of the contract, as the performance obligation has been fulfilled. Software subscriptions and support and maintenance agreements where companies in the Group have an obligation to the customer are recognised as revenue on a linear basis during the contract period in pace with completion of the performance obligation. Revenue for SaaS solutions is recognised in pace with provision of the services.

If a customer contract contains several distinct performance obligations, the transaction price is allocated to each of the separate performance obligations based on their standalone sales prices. In cases where the standalone sales prices are not directly observable, the price is estimated based on the anticipated costs plus a profit margin.

Sales of products may arise to a limited extent and are recognised as revenue upon completion of delivery to the customer.

The Group's revenue from contracts with customers is described in more detail in Notes 2 and 3.

INCOME TAXES

Reported income taxes include tax to be paid or received for the current year, adjustments of current tax for previous years and changes in deferred tax.

Measurement of all tax liabilities/assets is done at nominal amounts in accordance with the tax regulations and tax rates that have been decided on or announced, and which are likely to be adopted.

Tax is recognised through profit or loss, except when the tax pertains to items recognised in other comprehensive income or directly in shareholders' equity. In such cases, tax is also recognised in other comprehensive income or shareholders' equity.

Deferred tax is calculated using the balance sheet method on all temporary differences arising between the recognised and tax values of assets and liabilities. Deferred tax assets pertaining to tax loss carryforwards or other future tax deductions are recognised to the extent that it is likely that the deductions can be offset against surpluses in connection with future taxation.

RECEIVABLES, AND RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

Loan receivables and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. These items are distinguished by the fact that they

Note 1, cont.

arise when the Group provides funds, goods or services directly to a customer without intending to trade in the receivable. These amounts are included under current assets, with the exception of items falling due more than 12 months after the balance sheet date, which are classified as non-current assets. Loan receivables and trade receivables are initially measured at fair value and subsequently at amortised cost by applying the effective interest method, less any provisions for impairment. A reserve is established for impairment when the amount that is expected to be paid following an individual assessment is less than the carrying amount of the asset. Starting in 2018, a provision for anticipated credit losses is also made in accordance with IFRS 9.

Receivables and liabilities in foreign currency are measured at the exchange rate in effect on the balance sheet date. In cases where currency hedges have been applied, for example forward contracts, both the hedged item and the hedging instrument are measured at fair value. Transactions in foreign currency are translated at the spot rate on the transaction date. Exchange rate differences pertaining to operating receivables and liabilities are recognised in operating profit, while exchange rate differences pertaining to cash and cash equivalents and loans are recognised as financial income and expenses in the income statement. Remeasurement of liabilities at the exchange rate in effect on the balance sheet date for consideration paid and provisions for estimated contingent consideration in foreign currency is recognised in the consolidated statement of comprehensive income if the requirements for hedge accounting of net investments in foreign operations are met.

NON-CURRENT ASSETS

Non-current assets are measured at cost less accumulated depreciation and any impairment.

If there is an indication that an asset has declined in value, the recoverable amount of the asset is calculated. If the asset's carrying amount exceeds the recoverable amount, the asset is immediately written down to its recoverable amount.

INTANGIBLE NON-CURRENT ASSETS

Costs for software development

Software development is conducted mainly within the framework of customer assignments.

Costs that are directly related to identifiable and unique software that is controlled by the Group are reported as intangible non-current assets if there is a clearly defined development project with specific plans for how and when the asset is to be used in the operations, the cost can be calculated reliably, and the asset is expected to generate future financial benefits. In addition, it should also be technically possible to carry out the project, and the resources required to complete development must be available. Other development costs that do not meet these criteria are expensed as incurred. Development costs that were previously expensed are not reported as an asset in subsequent periods.

The cost of the intangible asset includes direct costs for, for example, consultants and personnel developing proprietary software, and a reasonable share of relevant indirect costs. Scheduled amortisation is done on a straight-line basis over the estimated useful life, which is either three or five years. A three-year amortisation schedule is used for software that is developed as an additional component to an external vendor's software or platform. A five-year amortisation schedule is used for entirely proprietary software that is not based on an external vendor's software or platform. Amortisation is recognised from the date on which the software becomes operational.

Goodwill and intangible assets with indefinite useful life

Goodwill consists of the amount by which the cost for acquisition of companies or operations exceeds the fair value of the acquired identifiable net assets on the acquisition date. In the purchase price allocation analysis, acquired intangible assets, such as customer relationships, software and certain trademarks, are stated at market value before the remainder is attributed to goodwill.

Goodwill and other intangible assets with indefinite useful life are measured at cost less any impairment. Scheduled amortisation is not conducted; instead, an impairment test is conducted yearly or more often if there is an indication of a decline in value.

Other intangible assets

Other intangible assets pertain mainly to customer agreements, acquired software and certain trademarks. These assets are recognised at cost less scheduled amortisation. Amortisation is done on a straight-line basis over the estimated useful life. Customer contracts and acquired software are amortised over a period of either five or seven years, and trademarks are amortised over a period of five years.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are reported at cost less depreciation. Costs for repairs and maintenance are expensed.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets. The asset's residual value is taken into account when determining the depreciable amount of the asset. Equipment and installations are depreciation over a period of three to five years. Depreciation of buildings is done at 4 per cent per year.

LEASES

The Group's leases consist mainly of rental contracts for premises and leases for company cars. Starting on 1 January 2019, all leases in which the Group is the lessee, except for short-term leases and leases with a low value, are recognised on the balance sheet as right-of-use assets and corresponding financial liabilities. The right-of-use assets are included in property, plant and equipment, and the financial liabilities are included in interest-bearing liabilities. In the consolidated income statement, a cost is recognised for depreciation of the leased asset along with interest expense for the financial liability.

Assets and liabilities arising out leases are initially recognised at the present value of the future lease payments when the leased asset is available for use by the Group. The future lease payments are discounted using the lease's implicit rate. If this interest rate cannot be determined, the lessee's incremental borrowing rate is used. The lease payments are divided into to amortisation of the principal and payment of interest. The interest is recognised in the income statement over the term of the lease in a way that conveys a fixed interest rate for the lease liability that is recognised during the respective period.

Right-of-use assets are ordinarily depreciated on a straight-line basis over the shorter of the useful life and the lease term. Payments for short-term leases and leases where the underlying assets are of low value are expensed on a linear basis in the income statement. A more detailed description of the Group's lease activities and reporting of these is provided in Note 17. The

Note 1, cont.

transition to accounting in accordance with the new standard IFRS 16 Leases is described in Note 18.

Through the end of 2018, leases were classified as either finance or operating leases. When the lease entailed that the Group, in its capacity as lessee, essentially enjoyed the economic benefits and accepted the financial risks attributable to the leased asset, then the asset was reported as a non-current asset on the consolidated balance sheet. A corresponding obligation to make future lease payments was reported as a liability. Each lease payment was divided into amortisation of the principal and financial expenses to determine a fixed interest rate for the liability recognised in each respective period. Leases where a significant portion of the risks and benefits associated with ownership were retained by the lessor were classified as operating leases. Lease payments for operating leases were expensed in the income statement on a straight-line basis over the term of the lease.

FINANCIAL INSTRUMENTS

Financial instruments include cash and cash equivalents, securities holdings, receivables, operating liabilities, liabilities under finance leases (through 2018 only liabilities under finance leases), borrowings and any derivative instruments. Purchases and sales of securities and derivative instruments are recognised on the trade date, i.e., the date on which a binding purchase or sale contract was signed. The fair value of market-listed securities is based on the purchase price on the balance sheet date.

Securities intended to held in the long term and any short-term investments are attributed to the measurement categories of either financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, or financial assets at amortised cost. The measurement category is determined separately for each holding of securities based on the nature of the contractual cash flows and the company's business model for asset management, i.e., based on nature and the purpose of the holding.

For financial assets measured at fair value through profit or loss, changes in fair value are recognised as financial income and financial expenses, respectively, in profit or loss. However, changes in value regarding forward exchange contracts are recognised in operating profit (see below).

Changes in fair value of financial liabilities measured at fair value through other comprehensive income are recognised in the consolidated statement of comprehensive income during the holding period. Upon divestment of the instrument, no reclassification of accumulated changes in value is made to financial income and financial expense in the income statement.

For the financial liabilities at fair value through profit or loss category (primarily provisions for estimated contingent consideration), changes in value are recognised as financial items in the income statement. Other financial liabilities are recognised at amortised cost. However, liabilities pertaining to leases are recognised at the present value of the remaining lease payments.

Any outstanding forward exchange contracts are measured at fair value. Forward exchange contracts pertain to hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedges). Hedge accounting according to IFRS 9 is applied for certain forward exchange contracts. This means that unrealised changes in value are recognised in the consolidated statement of comprehensive income until the hedged item is to be recognised in the consolidated income statement, at which point the profit or loss for the corresponding foreign exchange forward contract is recognised in the consolidated income statement. When the formal conditions for hedge accounting are not met, outstanding forward exchange contracts are measured as independent financial instruments on their respective balance sheet dates, for which both realised and unrealised changes in value are recognised in operating profit. The Group had no outstanding forward exchange contracts as per 31/12/2019 or 31/12/2018.

INVENTORIES

Inventories are measured at the lower of cost or net realisable value. Cost is calculated through application of the first-in, first-out (FIFO) principle. Net realisable value consists of the sales price in the operating activities less the estimated selling costs.

SHAREHOLDERS' EQUITY

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issuance of new shares are recognised, net after tax, in shareholders' equity as a deduction from the issue proceeds.

When any Group company purchases Parent Company shares (a share repurchase), the purchase price paid, including any directly attributable transaction costs (net after tax), reduces the profit brought forward until the shares are extinguished or sold. If these shares are subsequently sold, the amount received for them (net after any transaction costs and tax effects) is recognised in profit brought forward.

PROVISIONS

Provisions are defined as obligations that are attributable to the financial year or previous financial years and that are certain or likely to arise as per the balance sheet date, but for which the amount and the date on which the obligations are to be realised are uncertain. Provisions for estimated contingent consideration for acquisitions of businesses and for restructuring measures that have been decided on are recognised on the balance sheet. A provision for restructuring costs is reported when a detailed plan for the implementation of the measures exists and when this plan has been communicated to those affected.

PENSIONS

The Group's pension plans are administered almost exclusively by various insurance institutions. The Group primarily has defined contribution pension plans, although defined benefit pension plans also exist to a certain extent. The Group's payments toward defined contribution plans are recognised as personnel costs in the income statement during the period in which the employee performed the services and that the contributions pertain to.

The defined benefit plans pertain in all essential respects to obligations for retirement pensions and family pensions for salaried employees in Sweden, which are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, this is classified a defined benefit multi-employer plan. For the 2019 financial year, the Group did not have access to the type of information required for recognising these plans as defined benefit plans. As a result, the ITP (individual supplementary pension) plans that are secured through insurance with Alecta are reported as defined contribution plans. Contributions are recognised as personnel costs in profit or loss when they fall due for payment. Fees for pension insurance taken out with Alecta amounted to SEK 8 m (7) in 2019 and are expected to be roughly the same in 2020. Alecta's surplus can be distributed

Note 1, cont.

to the policyholders and/or insureds. At year-end 2019 Alecta's surplus in the form of its collective funding ratio was 148 per cent (142). The collective funding ratio is defined as the market value of Alecta's assets as a percentage of its insurance obligations calculated using Alecta's actuarial assumptions, which are not compatible with IAS 19.

The German subsidiary TECHNIA GmbH has defined benefit pension obligations for five employees. The provision reported on the balance sheet for these pension obligations corresponds to the present value of the obligations on the balance sheet date and has been calculated in accordance with IAS 19 by an independent actuary. The provision as per 31/12/2019 amounted to SEK 9 m (8) (see Note 28). Actuarial gains and losses are recognised in the consolidated statement of comprehensive income in the periods in which they arise.

BORROWINGS

Borrowings are initially measured at fair value, net after transaction costs. Borrowings are subsequently measured at amortised cost, and any difference between the amount received (net after transaction costs) and the repayment amount is recognised through profit or loss, distributed over the term of the loan, using the effective interest method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer payment of the liability for at least 12 months after the balance sheet date.

TRADE PAYABLES

Trade payables are commitments to pay for goods or services acquired in operating activities from vendors. Trade payables are classified as current liabilities if they fall due within one year after the balance sheet date; otherwise they are classified as non-current liabilities. Trade payables are initially measured at fair value and thereafter at amortised cost by applying the effective interest method.

IMPAIRMENT

Assets with indefinite useful life, such as goodwill, are not amortised but are tested at least yearly for impairment. When impairment tests are performed, goodwill is distributed between the cash-generating units or groups of cash-generating units, determined in accordance with the Group's operating segments that are expected to benefit from the business combination in which the goodwill item arose.

Depreciated/amortised assets are assessed with regard to any decrease in value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and its value in use.

REPORTING FOR OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function that is responsible for allocating resources and assessing the performance of the operating segments. For the Group, this function has been identified as the President of the Parent Company.

STATEMENT OF CASH FLOWS, AND CASH AND CASH EQUIVALENTS

The statement of cash flows is prepared in accordance with the indirect method. The reported cash flows include only transactions that involve cash inflows and outflows.

Cash and cash equivalents include cash, bank balances and short-term investments with a remaining term of less than three months from the acquisition date.

PARENT COMPANY

The Parent Company's accounts are prepared in accordance with the Swedish Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. The recommendation entails that legal entities whose securities are listed on a Swedish stock exchange on the balance sheet date are, as a main rule, to apply the IFRSs used in the consolidated financial statements along with certain exemptions and additions stated in the recommendation.

The accounting policies and calculation methods for the Parent Company are unchanged compared with the preceding year.

Financial instruments, such as long-term securities holdings, are measured at fair value. Changes in fair value are recognised in accordance with the same principles as for the Group (see the description above). Participations in Group companies are reported at cost less any impairment. The cost of participations in Group companies includes transaction costs that arose in conjunction with the acquisition. Contingent consideration is recognised as a part of cost if it is probable that such consideration will be paid. Any remeasurement of estimated contingent consideration in subsequent periods is recognised as a change in the cost of participations in Group companies. Liabilities for consideration in foreign currency and provisions for estimated contingent consideration in foreign currency may in certain cases be treated in the accounts as a hedge of net investments in foreign operations. In such case the Parent Company recognises the liabilities and provisions at the exchange rate in effect on the acquisition date until they are settled, at which point realised exchange rate differences are recognised as a change in the cost of participations in Group companies. Certain bank loans in foreign currency are also treated for accounting purposes as hedges of net investments in foreign currency, entailing that such bank loans are stated at cost. Other assets and liabilities are stated at historical cost less depreciation/amortisation and any impairment. Dividends received and Group contributions received are reported as financial income.

In the Parent Company, all leases are recognised as rental contracts, whereby the lease payments are expensed in the income statement on a linear basis over the lease term.

NOTE 2

OPERATING SEGMENTS

Addnode Group's operations are organised and governed 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 deliver software and digital solutions to customers in sectors such as construction and real estate, the manufacturing industry, the auto industry, life sciences and the public sector. The solutions help companies and authorities improve their efficiency in everything from case management and citizen dialogue to

Note 2, cont.

design, construction and management of product data over a product's entire lifecycle. No changes were made in the segment breakdown in 2019. The segment breakdown is based on the Group's products and services.

The effect of IFRS 16 has not been allocated to the divisions in the table below, but is included in the "Central" column. In other respects, the segments' earnings are reported according to the same accounting policies as the Group. The difference between the sum of the segments' EBITA and consolidated profit for 2019 pertains to impairment of intangible assets totalling SEK –109 m (–95). The difference between the sum of the segments' operating profit and consolidated operating profit before tax pertains to financial income of SEK 4 m (5), financial expenses of SEK –21 m (–17), and remeasurement of contingent consideration, totalling SEK –26 m (6).

Operating capital is defined as the sum of goodwill and other intangible non-current assets, property, plant and equipment excluding IFRS 16 effects, financial assets, trade receivables and other operating assets less trade payables and other operating liabilities.

Design Management sells IT solutions for design, project management and property management. Product Lifecycle Management offers IT solutions for design and product data management. The operations of Process Management are focused on IT solutions for document and case management. Central work pertains to market communication, financial reporting and control, financing, tax issues, business development and company acquisitions.

A breakdown of the Group's net sales by the various types of revenue is provided in Note 3. All of the divisions receive revenue, including recurring revenue, from services, licences and software, although the share of revenue from each type of revenue varies between the divisions. Design Management and Product Lifecycle Management mainly receive recurring revenue. For Process Management, services for proprietary software are the primary revenue stream. Revenue for central units primarily pertains to invoicing to subsidiaries for rents of premises and services performed. Transactions between the divisions are normally conducted in accordance with normal commercial terms, which also apply for external parties.

	Design Mgt		***PLM***		***Process Mgt***		***Central***		***Eliminations***		***Group***	
SEK m	***2019***	***2018***	***2019***	***2018***	***2019***	***2018***	***2019***	***2018***	***2019***	***2018***	***2019***	***2018***
Revenue and earnings												
Revenue from external customers	1,382	1,048	1,267	1,130	784	763	1	1	—	—	3,434	2,942
Transactions between segments	5	5	5	2	13	10	12	12	–35	–29	0	0
Total revenue	**1,387**	**1,053**	**1,272**	**1,132**	**797**	**773**	**13**	**13**	**–35**	**–29**	**3,434**	**2,942**
EBITA	**146**	**114**	**104**	**104**	**115**	**116**	**–38**	**–36**	**—**	**—**	**327**	**298**
Operating profit/loss	**101**	**74**	**73**	**78**	**82**	**87**	**–38**	**–36**	**—**	**—**	**218**	**203**
Other disclosures												
Total operating capital	630	656	589	540	484	513	22	4	—	—	1,725	1,713
Investments in intangible assets and in property, plant and equipment	32	26	27	19	19	26	59	—	—	—	137	71
Depreciation/amortisation and impairment of intangible assets and of property, plant and equipment	–49	–45	–37	–32	–37	–34	–71	—	—	—	–194	–111
Average number of employees	415	412	644	555	524	497	7	7	—	—	1,590	1,471

Geographic information

The Group conducts business primarily in the Nordic countries, Germany, the UK and the USA. Most of the Group's business is in Sweden, where all of the divisions conduct business. Business in Norway is mainly conducted by Design Management, but also Product Lifecycle Management and Process Management. Business in Finland and the UK is conducted by Design Management and Product Lifecycle Management. Business in Germany and the USA is conducted by Product Lifecycle Management.

The information below regarding revenue from external customers is based on where the customers are domiciled.

	Revenue from external customers		***Intangible assets and property, plant and equipment***	
SEK m	***2019***	***2018***	***2019***	***2018***
Sweden	1,478	1,357	958	850
Norway	339	272	195	189
Finland	200	168	54	50
Denmark	55	56	22	21
Netherlands	65	48	32	27
Germany	533	539	238	222
UK	559	337	521	473
USA	82	82	0	0
Other countries	123	83	43	8
Group	**3,434**	**2,942**	**2,063**	**1,840**

NOTE 3

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's net sales consist of the following, main revenue streams per operating segment.

	Design Mgt		*PLM*		*Process Mgt*		*Central*		*Eliminations*		*Group*	
SEK m	***2019***	***2018***	***2019***	***2018***	***2019***	***2018***	***2019***	***2018***	***2019***	***2018***	***2019***	***2018***
Licences	30	62	144	154	33	36	—	—	0	0	207	252
Recurring revenue	1,133	771	715	624	340	311	—	—	–7	–7	2,181	1,699
Services	214	204	399	340	398	407	—	—	–5	–4	1,006	947
Other	10	16	14	14	26	19	13	13	–23	–18	40	44
Total revenue	**1,387**	**1,053**	**1,272**	**1,132**	**797**	**773**	**13**	**13**	**–35**	**–29**	**3,434**	**2,942**

By recurring revenue is meant revenue of a yearly recurring character, such as revenue from support and maintenance contracts, and revenue from software subscriptions, rental agreements and SaaS solutions.

Following is a description of the Group's main types of revenue per division.

DESIGN MANAGEMENT

Products and services	***Description of the nature, invoicing and point in time for fulfilment of the performance obligations as well as revenue recognition and important terms of payment***
Licences	**Proprietary software and external software vendors** Revenue for perpetual right of use for software is recognised immediately at the delivery date, when the customer gains control of the software. New sales of Autodesk software are made in the form of software subscriptions (see below). Customers are invoiced upon signing of the contract/at the delivery date, and terms of payment are normally 30 days.
Recurring revenue	**Software subscriptions and rental contracts** Revenue from software subscriptions and rental contracts pertaining to time-restricted rights of use and updates of the Group's proprietary software, where companies in the Group have an obligation to the customer, is recognised on a linear basis during the contract term in pace with fulfilment of the performance obligation. The contract term is typically one year, but can be up to three years. Revenue for software subscriptions and rental contracts pertaining to time-restricted rights of use and updates of software from Autodesk and other external vendors, where companies in the Group do not have an obligation to the customer, is recognised immediately at the inception of the contract. The contract term is typically one year, but can be up to three years. **Support and maintenance agreements** Revenue from support and maintenance agreements where companies in the Group do not have an obligation to the customer is recognised immediately at the inception of the contract. The contract term is usually one year, but can be up to three years. Revenue from support and maintenance agreements where companies in the Group have an obligation to the customer is recognised on a linear basis during the contract term in pace with fulfilment of the performance obligation. The contract term is typically one year, but can be up to ten years. For software subscriptions, rental contracts, and support and maintenance agreements, customers are usually invoiced in advance, whereby the period of time that is being invoiced can pertain to the entire or part of the contract term. Amounts invoiced in advance are recognised as deferred income on the balance sheet. The terms of payment are normally 30 days. **SaaS solutions** Revenue for SaaS solutions is recognised in pace with provision of the services. Customers are invoiced and typically pay for performed services monthly in arrears.
Services	Revenue from performed service assignments is recognised on account in pace with performance of the services. Customers are invoiced and typically pay for performed services monthly in arrears. Fixed-price assignments are negligible.

Note 3, cont.

PRODUCT LIFECYCLE MANAGEMENT

Products and services	***Description of the nature, invoicing and point in time for fulfilment of the performance obligations as well as revenue recognition and important terms of payment***
Licences	**Proprietary software and external software vendors** Revenue from perpetual right of use for software is recognised immediately at the delivery date, when the customer gains control of the software. Sales of Dassault Systèmes' software are now conducted to a greater extent in the form of software subscriptions (see below). Customers are invoiced upon signing of the contract/at the delivery date, and terms of payment are normally 30 days.
Recurring revenue	**Software subscriptions and rental contracts** Revenue from software subscriptions and rental contracts pertaining to time-restricted rights of use and updates, where companies in the Group have an obligation to the customer, is recognised on a linear basis during the contract period in pace with fulfilment of the performance obligation. The contract term is typically one year, but can vary between a quarter and in some cases several years. **Support and maintenance agreements** Revenue from support and maintenance agreements, where companies in the Group have an obligation to the customer is recognised on a linear basis during the contract period in pace with fulfilment of the performance obligation. The contract term is typically one year, but can vary between a quarter and in some cases several years. For software subscriptions, rental contracts and support and maintenance agreements, customers are typically invoiced in advance, whereby the period of time being invoiced can pertain to either the entire or part of the contract period. Amounts invoiced in advance are recognised as deferred income on the balance sheet. Terms of payment are normally 30 days. **SaaS solutions** Revenue for SaaS solutions is negligible and is recognised in pace with provision of the services. Customers are invoiced and typically pay for performed services monthly in arrears.
Services	Revenue for performed service assignments on account is recognised in pace with provision of the services. Customers are typically invoiced and pay monthly in arrears. Fixed-price assignments exist to some extent, whereby revenue is recognised in relation to completion of the assignment on the balance sheet date (percentage of completion). Invoiced fees for fixed-price assignments pertaining to services that have not yet been provided are recognised as customer advances on the balance sheet.

PROCESS MANAGEMENT

Products and services	***Description of the nature, invoicing and point in time for fulfilment of the performance obligations as well as revenue recognition and important terms of payment***
Licences	Revenue from perpetual right of use for software which constitutes a distinct performance obligation is recognised immediately at the delivery date, when the customer gains control of the software. Customers are invoiced upon signing of the contract/at the delivery date, and terms of payment are normally 30 days.
Implementation of system solutions (combination of licences and services)	Licences for proprietary software can in certain cases be included as part of a larger implementation project with a high degree of customisation. If these performance obligations are considered to be so integrated that they each constitute a distinct performance obligation, the licence revenue is recognised in pace with completion of the implementation services. In these cases, invoicing and the terms of payment are often based on specific agreements reached with the customers.
Recurring revenue	**Support and maintenance agreements** Revenue from support and maintenance agreements where companies in the Group have an obligation to the customer is recognised on a linear basis during the contract period in pace with fulfilment of the performance obligation. The contract term is typically one year, but can be several years. Maintenance agreements pertaining to external vendors' software where companies in the Group do not have an obligation to the customer exist to some extent, and revenue for these is recognised immediately upon inception of the agreement, when the performance obligation has beenfullfilled.Customers are typically invoiced in advance, whereby the period of time that is invoiced can pertain to either all or part of the contract period. Amounts invoiced in advance are recognised as deferred income on the balance sheet. Terms of payment are normally 30 days. **SaaS solutions** Revenue from SaaS solutions is recognised in pace with provision of the services. Customers are invoiced and typically pay for performed services either monthly in advance or in arrears. Amounts invoiced in advance are recognised as deferred income on the balance sheet. Terms of payment are normally 30 days.
Services	Revenue for performed service assignments on account is recognised in pace with provision of the services. Customers are invoiced and typically pay monthly in arrears. Fixed-price assignments exist to some extent, whereby revenue is recognised in relation to completion of the assignment on the balance sheet date (percentage of completion). Invoiced fees for fixed-price assignments pertaining to services that have not yet been provided are recognised as customer advances on the balance sheet.

Contract assets and contract liabilities
Addnode Group recognises trade receivables when there is an unconditional right to payment for performed services. Accrued income is recognised for earned fees and other remuneration for performed services that have not yet been invoiced on the balance sheet date. Contracts invoiced in advance are recognised as deferred income on the balance sheet. Invoiced fees for fixed price assignments for services that have not yet been performed are recognised as customer advances.

Accrued income
Of the year's opening balance of SEK 39 m (38), SEK 29 m (33) was reclassified as trade receivables in 2019. No significant impairment has been recognised for accrued income at the start of the year. Revenue recognised in 2019 is included in accrued income at year-end in the amount of SEK 28 m (34).

Deferred income
Of the year's opening balance of SEK 426 m (355), SEK 421 m (346) was recognised as revenue in 2019. Companies acquired in 2019 contributed SEK 3 m (3) to deferred income in 2019. Contracts invoiced in advance in 2019 are included in deferred income at year-end in the amount of SEK 430 m (388).

Customer advances
Of the year's opening balance of SEK 17 m (18), SEK 16 m (11) was recognised as revenue in 2019. Invoiced fees for fixed-price assignments for services that have not yet been performed are recognised in the closing balance for the year in the amount of SEK 18 m (10).

Trade receivables and possible and anticipated credit losses
Addnode Group has historically had very low costs for bad debts. The provision for bad debts on the balance sheet date of 31/12/2019 was SEK 4 m (4), which corresponds to 0.7 per cent (0.7) of total trade receivables. Profit for 2019 was negatively affected in the amount of SEK 2 m (5) for provisions for bad debts. The Group's trade receivables are distributed among a large number of counterparties. The anticipated level of credit losses is very low in relation to outstanding trade receivables and net sales. In terms of monetary amounts, the effects of the new model for calculating the provision for anticipated credit losses according to IFRS 9 have been negligible.

Contract fees
Addnode Group has not reported any assets due to fees for receiving or fulfilling contracts with customers.

Transaction price allocated to remaining performance obligations
The following table shows revenue that is expected to be recognised in the future pertaining to unfulfilled or partly unfulfilled performance obligations on the balance sheet date, and when revenue for these is expected to be recognised (SEK m).

	31/12/2019	*31/12/2018*
Within one year after the balance sheet date	104	98
Later than one year but within five years from after the balance sheet date	187	139
Later than five years after the balance sheet date	34	29
Total	**325**	**266**

The table does not include performance obligations that are part of a contract with an original anticipated term of not more than one year or a contract under which the company has a right to variable consideration based on its completed performance, such as consulting contracts where the consideration consists of a fixed amount per hour of completed work (according to IFRS 15 points 121 and B16). Nor does the table include performance obligations that arose before the initial date of application of IFRS 15, i.e., 1/1/2018.

Parent Company
The Parent Company's net sales pertain mainly to invoicing to subsidiaries for rents of premises and performed services.

NOTE 4

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

	Group		*Parent Company*	
SEK m	*2019*	*2018*	*2019*	*2018*
Salaries and other remuneration for:				
– boards of directors, presidents and senior executives	144	116	11	11
– other employees	830	777	5	5
Pension costs for:				
– boards of directors, presidents and senior executives	18	17	2	2
– other employees	68	65	1	1
Other social security costs	242	209	6	5
Total	**1,302**	**1,184**	**25**	**24**
Salaries and other remuneration for boards of directors, presidents and senior executives above include bonuses and similar, totalling	20	20	3	3
Number of persons included in the category of boards of directors, presidents and senior executives above	135	108	9	9

NOTE 5

REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

REMUNERATION AND OTHER BENEFITS IN 2019

SEK thousands	Base salary/fees	Variable remuneration	Other benefits	Pension costs	Total 2019
Staffan Hanstorp, Chairman of the Board	412	–	–	–	412[1]
Jan Andersson, director	278	–	–	–	278
Kristofer Arwin, director	248	–	–	–	248
Johanna Frelin, director	197	–	–	–	197
Sigrun Hjelmquist, director	248	–	–	–	248
Thord Wilkne, director	215	–	–	–	215
Johan Andersson, President	2,940	2,283	114	864	6,201
Other senior executives (4 persons)	7,409	2,544	247	1,462	11,662[2]
Total	**11,947**	**4,827**	**361**	**2,326**	**19,461**

1) In 2019 the Chairman of the Board, Staffan Hanstorp, invoiced the Parent Company SEK 2,520 thousand in fees, via a company, for consulting services related to the Group's acquisition opportunities, financing matters, strategic partnerships and overarching strategic matters. This amount is not included in the table above.

2) As from September 2019 the Group CFO was hired on a consultant basis. The fee paid to the consulting company for the period September–December 2019 was SEK 1,462 thousand. This amount is not included in the table above.

REMUNERATION AND OTHER BENEFITS IN 2018

SEK thousands	Base salary/fees	Variable remuneration	Other benefits	Pension costs	Total 2018
Staffan Hanstorp, Chairman of the Board	392	–	–	–	392[3]
Jan Andersson, director	257	–	–	–	257
Kristofer Arwin, director	230	–	–	–	230
Johanna Frelin, director	188	–	–	–	188
Sigrun Hjelmquist, director	230	–	–	–	230
Thord Wilkne, director	198	–	–	–	198
Dick Hasselström, former director	67	–	–	–	67
Johan Andersson, President	2,672	1,438	113	792	5,015
Other senior executives (4 persons)	7,528	2,697	232	1,453	11,910
Total	**11,762**	**4,135**	**345**	**2,245**	**18,487**

3) In 2018 the Chairman of the Board, Staffan Hanstorp, invoiced the Parent Company SEK 2,688 thousand in fees, via a company, for consulting services related to the Group's acquisition opportunities, financing matters, strategic partnerships and overarching strategic matters. This amount is not included in the table above.

GUIDELINES APPROVED BY THE ANNUAL GENERAL MEETING IN MAY 2019

By senior executives is meant the President of the Parent Company and other members of Group Management according to the description in the Corporate governance report on pages 80–81. The following guidelines for remuneration and other terms of employment for senior executives were approved by the AGM in May 2019.

Remuneration of the President of the Parent Company and other members of Group Management shall normally consist of a fixed salary, variable remuneration, share-based incentive programmes and other customary benefits and pensions. The fixed salary shall be competitive and ensure that Addnode Group is able to recruit competent executives. As a general rule, the fixed salary is reviewed once a year and is to take into account the individual's qualitative performance. In addition to the fixed salary, variable remuneration may be payable. Variable remuneration shall be based on results achieved and/or individually set specific goals. For the President of the Parent Company, the variable cash remuneration shall be based on the earnings achieved by the Group. Variable cash remuneration is capped at 12 months' salary. For other members of Group Management, variable cash remuneration is capped at nine months' salary and shall be based primarily on the operations for which the individual is responsible. Share-based incentive programmes shall be decided on by a general meeting of shareholders. The company shall be able to pay cash remuneration coupled to senior executives' purchases of shares or share-based instruments. Such cash remuneration shall normally not exceed 15 per cent of the individual's fixed salary.

Pensions shall always be defined contribution solutions in order to generate predictability with respect to the company's future obligations. Pension premiums are payable at a maximum amount of 30 per cent of the individual's current fixed annual salary.

Other remuneration and benefits are to be on market terms and shall support the executive's ability to perform his or her duties. Other benefits pertain primarily to company cars or mileage allowance.

Senior executives' employment contracts include stipulations on notice periods. The policy is that employment may be terminated at the request of a party with a notice period of a minimum of six and a maximum of 12 months. During the notice period, unchanged salary, remuneration and benefits shall be payable.

These guidelines shall apply for employment contracts entered into after the AGM and for any amendments to existing conditions. The Board may depart from these guidelines only if specific reasons exist in individual cases.

REMUNERATION AND BENEFITS FOR THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES IN 2019

Parent Company Board of Directors

For the time between the 2019 and 2020 Annual General Meetings, a fixed fee of SEK 400 thousand is payable to the Chairman of the Board and SEK 200 thousand to each of the other board members. A fee of SEK 85 thousand is payable to the Audit Committee chair, and a fee of SEK 55 thousand is payable to each of the two other members of the Audit Committee. A fee of SEK 20 thousand is payable to each of the two members of the Board's Remuneration Committee. During 2019 the Chairman of the Board, Staffan Hanstorp, was contracted on a consulting basis for work with the Group's acquisition opportunities, financing matters, strategic partnerships and overarching strategic matters. Fees invoiced for the consulting services performed by Staffan Hanstorp amounted to a maximum of SEK 250 thousand per month (based on an invoiced amount including social security charges). No other fees were paid in 2019 for work in addition to board assignments or work on the Audit or Remuneration Committees. No agreements exist regarding pensions, severance pay or other benefits for board members.

Subsidiary boards of directors

No separate fee is generally paid to board members of the Group's subsidiaries, nor any pension benefits or other benefits.

President of the Parent Company

The President, Johan Andersson, is employed by the Parent Company. Under his employment contract, remuneration is paid in the form of base salary of SEK 240 thousand per month, variable remuneration, other benefits and occupational pension premiums. Variable remuneration pertains to the expensed bonus for 2019, which will be paid out in 2020. Variable remuneration is based mainly on consolidated operating profit after amortisation of intangible assets and earnings per share. The variable remuneration component is capped at 12 months' fixed salary on a yearly basis. Other benefits consist primarily of a car mileage allowance. Pension costs pertain to the cost that affects net profit for the year. Occupational pension premiums are paid in an amount corresponding to 30 per cent of fixed salary.

The President's employment contract has a mutual notice period of six months with a continued obligation to work. In the event the company serves notice, severance pay equivalent to six months' fixed salary is payable.

Remuneration of the President of the Parent Company is addressed and set by the Board's Remuneration Committee.

Other senior executives

The category "other senior executives" in the table above for 2019 includes Group Management, except for the President of the Parent Company, according to the description in the corporate governance report on pages 80–81. Remuneration of other senior executives consists of a base salary, variable remuneration, other benefits and occupational pension premiums. Variable remuneration for the 2019 financial year pertains to expensed bonuses that will be paid out in 2020. For the division presidents, variable remuneration is largely based on operating profit for the year for the division before amortisation of intangible assets. Variable remuneration is capped at an amount corresponding to nine months' fixed salary. The level of other benefits in the table above mainly pertains to company cars or a car mileage allowance. Pension costs pertain to the costs that affected net profit for the year. Occupational pension premiums are paid in an amount corresponding to a maximum of approximately 30 per cent of fixed salary.

The employment contracts have a mutual notice period of six to 12 months with a continued obligation to work.

Remuneration of other senior executives in the Group is addressed and set by the President of the Parent Company following consultation with the Board's Remuneration Committee.

NOTE 6

AUDITORS' FEES

	Group		*Parent Company*	
SEK thousands	***2019***	***2018***	***2019***	***2018***
Audit assignment				
PricewaterhouseCoopers	2,704	2,566	575	613
of which, PricewaterhouseCoopers AB[1]	1,960	2,043		
Other auditors	1,630	1,681	–	–
Auditing activities in addition to the audit assignment				
PricewaterhouseCoopers	221	261	190	241
of which, PricewaterhouseCoopers AB[1]	221	261		
Other auditors	0	72	–	–
Tax consulting				
PricewaterhouseCoopers	301	68	297	18
of which, PricewaterhouseCoopers AB[1]	301	68		
Other auditors	283	358	–	–
Other services				
PricewaterhouseCoopers	43	147	43	102
of which, PricewaterhouseCoopers AB[1]	43	102		
Other auditors	380	87	–	–
Total	**5,562**	**5,240**	**1,105**	**974**

1) Disclosure is provided of how much of the Group's total fees paid to auditors pertain to the AGM-elected audit firm in Sweden.

Fees for auditing activities in addition to the audit assignment include reviews of the interim reports for both 2019 and 2018.

NOTE 7

EXCHANGE RATE DIFFERENCES

Consolidated operating profit includes exchange rate differences attributable to operating receivables and operating liabilities in a net amount of SEK –4 m (–1). Forward exchange contracts are used to a certain extent to secure amounts for future payment flows in foreign currencies. Outstanding forward exchange contracts are measured at fair value. Forward exchange contracts pertain to hedges of a particular risk associated with a reported asset or liability or a highly probable forecast transaction (cash flow hedges). Hedge accounting according to IFRS 9 is applied for certain forward exchange contracts. This means that unrealised changes in value are recognised in the consolidated statement of comprehensive income until the hedged item is to be recognised in the consolidated income statement, at which point the gain or loss for the corresponding forward exchange contract is recognised in the consolidated income statement. The purpose of hedge accounting is thus for the gain or loss for the hedged item and the corresponding forward exchange contract to be recognised through profit or loss during the same period. Both realised and unrealised changes in value of forward exchange contracts, for which the formal conditions for hedge accounting are not met, are recognised in operating profit. No forward exchange contracts were outstanding as per 31/12/2019 or 31/12/2018.

Further information on the company's currency hedging policy is provided in Note 38, Financial risks and risk management.

NOTE 8

RESEARCH AND DEVELOPMENT

Research and development costs for the year amounted to SEK 26 m (31). Cost for investments in proprietary software and applications were capitalised in 2019 in the amount of SEK 52 m (52) (see Note 15). Amortisation in 2019 of capitalised amounts for proprietary software and applications for the year and previous years amounted to SEK 45 m (41).

NOTE 9

FINANCIAL INCOME

	Group	
SEK m	*2019*	*2018*
Interest income	2	1
Share dividends	1	1
Exchange rate differences	1	3
Other financial income	0	0
Total	**4**	**5**

	Parent Company	
SEK m	*2019*	*2018*
Result from participations in Group companies		
Share dividends	250	57
Group contributions received	145	130
Capital gains	0	–
Impairment losses	–52	–33
Total	**343**	**154**
Profit from other securities that are non-current assets		
Share dividends	1	1
Total	**1**	**1**
Interest income and similar profit/loss items		
External interest income	1	1
Interest income from Group companies	2	1
Total	**3**	**2**

NOTE 10

FINANCIAL EXPENSES

	Group	
SEK m	*2019*	*2018*
Interest expense	–17	–15
Exchange rate differences	–2	–
Other financial expenses	–2	–2
Total	**–21**	**–17**

	Parent Company	
SEK m	*2019*	*2018*
Interest expense and similar profit/loss items		
External interest expense	–13	–14
Interest expense to Group companies	–1	–1
Exchange rate differences	–7	–1
Other financial expenses	–3	–2
Total	**–24**	**–18**

NOTE 11

TAX

	Group		Parent Company	
SEK m	***2019***	***2018***	***2019***	***2018***
Current tax on profit for the year	–55	–49	–14	–14
Adjustments pertaining to previous years	2	–1	0	—
Deferred tax (see Note 12)	7	5	0	—
Total	**–46**	**–45**	**–14**	**–14**

Tax attributable to the subcomponents of other comprehensive income for the Group in 2019 totalled SEK 310 thousand (–39) and pertained solely to actuarial gains and losses on pension obligations.

The difference between tax calculated at the nominal Swedish tax rate on profit after tax and effective tax according to the income statement is as follows:

	Group		Parent Company	
SEK m	***2019***	***2018***	***2019***	***2018***
Profit before financial items/profit before tax	**175**	**197**	**263**	**87**
Tax calculated according to nominal Swedish tax rate of 21.4% (22.0%)	–37	–43	–56	–19
Non-deductible expenses	–8	–3	–12	–7
Dividends from Group companies	—	—	54	12
Other tax-exempt income	1	2	0	0
Utilisation of loss carryforwards and temporary differences for which no deferred tax assets were previously capitalised	1	1	—	—
Decrease in deferred tax assets for loss carryforwards and temporary differences	–2	—	—	—
Increase in loss carryforwards and temporary differences for which no deferred tax assets were capitalised	0	0	—	—
Remeasurement of deferred tax assets and deferred tax liabilities due to changes in foreign tax rates	0	0	—	—
Effect of foreign tax rates	–3	–1	—	—
Adjustments pertaining to previous years	2	–1	0	—
Tax according to income statement	**–46**	**–45**	**–14**	**–14**

Non-deductible expenses for the Group in 2019 include remeasurements of contingent consideration. The non-deductible expenses for the Parent Company for both 2019 and 2018 include impairment of the value of participations in Group companies.

NOTE 12

DEFERRED TAX

Deferred tax assets and deferred tax liabilities pertain to temporary differences and tax loss carryforwards. Temporary differences exist for cases in which the carrying amount and tax values of the assets and liabilities are different. Deferred tax assets pertaining to tax loss carryforwards or other tax deductions are recognised only to the extent that it is likely that the deductions can be offset against surpluses in conjunction with future taxation.

Deferred tax assets and deferred tax liabilities pertain to temporary differences and tax loss carryforwards on the respective balance sheet dates as follows:

	Group		Parent Company	
SEK m	***2019***	***2018***	***2019***	***2018***
Deferred tax assets				
Intangible non-current assets	1	0	–	–
Property, plant and equipment	1	2	–	–
Temporary differences in receivables and liabilities	3	2	0	0
Lease liabilities	1	–	–	–
Loss carryforwards	6	6	–	–
Total deferred tax assets	**12**	**10**	**0**	**0**
Deferred tax liabilities				
Capitalised costs for development work	6	6	–	–
Customer agreements, software and similar rights	46	53	–	–
Untaxed reserves	25	20	–	–
Total deferred tax liabilities	**77**	**79**	**–**	**–**
Deferred tax assets and deferred tax liabilities, net	**–65**	**–69**	**0**	**0**

The net amount of deferred tax assets and deferred tax liabilities changed during the year as follows:

	Group		Parent Company	
SEK m	***2019***	***2018***	***2019***	***2018***
Opening balance	–69	–63	0	0
Acquired Group companies	–3	–10	–	–
Recognised through profit or loss (see Note 11)	7	5	0	–
Recognised through other comprehensive income (see Note 11)	0	0	–	–
Translation difference	0	–1	–	–
Closing balance	**–65**	**–69**	**0**	**0**

The amounts reported on the balance sheet include the following:

	Group	
SEK m	***2019***	***2018***
Deferred tax assets that can be utilised after 12 months at the earliest	5	4
Deferred tax liability that must be paid after 12 months at the earliest	–63	–65

Deferred tax assets not reported as assets

The Group's total tax loss carryforwards amounted to approximately SEK 70 m on 31/12/2019. Deferred tax assets are reported in the amount of SEK 6 m on the consolidated balance sheet as the value of these loss carryforwards. The deferred tax assets attributable to loss carryforwards are recognised as assets to the extent it is likely that the loss carryforwards may be deducted against surpluses in future taxation. The Group's total tax loss carryforwards are partly attributable to foreign companies, where the opportunities for utilisation may be limited since the Group does not currently conduct any operations with taxable profit in the countries in which these loss carryforwards exist. Deferred tax assets that have not been recognised as assets amounted to approximately SEK 7 m (8) on 31/12/2019. There are no established maturity dates for the tax loss carryforwards that the Group had on 31/12/2019.

NOTE 13

EARNINGS PER SHARE

	Group	
	2019	***2018***
Earnings per share before and after dilution		
Reported profit attributable to owners of the Parent Company, SEK m	129	152
Profit for calculation of earnings per share, SEK m	129	152
Average number of shares outstanding before and after dilution	33,427,256	32,018,923
Earnings per share before and after dilution, SEK	**3.86**	**4.75**

NOTE 14

PROPOSED DISTRIBUTION OF EARNINGS

Profit for the year, totalling SEK 249 m, and other unrestricted shareholders' equity, totalling SEK 539 m, for a total of SEK 788 m, are at the disposal of the Annual General Meeting. The Board of Directors proposes that these earnings be carried forward. Addnode Group has a strong financial position, but as a result of the uncertainty concerning the COVID-19 pandemic, the Board has decided to withdraw its previously communicated proposal for a dividend of SEK 2.50 per share.

In 2019 a dividend of SEK 2.50 per share was paid, for a total dividend of SEK 84 m.

NOTE 15

INTANGIBLE NON-CURRENT ASSETS

SEK m	*Goodwill*	*Customer agreements and similar rights*	*Acquired software*	*Costs for software development*	*Group*
As per 1 January 2018					
Cost	1,388	249	173	213	2,023
Accumulated amortisation and impairment losses	–30	–140	–81	–118	–369
Carrying amount	**1,358**	**109**	**92**	**95**	**1,654**
1 January–31 December 2018					
Opening carrying amount	1,358	109	92	95	1,654
Additions from acquired companies	—	—	3	—	3
Acquisitions during the year[1]	117	37	14	52	220
Sales and disposals during the year	—	–1	—	–3	–4
Amortisation during the year	—	–28	–25	–41	–94
Translation difference	20	2	1	1	24
Closing carrying amount	**1,495**	**119**	**85**	**104**	**1,803**
As per 31 December 2018					
Cost	1,525	287	191	263	2,266
Accumulated amortisation and impairment losses	–30	–168	–106	–159	–463
Carrying amount	**1,495**	**119**	**85**	**104**	**1,803**
1 January–31 December 2019					
Opening carrying amount	1,495	119	85	104	1,803
Additions from acquired companies	—	—	12	—	12
Acquisitions during the year[1]	55	24	5	57	141
Amortisation during the year	—	–36	–28	–45	–109
Translation difference	38	6	2	1	47
Closing carrying amount	**1,588**	**113**	**76**	**117**	**1,894**
As per 31 December 2019					
Cost	1,618	317	210	321	2,466
Accumulated amortisation and impairment losses	–30	–204	–134	–204	–572
Carrying amount	**1,588**	**113**	**76**	**117**	**1,894**

1) Through business development and acquisitions, the proportion of proprietary software and applications has increased in the IT solutions that the Group offers to customers. In 2019, costs for investments in proprietary software and applications that meet the criteria for capitalisation amounted to SEK 57 m (52).

Impairment testing of goodwill and other intangible assets with indefinite useful life

Goodwill is distributed among the Group's cash-generating units identified by operating segments.
A summary of the distribution of goodwill at the operating segment level is provided in the following tables:

SEK m	*Design Mgt*	*PLM*	*Process Mgt*	*Group*
As per 31 December 2019				
Sweden	146	70	507	723
Norway	164	—	—	164
Finland	21	27	—	48
Denmark	21	—	—	21
Germany	—	191	—	191
UK	202	196	—	398
France	—	20	—	20
Netherlands	—	18	—	18
Serbia	—	—	5	5
Total	**554**	**522**	**512**	**1,588**

SEK m	*Design Mgt*	*PLM*	*Process Mgt*	*Group*
As per 31 December 2018				
Sweden	146	70	472	688
Norway	159	—	—	159
Finland	21	27	—	48
Denmark	21	—	—	21
Germany	—	188	—	188
UK	187	181	—	368
Netherlands	—	18	—	18
Serbia	—	—	5	5
Total	**534**	**484**	**477**	**1,495**

Note 15, cont.

Impairment testing of goodwill and other intangible assets with indefinite useful life is conducted yearly or more often if there is an indication of a decline in value.

The recoverable amount for a cash-generating unit is determined based on calculations of value in use. These calculations use pre-tax cash flow projections based on financial budgets and forecasts approved by company management and covering a four-year period. The cash flow forecasts are based on an assessment of the anticipated growth rate and development of the EBITA margin (operating margin before amortisation and impairment of intangible assets), starting from the budget for the next year, forecasts for the next three years, management's long-term expectations on the operations, and the historical trend. The calculated value in use is most sensitive to changes in the assumption about the growth rate, EBITA margin and discount rates. Applied assumptions are based on previous experience and the market trend. The cash flow forecasts for years two to four are based on an annual growth rate of 2 per cent (2) for all cash-generating units. The growth rate does not exceed the long-term average growth rate according to industrial reports for the markets in which each cash-generating unit operates. The discount rate used in calculating the recoverable amount is 9.7 per cent (9.7) before tax. The required rate of return has been established based on the Group's current capital structure and reflects the risks that apply for the various operating segments.

Based on the impairment testing carried out to date, there is no need to recognise impairment for goodwill or other intangible assets with indefinite useful life at 31/12/2019. A sensitivity analysis has been prepared separately for each cash-generating unit. An increase of the discount rate by 2 percentage points, a decrease in the operating margin before amortisation and impairment of intangible assets (the EBITA margin) by 2 percentage points, or a reduction in the assumed long-term growth rate by 2 percentage points would each not result in any need to recognise impairment for any of the cash-generating units as per 31/12/2019.

	Parent Company	
SEK m	*31/12/2019*	*31/12/2018*
Computer software		
Opening cost	1	1
Closing accumulated cost	**1**	**1**
Opening amortisation	0	0
Amortisation for the year	–1	0
Closing accumulated amortisation	**–1**	**0**
Closing planned residual value	**0**	**1**

NOTE 16

PROPERTY, PLANT AND EQUIPMENT

	Group		*Parent Company*	
SEK m	*31/12/2019*	*31/12/2018*	*31/12/2019*	*31/12/2018*
Equipment and installations				
Opening cost	116	108	0	0
Addition from acquired companies	1	1	–	–
Purchases during the year	21	15	–	–
Sales/disposals	–9	–10	–	–
Reclassification to right-of-use assets	–2	–	–	–
Translation difference	3	2	–	–
Closing accumulated cost	**130**	**116**	**0**	**0**
Opening depreciation	–79	–68	0	0
Sales/disposals	7	8	–	–
Reclassification to right-of-use asset	0	–	–	–
Translation difference	–2	–2	–	–
Depreciation for the year	–16	–17	0	0
Closing accumulated depreciation	**–90**	**–79**	**0**	**0**
Closing planned residual value	**40**	**37**	**0**	**0**

The item equipment and installations included as per 31 December 2018 leased assets held by the Group under finance leases with a cost of SEK 2 m and accumulated depreciation of SEK 0 m. Starting in 2019, leased assets are reported in the item right-of-use assets.

Note 16, cont.

SEK m	*Group 31/12/2019*
Right-of-use assets	
Opening cost	0
Transition to IFRS 16	139
Addition from acquired companies	2
Addition of rights of use	54
Sales/disposals	–6
Translation difference	3
Closing accumulated cost	**192**
Opening depreciation	0
Sales/disposals	6
Translation difference	0
Depreciation for the year	–69
Closing accumulated depreciation	**–63**
Closing planned residual value	**129**

See Note 17 for information on leases where the Group is lessee.

SEK m	*Group 31/12/2019*	*31/12/2018*
Land and buildings		
Opening cost	1	1
Closing accumulated cost	**1**	**1**
Opening depreciation	–1	–1
Depreciation for the year	–	–
Closing accumulated depreciation	**–1**	**–1**
Closing planned residual value	**0**	**0**

Land and buildings pertain to assets in Sweden.

NOTE 17

LEASES

This note provides information about leases where the Group is lessee. The transition to reporting in accordance with the new standard IFRS 16 Leases is described in Note 18.

Amounts reported on the balance sheet

The following amounts related to leases are reported on the balance sheet :

SEK m	*Group 31/12/2019*
Right-of-use assets	
Office premises	118
Company cars	11
Total	**129**
Lease liabilities	
Short-term lease liabilities	59
Long-term lease liabilities	64
Total	**123**

In the preceding year only lease assets and lease liabilities under finance leases were reported, in accordance with IAS 17 Leases. The assets were presented as part of property, plant and equipment, and liabilities as part of the Group's interest-bearing liabilities.

Additional rights of use in 2019 amounted to SEK 56 m.

Amounts reported in the income statement

The following amounts related to leases were reported in the income statement:

SEK m	*Group 2019*
Depreciation of rights of use:	
Office premises	–60
Company cars	–9
Total depreciation (included in depreciation of property, plant and equipment)	**–69**
Interest expenses (included in financial expenses)	–3
Costs attributable to short-term leases (included in other external costs)	–2
Costs attributable to leases where the underlying asset is of low value and that are not short-term leases (included in other external costs)	–4
Costs attributable to variable lease payments that are not included in lease liabilities (included in other external costs)	–8

The total cash flow related to leases in 2019 was SEK –85 m.

The Group's leasing activities and reporting of these

The Group's leases pertain mainly to rental contracts for office premises and leases of company cars. The leases are normally signed for fixed periods of between six months and five years, but in individual cases may be up to ten years. Opportunities to extend the term of the lease may exist, which are described below.

Through the end of the 2018 financial year, leased property, plant and equipment was reported either as a finance lease or an operating lease. Starting on 1 January 2019, leases are reported as right-of-use assets along with a corresponding liability as per the day on which the leased asset was available for use by the Group.

A lease may include both lease and non-lease components. The Group allocates the payments in accordance with the lease, where possible, to lease and non-lease components based on their relative, independent prices.

The terms are negotiated separately for each lease and include a large number of different contractual terms. Leases do not contain any special restrictions other than that the lessor retains the rights to pledge leased assets. The leased assets may not be used as collateral for loans.

Assets and liabilities that arise from leases are initially recognised at present value. The lease liabilities include the present value of the following lease payments:

- Fixed fees (including fixed fees in substance) after deducting any benefits in connection with the signing of the lease
- Variable lease payments that are dependent on an index or a price that is initially set with the help of an index or the price at the inception date of the lease
- Amounts that are expected to be paid out by the lessee in accordance with residual value guarantees
- The exercise price for a call option if the Group is reasonably certain it will exercise such an opportunity

Note 17, cont.

- Penalty fees payable upon termination of the lease if the lease term reflects that the Group will exercise an opportunity to terminate the lease

Lease payments that are made to reasonably ensure extension options are also included in the valuation of the lease liability.

The lease payments are discounted using the implicit rate of the lease. If this interest rate cannot be determined, the lessee's incremental borrowing rate is used, which is the interest rate that the individual lessee would have to pay to borrow the necessary funds to purchase an asset of similar value as the right of use in a similar economic environment with similar terms and collateral. The Group determines the incremental borrowing rate as the risk-free rate adjusted for credit risk and the specific terms of the lease, such as the lease term, country and currency.

The Group is exposed to possible future increases in variable lease payments based on an index or interest rate, which are not included in the lease liability until they take effect. When adjustments of lease payments based on an index or interest rate take effect, the lease liability is remeasured and adjusted to the right of use.

Lease payments are divided into amortisation of principal and payment of interest. The interest is reported in the income statement over the lease term in a way that conveys a fixed interest rate for the reported lease liability during the respective periods.

Right-of-use assets are measured at cost, which includes the following:

- The amount at which the lease liability was originally measured
- Lease fees paid on or before the inception date after deducting any benefits received in connection with the signing of the lease
- Initial direct fees
- Fees for restoring the asset to the condition prescribed in the terms of the lease

Rights of use are normally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Payments for short-term leases and all leases with a low value are expensed on a linear basis in the income statement. Short-term leases are leases with a term of 12 months or less. Leases with a low value include parking spots, and IT and office equipment.

Variable lease payments

The Group has no sales-based rents in current leases.

Options to extend and terminate leases

Options to extend and terminate leases are included in a number of the Group's leases. The majority of the options that provide the opportunity to extend and cancel a lease may be used by the Group and the lessors.

NOTE 18

TRANSITION TO IFRS 16 LEASES AND COMPARISON FIGURES FOR THE PRECEDING YEAR

This note describes the effects in the consolidated financial statements of the transition to IFRS 16 Leases. The note also includes comparison figures for the preceding year, when operating and finance leases were reported in accordance with IAS 17.

The Group applies IFRS 16 Leases prospectively as from 1 January 2019, i.e., comparison figures are not restated. Reclassifications and adjustments due to the new lease rules are therefore reported in the opening balance as per 1 January 2019. The new lease policies are described in Note 1 and Note 17.

In the transition to IFRS 16, the Group reports lease liabilities pertaining to leases that were previously classified as operating leases in accordance with the rules in IAS 17 Leases. These liabilities have been measured at the present value of the remaining lease payments. In the calculation, the lessee's incremental borrowing rate as per 1 January 2019 has been used. The lessee's weighted average incremental borrowing rate that is used for these lease liabilities as per 1 January 2019 was 2.79 per cent.

For leases that were previously classified as finance leases, the company reports the lease asset's and lease liability's carrying amount immediately prior to the transition as the carrying amount of the right of use and the lease liability at the transition date. The remeasurements of the lease liabilities are reported as adjustments of the attributable right of use immediately after the transition date.

Practical relief rules applied

When IFRS 16 was applied for the first time, the Group used the following practical relief rules that are allowed under the standard:

- The same discount rate has been used for leases with similar characteristics and countries.
- A lessee can rely on its assessment of whether a lease is loss-generating as an alternative to performing an impairment test. There were no loss-generating leases as per 1 January 2019.
- Operating leases with a remaining lease term of less than 12 months as per 1 January 2019 are reported as short-term leases.
- Direct acquisition costs for rights of use have been excluded in the transition.
- Judgements made subsequently have been used in setting the lease term in cases where the contract includes options to extend or terminate the lease.

Note 18, cont.

Measurement of lease liability at transition date

SEK m	*2019*
Operating lease obligations as per 31 December 2018	143
Discounting using the lessee's incremental borrowing rate at the transition date	138
Plus: Liabilities for finance leases as per 31 December 2018	2
Less: Leases where the underlying asset is of low value and is not recognised as a liability	–2
Plus: Contracts reassessed as leases	1
Less: Advance payments	–8
Lease liability recognised as per 1 January 2019	**131**
Of which:	
Short-term lease liabilities	59
Long-term lease liabilities	72
Total	**131**

Measurement of rights of use at the transition date
Rights of use for leases of office equipment and other rights of use have been measured as the value of the lease liability with adjustment for any prepaid or accrued lease payments recognised on the balance sheet as per 31 December 2018.

Adjustments recognised on the balance sheet as per 1 January 2019

SEK m	*2019*
The transition to IFRS 16 affected the following items on the balance sheet as per 1 January 2019:	
Property, plant and equipment, finance leases according to IAS 17	–2
Property, plant and equipment, rights of use according to IFRS 16	139
Prepayments	–8
Interest-bearing liabilities, finance leases according to IAS 17	–2
Interest-bearing liabilities, lease liabilities according to IFRS 16	131
Net effet on equity as per 1 January 2019	**0**

The Group's equity was thus not affected by the transition to IFRS 16.

Operating leases reported in accordance with IAS 17 in preceding year
Effective 1 January 2019 the Group reports right-of-use assets except for short-term leases and leases where the underlying asset is of low value.

The preceding year's nominal values of future, minimum lease payments for non-cancellable operating leases were broken down by maturities as follows:

SEK m	*Group 2018*
Due for payment within one year	63
Due for payment later than one year but within five years	80
Due for payment after more than five years	0
Total	**143**

Leasing costs for operating leases amounted to the following in 2018:

SEK m	*Group 2018*
Rental and leasing costs	70
Total	**70**

The operating leases pertained primarily to rents of premises.

Finance leases reported in accordance with IAS 17 in the preceding year
Property, plant and equipment in the Group as per 31/12/2018 included assets leased under finance leases with a consolidated cost of SEK 2 m, accumulated depreciation of SEK 0 m and a carrying amount of SEK 2 m. Liabilities pertaining to future minimum lease payments amounted to the following:

SEK m	*Group 2018*
Due for payment within one year	1
Due for payment later than one year but within five years	1
Total future minimum lease payments	**2**
Future financial expenses for finance leases	0
Present value of future minimum lease payments	**2**
The present value of future, minimum lease payments is broken down into the following maturities:	
Due for payment within one year	1
Due for payment later than one year but within five years	1
Total	**2**

The present value of future, minimum lease payments is reported among non-current and current interest-bearing liabilities, respectively.

NOTE 19

PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
SEK m	*31/12/2019*	*31/12/2018*
Opening cost	2,167	1,911
Investments in subsidiaries during the year[1]	79	266
Capital contributions to subsidiaries	6	6
Sales of subsidiaries[2]	0	–10
Remeasurement of contingent consideration	39	–6
Closing accumulated cost	**2,291**	**2,167**
Opening impairment	–175	–142
Impairment losses recognised during the year	–52	–33
Closing accumulated impairment losses	**–227**	**–175**
Closing carrying amount	**2,064**	**1,992**

1) The year's investments in subsidiaries include estimated contingent consideration totalling SEK 3 m. The outcome is dependent on the revenue and earnings performance of the acquired companies.

2) The amount in 2019 pertains to liquidation of dormant subsidiaries. The sales in 2018 were made to other Group companies.

Note 19, cont.

Company	Corporate identity number	Registered office	No. shares	Share of capital/ votes, %	Carrying amount 31/12/2019	Carrying amount 31/12/2018
Mogul Holding AB	556300-0073	Stockholm	10,275,103	100	52	52
Decerno City AB	556531-1890	Stockholm	20,000	100	–	–
Evitbe AB	556557-7599	Stockholm	20,000	100	–	–
Symetri Ltd	3239798	Newcastle, UK	500,000	100	–	–
Addnode Balkan d.o.o	17598732	Belgrade, Serbia	1	100	–	–
Optosof GmbH	HRB 731607	Karlsruhe, Germany	3	100	–	–
Kartena AB	556751-4749	Stockholm	1,320	100	–	–
TECHNIA Holding AB	556516-7367	Stockholm	4,533,500	100	137	137
TECHNIA AB	556481-3193	Stockholm	5,000	100	–	–
Addnode India Private Limited[3]	U72200MH2012FTC229607	Thane, India	100	100	–	–
TECHNIA AS	880 823 582	Oslo, Norway	250	100	–	–
TECHNIA Oy	0755401-4	Espoo, Finland	77	100	–	–
Symetri Europe AB	556524-6989	Borlänge	1,000	100	–	–
Mogul Sweden AB	556511-2975	Stockholm	1,000	100	–	–
Addnode Inc.	75-3269017	Naperville, IL, USA	100	100	–	–
Addnode Germany GmbH	HRB 732456	Karlsruhe, Germany	1	100	156	177
Transcat GmbH	HRB 110416	Karlsruhe, Germany	25,000	100	–	–
TECHNIA GmbH	HRB 109117	Karlsruhe, Germany	1	100	–	–
TECHNIA Slovakia s.r.o.	34196/B	Bratislava, Slovakia	1	100	–	–
TECHNIA GmbH	FN 399981 h	Linz, Austria	1	100	–	–
TECHNIA B.V.	08095732	Loenen, Apeldoorn, Netherlands	10,136	100	17	17
TECHNIA Ltd	04286171	Milton Keynes, UK	101	100	289	230
Strategic Simulation and Analysis Ltd	06433279	Charlbury, UK	1,000	100	0	36
Simuleon B.V.	55204982	Bruchem, Netherlands	18,000	100	10	10
Kpass IT SAS	488 343 401	Paris, France	1,000	100	34	–
Kpass IT Japan KK	0100-1-198112	Tokyo, Japan	1,000	100	–	–
Symetri AB	556359-5429	Borlänge	10,000	100	157	157
Symetri AS	957 168 868	Oslo, Norway	200	100	71	71
Symetri Oy	1058681-8	Helsingfors, Finland	3,000	100	37	37
Symetri A/S	13 737 436	Copenhagen, Denmark	60	100	1	1
Tribia AS	983 443 117	Oslo, Norway	3,644	100	155	155
Tribia AB	556657-7176	Stockholm	1,001	100	16	14
Cadassist Ltd	01994562	Bramhall, Stockport, UK	12,105	100	95	95
d2m3 Ltd	04309261	Bramhall, Stockport, UK	105	100	21	21
Service Works Global Ltd	04915250	London, UK	33,094,051	100	197	208
Service Works International Ltd	04915227	London, UK	1	100	–	–
Service Works Global Pty. Ltd	11 108 665 818	Melbourne, VIC, Australia	200,001	100	–	–
Service Works Global (Asia Pacific) Pty. Ltd	49 144 482 995	Melbourne, VIC, Australia	10	100	–	–
Service Works Global Ltd	3222235	Halifax, Canada	30,000	100	–	–
Service Works Global (North America) Inc.	3268696	Halifax, Canada	100	100	–	–
Service Works Global Inc.	35-2653333	Camden, DE, USA	1,000	100	–	–
Service Works Group Ltd	06975966	London, UK	100	100	–	–
Service Works Global Nordic AB	556535-3918	Eskilstuna	4,586,000	100	9	5
Ida Infront AB	556316-2469	Linköping	5,894,650	100	119	119
Ida Infront AS	988 393 568	Oslo, Norway	100	100	1	1
Stamford AB	556413-4939	Karlstad	1,000,000	100	25	25
Stamford Stockholm AB	556325-7913	Stockholm	1,000	100	20	20
InPort Intelligent PORT Systems AB	556270-4451	Karlstad	5,000	100	31	31
Decerno AB	556498-5025	Stockholm	10,000	100	43	43
Decerno Väst AB	556564-9885	Göteborg	28,000,000	100	16	16
Sokigo AB	556550-6309	Köping	5,000	100	125	125
Arkiva AB	556313-5952	Västerås	1,000	100	7	7
EssVision AB	556373-9225	Stockholm	1,000	100	26	26
Adtollo AB	556476-6813	Stockholm	2,400	100	33	31
Forsler & Stjerna Konsult AB	556412-4849	Lund	1,000	100	28	28

Note 19, cont.

Company	Corporate identity number	Registered office	No. shares	Share of capital/ votes, %	Carrying amount 31/12/2019	Carrying amount 31/12/2018
Svenska ITKompanion AB	556710-4244	Göteborg	185,795	100	10	18
IntraPhone Solutions AB	559186-3674	Malmö	500	100	45	—
Canella IT Products AB	556818-6927	Stockholm	500	100	38	36
Voice Provider Sweden AB	556598-3276	Stockholm	215,960	100	19	19
Mittbygge AB	556586-1555	Varberg	1,000	100	4	4
Landborgen AlkT AB	559164-5477	Helsingborg	500	100	20	20
Merged/liquidated direct holdings in 2019:						
Canella AS[4]	998 653 886	Oslo, Norway	100	100	—	0
Cartesia Oy[5]	1617126-9	Helsinki, Finland	500	100	—	0
Total carrying amount, SEK m					**2,064**	**1,992**

3) The company is 99 per cent-owned by TECHNIA AB and 1 per cent-owned by TECHNIA Oy.
4) In 2019 Canella AS was merged with Ida Infront AS.
5) Cartesia Oy was liquidated in 2019.

Subsidiaries acquired during the year are described in Note 35 Acquisitions of subsidiaries and businesses.

All Group companies are consolidated in the consolidated financial statements. The operations of Group companies are conducted primarily in the countries in which they are domiciled. There are no significant restrictions to gaining access to the assets of the Group companies and settling the Group's liabilities.

NOTE 20

DISCLOSURES OF FINANCIAL INSTRUMENTS

The carrying amount of the Group's financial instruments, distributed among measurement categories according to IFRS 9, is summarised in the table below. No financial assets or liabilities are recognised at a value that considerably deviates from the fair value.

A more detailed description of certain items is provided in separate notes according to the references below. Financial risks and risk management are described in Note 38.

		Group	
SEK m	***Note***	***31/12/2019***	***31/12/2018***
ASSETS			
Financial assets measured at amortised cost			
Non-current receivables	22	9	7
Trade receivables		559	600
Other receivables		11	9
Financial assets measured at fair value through other comprehensive income			
Long-term securities holdings[1]	21	9	11
Cash and cash equivalents	36	294	387
LIABILITIES			
Financial assets at fair value through profit or loss			
Provisions for estimated contingent consideration[2]	28	8	108
Other financial liabilities			
Non-current and current interest-bearing liabilities	27	615	546
Trade payables		167	158

1) Long-term securities holdings pertain to unlisted shares and participations and are attributable to level 3 in the fair value hierarchy according to IFRS 13. Level 3 entails that the fair value measurement is not based on observable market data. The opening carrying amount for the year of unlisted shares and participations was SEK 11 m (8), the year's investments amounted to SEK 0 m (3), the year's sales amounted to SEK –2 m (–), the year's translation difference amounted to SEK 0 m (–), and the year's closing carrying amount amounted to SEK 9 m (11) (see Note 21). Dividends received from unlisted shares and participations, totalling SEK 1 m (1) have been reported as financial income in the income statement. Capital gains on sales of long-term securities are recognised in other comprehensive income in the amount of SEK 4 m (–). Other than that, no result has been recognised in the income statements for 2019 or 2018 from unlisted shares and participations. For shareholdings and participations remaining at 31/12/2019, apart from dividends and the above-mentioned capital gain, no gains or losses have been recognised through profit or loss or through other comprehensive income for 2019 or prior years. The carrying amounts of the unlisted shareholdings and participations as per 31/12/2019 correspond to the cost for the respective holdings. Reasonable possible alternative assumptions in the measurement of the fair value would not result in any significant impact on the Group's accounting .

2) Provisions for estimated contingent consideration for acquisitions are attributable to level 3 in the fair value hierarchy according to IFRS 13. The provisions have been measured at fair value based on an assessment of future earnings and to a certain extent on future revenue of the acquired companies or businesses. The opening carrying amount of provisions for contingent consideration for the year was SEK 108 m (94), additional provisions during the year for acquisitions amounted to SEK 6 m (18), contingent consideration paid during the year amounted to SEK –134 m (–), revaluations during the year amounted to SEK 26 (–6), the year's reclassifications to current liabilities amounted to SEK –5 m (–), exchange rate differences for the year amounted to SEK 7 (2), and the closing carrying amount for the year was SEK 8 m (108). The result of remeasurement of contingent consideration in 2019, totalling SEK –26 m (6), is recognised through profit or loss. Further information about contingent consideration and its measurement is provided in Notes 28 and 35.

Note 20, cont.

During 2019 and 2018 no transfers were made between the levels in the fair value hierarchy according to IFRS 13. The tables below show revenue, expenses, gains and losses attributable to financial instruments, broken down by measurement categories according to IFRS 9.

	Group 2019			Group 2018		
SEK m	Gain/loss	Interest income	Interest expense	Gain/loss	Interest income	Interest expense
Financial assets measured at amortised cost						
Non-current receivables and other current receivables	–	0	–	–	0	–
Financial assets measured at fair value through other comprehensive income						
Long-term securities holdings[3]	5	–	–	1	–	–
Cash and cash equivalents	**–**	**2**	**–**	**–**	**1**	**–**
Other financial liabilities						
Interest expense on liabilities to credit institutions	–	–	-13	–	–	-14
Interest expense on leases	–	–	-3	–	–	0
Other interest expense	–	–	-1	–	–	-1
Earnings effect	**5**	**2**	**-17**	**1**	**1**	**-15**

3) The gain/loss for 2019 pertains to a dividend of SEK 1 m (1), which is reported as financial income in the income statement, and a capital gain of SEK 4 m (–), which is reported in other comprehensive income.

NOTE 21

LONG-TERM SECURITIES HOLDINGS

	Group		Parent Company	
SEK m	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Opening cost	11	8	2	2
Investments during the year	0	3	–	–
Sales during the year	-2	–	–	–
Translation difference	0	–	–	–
Closing accumulated cost	**9**	**11**	**2**	**2**
Closing carrying amount	**9**	**11**	**2**	**2**

Company	Corporate identity number	Registered office	No. shares	Share of capital/ votes, %	Carrying amount 31/12/2019	Carrying amount 31/12/2018
Walter Sar AB	559208-9618	Stockholm	15,000	30.00	2	–
Walter d.o.o	65-01-0103-11	Sarajevo, Bosnia-Herzegovina		30.00	–	2
Total holding in Parent Company					**2**	**2**
Additions in the Group:						
Optimdata SAS	809 999 188	Levallois-Perret, France	350,000	22.57	4	6
Upwave Technologies AS	918 835 881	Oslo, Norway	56,306	9.10	3	3
HSB's Ingeborg tenant-owner association in Borlänge	716456-4408	Borlänge			–	0
Other					0	0
Closing carrying amount					**9**	**11**

The Group's securities holdings are stated at the cost of the respective holdings. The equity method is not applied for these holdings, since the effects on the Group's accounting would be insignificant. Information about the companies' and tenant-owner association's earnings and shareholders' equity is of minor significance taking into account the requirement for a true and fair view.

NOTE 22

OTHER NON-CURRENT RECEIVABLES

SEK m	Group 31/12/2019	Group 31/12/2018	Parent Company 31/12/2019	Parent Company 31/12/2018
Opening cost	7	7	–	0
Additions from acquired companies	0	–	–	–
Loans provided	3	0	–	–
Amortisation and repayments	-1	0	–	–
Reclassifications	–	0	–	0
Exchange rate difference	0	0	–	–
Closing accumulated cost	**9**	**7**	–	–
Closing carrying amount	**9**	**7**	–	–

The non-current receivables fall due for payment within five years from the respective balance sheet dates. Interest-bearing receivables amounted to SEK 0 m (0) as per 31/12/2019.

NOTE 23

PREPAID EXPENSES AND ACCRUED INCOME

SEK m	Group 31/12/2019	Group 31/12/2018	Parent Company 31/12/2019	Parent Company 31/12/2018
Prepaid rents and lease payments	2	10	2	2
Prepaid licences and service agreements	93	71	–	0
Other prepaid expenses	49	72	1	2
Accrued income	40	39	–	–
Closing balance	**184**	**192**	**3**	**4**

NOTE 24

CASH AND CASH EQUIVALENTS IN GROUP ACCOUNT

	Parent Company 31/12/2019	Parent Company 31/12/2018
Cash and cash equivalents in Group account	235	187

Cash and cash equivalents in the Group account consist of cash and cash equivalents invested through the Parent Company in a bank account for a joint-Group central account system. The funds are available on demand. As per 31/12/2019, utilised credit in the Group account system amounted to SEK 0 m (0) (see also Note 29).

Current receivables in Group companies include SEK 57 m (62) attributable to the Group account, of which SEK 0 m (0) has been offset against the Parent Company's liabilities to the same Group companies. Current liabilities to Group companies include SEK 704 m (559) attributable to the Group account, of which SEK 133 m (118) has been offset against the Parent Company's receivables from the same Group companies.

NOTE 25

SHAREHOLDERS' EQUITY

A specification of changes in shareholders' equity is provided in the consolidated and Parent Company statements of changes in shareholders' equity (see pages 85 and 90). Changes in the number of registered shares are shown in the following table:

	A-shares	B-shares	C-shares	Total no. of registered shares
Number on 31/12/2017	**987,174**	**29,440,082**	**–**	**30,427,256**
New issue		3,000,000		3,000,000
Number on 31/12/2018	**987,174**	**32,440,082**	**–**	**33,427,256**
Number on 31/12/2019	**987,174**	**32,440,082**	**–**	**33,427,256**

The share quota value is SEK 12. Class A shares carry ten votes each, and Class B and C shares carry one vote each. Class C shares do not carry entitlement to dividends. All shares have been fully paid for.

SEK m	Group 31/12/2019	Group 31/12/2018
Exchange rate differences in shareholders' equity		
Opening balance	29	4
Change in the year's translation of foreign subsidiaries	67	25
Closing balance	**96**	**29**
Hedge of net investments in foreign operations recognised in shareholders' equity		
Opening balance	-23	-17
Remeasurement at fair value	-44	-6
Closing balance	**-67**	**-23**

Disclosures about equity

Total equity is calculated as shareholders' equity on the consolidated balance sheet. The Group's equity/assets ratio, defined as total shareholders' equity in relation to the balance sheet total, was 44 per cent (44) on 31/12/2019. The Group's dividend policy is described on page 56.

New issue

In June 2018 a new issue of 3,000,000 shares was carried out, whereby proceeds of approximately SEK 254 m were raised for Addnode Group after issue costs. The new issue was carried out with support of authorisation by the Annual General Meeting on 26 April 2018.

Acquisitions, transfers and holdings of treasury shares

Addnode Group had no holdings of treasury shares on 31/12/2018 or 31/12/2019. No own shares were acquired or transferred in 2018 or 2019. The number of shares outstanding was 30,427,256 on both 31/12/2018 and 31/12/2019.

Transactions with non-controlling interests

During 2018 and 2019 no transactions were made with non-controlling interests.

NOTE 26

UNTAXED RESERVES

	Parent Company	
SEK m	*31/12/2019*	*31/12/2018*
Tax allocation reserve, 2017 tax year	10	10
Tax allocation reserve, 2018 tax year	21	21
Tax allocation reserve, 2019 tax year	19	19
Tax allocation reserve, 2020 tax year	22	—
Total	**72**	**50**

NOTE 27

INTEREST-BEARING LIABILITIES

	Group		Parent Company	
SEK m	*31/12/2019*	*31/12/2018*	*31/12/2019*	*31/12/2018*
Non-current interest-bearing liabilities				
Liabilities pertaining to leases, IFRS 16	64	—	—	—
Liabilities pertaining to finance leases	—	1	—	—
Other non-current interest-bearing liabilities	0	—	—	—
Total non-current interest-bearing liabilities	**64**	**1**	**—**	**—**
Current interest-bearing liabilities				
Due to credit institutions	492	510	443	488
Liabilities pertaining to leases, IFRS 16	59	—	—	—
Liabilities pertaining to finance leases	—	1	—	—
Other current interest-bearing liabilities	—	34	—	35
Total current interest-bearing liabilities	**551**	**545**	**443**	**523**
Total interest-bearing liabilities	**615**	**546**	**443**	**523**

Liabilities to credit institutions

On 30 June 2017 the Parent Company signed an agreement with Nordea for a credit facility of up to SEK 750 m to finance acquisitions. The agreement has a term of four years, and the credit can be drawn successively. In 2019 a total of SEK 116 m was drawn, and SEK 169 m in previously drawn bank loans was repaid. The respective bank loans have terms of either one, three, six or twelve months, however, the principal can thereafter be re-borrowed in its entirety within the framework of the credit facility's total amount. After the end of the reporting period the Parent Company expanded the acquisition credit facility by SEK 250 m to SEK 1,000 m. The new credit has not been utilised.

Of the Group's liabilities to credit institutions on 31/12/2019, SEK 48 m (60) was denominated in SEK, SEK 444 m (447) was denominated in GBP, and SEK 0 m (3) was denominated in USD. The loans in SEK carry fixed interest that is currently 1.45 per cent, with monthly, quarterly or yearly interest rate adjustment in connection with the reset dates of the respective loans. The loans in GBP carry fixed interest that is currently approximately 2.2 per cent with an interest rate adjustment that is conducted monthly, quarterly or yearly in connection with the reset dates of the respective loans.

Other interest-bearing liabilities

The other non-current and current interest-bearing liabilities pertain to lease liabilities according to IFRS 16.

The non-current liabilities fall due for payment as follows:

	Group		Parent Company	
SEK m	*31/12/2019*	*31/12/2018*	*31/12/2019*	*31/12/2018*
Between 1 and 2 years after the balance sheet date	38	1	—	—
Between 2 and 5 years after the balance sheet date	26	0	—	—
Total	**64**	**1**	**—**	**—**

Fair value

The carrying amount of interest-bearing liabilities represents a good approximation of the fair value of the liabilities.

NOTE 28

PROVISIONS

	Group		Parent Company	
SEK m	*31/12/2019*	*31/12/2018*	*31/12/2019*	*31/12/2018*
Estimated contingent consideration for acquisitions	8	108	8	102
Decided restructuring measures	0	6	–	–
Guarantee provisions	2	–	–	–
Pension obligations (see below)	9	8	–	–
Total	**19**	**122**	**8**	**102**
Of which, to be settled within 12 months	**5**	**109**	**5**	**97**
Of which, expected to be settled after more than 12 months	**14**	**13**	**3**	**5**

	Group		Parent Company	
SEK m	*31/12/2019*	*31/12/2018*	*31/12/2019*	*31/12/2018*
Opening provisions	122	110	102	91
Provisions during the period for restructuring measures	–	5	–	–
Utilised during the period	-6	-7	–	–
Estimated contingent consideration for acquisitions	6	18	6	18
Remeasurement of contingent consideration	26	-6	26	-6
Contingent consideration paid	-134	–	-134	–
Change in provisions for pension obligations	1	0	–	-1
Change in guarantee provisions	2	–	–	–
Reclassification to other current liabilities	-5	–	-5	–
Exchange rate differences	7	2	13	–
Total	**19**	**122**	**8**	**102**

Estimated contingent consideration for acquisitions

Provisions for estimated contingent consideration as per 31/12/2018 and remeasurements and payments in 2019 pertain mainly to the acquisitions of Service Works Global Ltd and TECHNIA Ltd (formerly Intrinsys Ltd). Payments corresponding to the provisions as per 31/12/2019 are expected to be made during 2020 and 2021.

Provisions for restructuring measures during the period and amount utilised during the period

The amount of provisions during the period and the amount utilised during the period pertains to costs for personnel.

Pension obligations

The German subsidiary TECHNIA GmbH has pension obligations under defined benefit pension plans for five employees. The provision for these pension obligations amounted to SEK 9 m (8) as per 31/12/2019 and was calculated in accordance with IAS 19 by an independent actuary through application of the Projected Unit Credit Method and using a discount rate of 1.00 per cent (1.75).

NOTE 29

BANK OVERDRAFT FACILITIES

At 31/12/2019 the Group's companies had committed overdraft facilities worth a total of SEK 100 m (100), which pertain entirely to the Parent Company's contracted overdraft facility with Nordea. The overdraft facility was unutilised as per 31/12/2019 and 31/12/2018.

NOTE 30

ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
SEK m	*31/12/2019*	*31/12/2018*	*31/12/2019*	*31/12/2018*
Personnel-related costs	178	172	6	6
Other accrued expenses	73	57	7	7
Deferred income	435	426	–	–
Closing balance	**686**	**655**	**13**	**13**

NOTE 31

PLEDGED ASSETS

	Group		Parent Company	
SEK m	*31/12/2019*	*31/12/2018*	*31/12/2019*	*31/12/2018*
For rental contracts				
Non-current receivables	9	5	–	–
Current receivables	0	1	–	–
Total	**9**	**6**	**–**	**–**

Financial obligations

According to the credit facility covenants with Nordea, the Parent Company has undertaken to ensure that certain financial key ratios are maintained for the Group. These obligations entail essentially that the following conditions shall be met at the end of each calendar quarter:

- Senior net debt (interest-bearing liabilities plus provisions for contingent consideration, less cash and cash equivalents) in relation to EBITDA excluding capitalised work for own account shall not exceed a multiple of 2.75. At 31/12/2019 this key ratio was 0.74 (0.98).
- Interest-coverage ratio (EBITDA plus financial income in relation to financial expenses) shall not fall below a multiple of 5. At 31/12/2019 this key ratio was 16.4 (16.3).

The earnings measures shall pertain to the last moving 12-month period and be calculated on a pro forma basis as if the acquisitions and divestments in question had taken place on the first day of the current 12-month period.

NOTE 32

CONTINGENT LIABILITIES

	Group		Parent Company	
SEK m	*31/12/2019*	*31/12/2018*	*31/12/2019*	*31/12/2018*
Payment guarantees for leases	0	1	0	1
Payment guarantees for trade payables	0	–	0	–
Sureties for bank guarantees	0	0	0	0
Sureties for Group companies	2	–	2	–
Total	**2**	**1**	**2**	**1**

NOTE 33

INTEREST AND DIVIDENDS RECEIVED, AND INTEREST PAID

	Group		Parent Company	
SEK m	*2019*	*2018*	*2019*	*2018*
Interest received	2	1	3	2
Dividends received	1	1	251	58
Interest paid	-18	-15	-15	-14
Total	**-15**	**-13**	**239**	**46**

NOTE 34

ADJUSTMENTS FOR NON-CASH ITEMS

	Group		Parent Company	
SEK m	*2019*	*2018*	*2019*	*2018*
Depreciation/ amortisation and impairment	194	111	52	33
Capital gains/losses	0	-1	–	–
Unrealised exchange rate differences	4	-1	7	1
Remeasurement of contingent consideration	26	-6	–	–
Changes in provisions	-3	-2	–	–
Provision for bad debts	1	2	–	–
Accrued interest expenses	0	0	-1	1
Recognised Group contributions	–	–	-145	-130
Total	**222**	**103**	**-87**	**-95**

NOTE 35

ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES

ACQUISITIONS IN 2019

Company/operation	*Business*	*Acquisition date*	*Share of capital/ votes, %*
IntraPhone Solutions AB	IT solutions for planning and monitoring in home care services	1/4/2019	100
Kpass IT SAS	IT solutions for product information (PLM solutions)	4/4/2019	100
Majenta (asset/liability acquisition)	IT solutions for design and construction	5/4/2019	

The following tables provide information on purchase prices, identifiable net assets and goodwill.

SEK m	*Acquisitions in 2019*
Purchase price	
Cash paid in 2019	80
Non-current and current liabilities to sellers	3
Estimated contingent consideration [1]	6
Total purchase price	**89**
Identifiable net assets (see below)	-34
Goodwill	**55**

1) Provisions for contingent consideration that is expected to be paid in cash in 2020 and 2021. The outcome is dependent on the sales and earnings performance of the acquired companies.

The acquired companies are knowledge companies, and goodwill is therefore attributable to the developed expertise of the staff and the employees' aggregate knowledge about the respective software and IT systems, as well as synergy effects to a certain extent.

The fair value of the identifiable assets and liabilities included in the acquisitions was as follows:

SEK m	*Acquisitions in 2019*
Customer agreements and software	38
Property, plant and equipment	1
Financial assets	0
Receivables [2]	15
Cash and cash equivalents	7
Current liabilities	-24
Deferred tax, net	-3
Identifiable net assets	**34**

2) Contractual gross amounts correspond, in all material respects, to the above-stated fair values of the acquired receivables.

On 1 April 2019 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

Note 35, cont.

annual net sales of approximately SEK 35 m and is consolidated in the Process Management division as from April 2019. According to the 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 2019 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 purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to approximately SEK 22 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 2019 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.

The acquisitions carried out in 2019 contributed approximately SEK 83 m to consolidated net sales and SEK 5 m to consolidated profit after tax. If the acquisitions had been carried out as per 1 January 2019, consolidated net sales for the the full year 2019 would have totalled approximately SEK 3,462 m, and profit after tax would have totalled approximately SEK 131 m. Costs associated with the acquisitions are recognised in the Group in 2019 as other external costs of SEK 2 m.

ACQUISITIONS IN 2018

Company/operation	*Business*	*Acquisition date*	*Share of capital/ votes, %*
MCAD Sverige AB	IT solutions for design and product data management	2/1/2018	100
InPORT Intelligent PORT Systems AB	IT solutions for logistics for ports, terminals and shipping companies	2/1/2018	100
Landborgen AlkT AB	IT solutions for case management in licensing activities	7/8/2018	100
Cadassist Ltd and d2m3 Ltd	IT systems for design and PLM solutions	13/9/2018	100
Strategic Simulation and Analysis Ltd and Simuleon B.V.	IT systems for product information (PLM solutions) and product simulations	30/11/2018	100

The following tables provide information on purchase prices, identifiable net assets and goodwill.

SEK m	*Cadassist and d2m3*	*Other acquisitions*	*Total acquisitions in 2018*
Purchase price			
Cash paid in 2018	96	105	201
Non-current and current liabilities to sellers	19	13	32
Estimated contingent consideration[1]	–	18	18
Total purchase price	**115**	**136**	**251**
Identifiable net assets (see below)	–86	–48	–134
Goodwill	**29**	**88**	**117**

1) Provisions for contingent consideration that is expected to be paid in cash in 2019 and 2020. The outcome is dependent on the sales and earnings performance of the acquired companies.

The acquired companies are knowledge companies, and goo will is therefore attributable to the developed expertise of the staff and the employees' aggregate knowledge about the respective software and IT systems, as well as synergy effects to a certain extent

The fair value of the identifiable assets and liabilities included in the acquisition was as follows:

SEK m	*Cadassist and d2m3*	*Other acquisitions*	*Total acquisitions in 2018*
Customer agreements and software	15	35	50
Property, plant and equipment	1	1	2
Receivables[2]	13	40	53
Cash and cash equivalents	75	40	115
Current liabilities	–15	–61	–76
Deferred tax, net	–3	–7	–10
Identifiable net assets	**86**	**48**	**134**

2) Contractual gross amounts correspond, in all material respects, to the above-stated fair values of the acquired receivables.

At the end of November 2017 an agreement was signed to acquire all of the shares in the Swedish software company MCAD Sverige AB, with transfer of possession on 2 January 2018. The business is focused on CAD and PDM solutions for medium-sized and larger companies in the manufacturing and process industries. The acquisition strengthens the Group's offering in these areas. The company has annual net sales of approximately SEK 30 m and is consolidated in the Design Management division as from 2018. In 2018 MCAD Sverige AB was merged with the Group company Symetri AB. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amounted to approximately SEK 37 m, entailing a deferred tax liability of SEK 2 m. Other acquired assets and liabilities pertained mainly to trade receivables, cash and cash equivalents, and other liabilities. A contingent cash earn-out in the range of zero up to a maximum undiscounted amount of SEK 13 m may be payable, of which SEK 8 m was recognised as a provision in the purchase price allocation analysis. The outcome of the earn-out payment was mainly dependent on growth in net profit in 2018. In connection with the book-closing on 31 December 2018, the provi-

Note 35, cont.

sion for the contingent earn-out was remeasured at SEK 2 m, which was paid out in early 2019.

In December 2017 an agreement was signed to acquire all of the shares in the Swedish software company InPORT Intelligent PORT Systems AB, with possession transferring on 2 January 2018. The company develops logistics solutions for ports, terminals and shipping companies, and is the Nordic region's leading supplier in its market segment. Annual net sales amount to approximately SEK 25 m, and the company is consolidated from 2018 in the Process Management division, where several companies since previously have been working in the same system environment as InPORT. According to the purchase price allocation analysis, goodwill and other acquisition related intangible asset arising in connection with the acquisition amounted to SEK 28 m, entailing a deferred tax liability of SEK 2 m. Other acquired assets and liabilities pertained mainly to trade receivables, cash and cash equivalents, and other deferred income.

In August 2018 all of the shares in the Swedish software company Landborgen AlkT AB were acquired. The company provides case management systems for Swedish municipalities' licensing and supervisory activities. The acquisition strengthens the Group's position as the leading provider of document and case management systems. Annual net sales amount to approximately SEK 10 m, and the company is consolidated as from August 2018 in the Process Management division. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amounted to approximately SEK 22 m, entailing a deferred tax liability of approximately SEK 2 m. Other acquired assets and liabilities pertained mainly to cash and cash equivalents, and deferred income. Depending on the actual outcome of the acquired company's operating profit during the period August 2018–July 2020, a contingent cash earn-out payment in the range of zero up to a maximum, undiscounted amount of SEK 10 m may be made. In the purchase price allocation analysis, the provision was reported in the maximum amount. In 2019, SEK 5 m of the provision was paid out, and the remaining SEK 5 m was converted to a current liability.

In September 2018 all of the shares were acquired in the British companies Cadassist Ltd and d2m3 Ltd ("Cadassist"), with combined annual net sales of SEK 110 m and 23 employees. Cadassist is a leading British provider of software, training and consulting services for architects, engineering operations and the construction industry, and is an Autodesk partner. The acquisition gives Addnode Group an opportunity to grow further in the UK market. The company is based in Manchester, England, and is consolidated in the Design Management division as from September 2018. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amounted to SEK 44 m, entailing a deferred tax liability of SEK 3 m. Other acquired assets and liabilities pertained mainly to trade receivables, cash and cash equivalents, and trade payables.

On 30 November 2018 all of the shares were acquired in the British company Strategic Simulation & Analysis Ltd and its Dutch sister company Simuleon B.V., with combined annual net sales of SEK 55 m and 17 employees. The companies have specialist knowledge in the area of simulation and are Dassault Systèmes partners. The acquisitions are in line with Addnode Group's strategy to be an international market-leading provider of software and services for simulation, design and engineering activities. The companies are consolidated in the Product Lifecycle Management division as from December 2018. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amounted to SEK 33 m, entailing a deferred tax liability of SEK 2 m. Other acquired assets and liabilities pertained mainly to trade receivables, cash and cash equivalents, and deferred income.

The acquisitions carried out in 2018 contributed approximately SEK 101 m to consolidated net sales and SEK 9 m to consolidated profit after tax. If the acquisitions had been carried out as per 1 January 2018, consolidated net sales for 2018 would have amounted to approximately SEK 3,168 m, and profit after tax would have amounted to approximately SEK 166 m. Costs for carrying out the acquisitions are included in the Group's other external costs in 2018 in the amount of approximately SEK 2 m.

CASH FLOW FROM ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES

	Group	
SEK m	***2019***	***2018***
Cash consideration paid	–255	–212
Cash and cash equivalents in acquired subsidiaries	7	115
Change in the Group's cash and cash equivalents upon acquisition	**–248**	**–97**

Cash consideration paid in 2019 included payments of contracted contingent consideration totalling SEK 175 m (11) for company acquisitions carried out in previous years.

NOTE 36

CASH AND CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS

Cash and cash equivalents in the Group and Parent Company included no holdings of short-term investments at 31/12/2019 or 31/12/2018.

Neither the Group nor the Parent Company had any cash and cash equivalents in blocked bank accounts at 31/12/2019 or 31/12/2018.

NOTE 37

CHANGES IN LIABILITIES ATTRIBUTABLE TO FINANCING ACTIVITIES

SEK m	*Liabilities to credit institutions*	*Lease liabilities*	*Group*
Opening balance, 1 January 2018	597	2	599
Cash flow for the year, 2018			
Loans raised	118	–	118
Amortisation of debt	–213	–1	–214
Non-cash items 2018			
New and terminated finance leases	–	1	1
Exchange rate differences	8	–	8
Closing balance, 31 December 2018	**510**	**2**	**512**
Cash flow for the year, 2019			
Loans raised	116	–	116
Amortisation of debt	–169	–67	–236
Non-cash items 2019			
Transition to IFRS 16	–	131	131
New and terminated leases	–	54	54
Exchange rate differences	35	3	38
Closing balance, 31 December 2019	**492**	**123**	**615**

NOTE 38

FINANCIAL RISKS AND RISK MANAGEMENT

FINANCIAL RISKS

In the course of its operations Addnode Group is exposed to various types of financial risk that can affect earnings, cash flow and shareholders' equity. These risks consist mainly of:

- Interest rate risks for loans and liquid assets
- Financing and liquidity risks associated with the Group's capital requirement
- Currency risks associated with commercial flows and net investments in foreign subsidiaries
- Credit risks associated with financial and commercial activities
- Other price risks

Addnode Group's board of directors has adopted a finance policy for the entire Group which regulates how financial risks are to be managed and controlled as well as responsibilities and authorities.

In the Group's decentralised organisation, the finance operations are centralised in the Parent Company, which has overarching responsibility for the Group's financial risk management in order to be able to monitor the Group's combined financial risk positions and achieve cost efficiency and take advantage of joint-Group interests.

No significant changes have been made in the Group's targets, policies or methods for managing financial risks compared with the preceding year. The Board assesses the Group's targets, policies and methods for managing financial risks on a regular basis.

INTEREST RATE RISK

Interest rate risk is defined as the risk that changes in market interest rates will have a negative effect on the Group's earnings and cash flow.

The Group is exposed to interest rate risk through interest-bearing loans and cash and cash equivalents. Changes in interest rates have a direct impact on the Group's net interest income. The Group's borrowings and debt management are handled within the Parent Company. Interest-bearing borrowings consist mainly of bank loans. One of the largest factors affecting interest rate risk is the choice of fixed interest terms for the Group's debt portfolio. The time it takes for a permanent change in interest rates to impact consolidated profit depends on the loan's term of fixed interest. At present the Group does not use derivative instruments to manage interest rate risk. The average term of fixed interest at 31 December 2019 was 0.7 years (0.8).

The Group's interest income and interest expense are mainly affected by changes in market interest rates in Sweden and the UK.

The table below shows the Group's interest-bearing net debt on the respective balance sheet dates. Based on interest-bearing net debt, excluding lease liabilities according to IFRS 16, an unfavourable change in interest rates of 1 per cent would have an earnings impact of SEK –2 m (–2).

	Group	
SEK m	*31/12/2019*	*31/12/2018*
Interest-bearing net debt		
Cash and cash equivalents	–294	–387
Interest-bearing receivables	0	0
Interest-bearing liabilities	615	546
Net debt (+)/receivable (–)	**321**	**159**

LIQUIDITY RISK

Liquidity risk is defined as the risk of the Group on a given occasion not having sufficient liquid assets or other means of payment to be able to meet its regular payment obligations. To secure its readiness to pay, Addnode Group's goal is to maintain a liquidity buffer that corresponds to a minimum of 5 per cent of the Group's rolling annual sales. The liquidity buffer is defined as bank balances and short-term investments plus unutilised, committed bank overdraft facilities.

The Parent Company works actively to ensure optimal management of the Group's liquidity by centralising liquidity in the Parent Company via Group accounts and internal loans. Surplus liquidity shall primarily be used to amortise external debt. Any additional liquid assets shall be held in bank accounts or be invested in fixed-income instruments with high liquidity. The Parent Company has a bank overdraft facility of SEK 100 m. This amount was unutilised as per 31 December 2019.

	Group	
SEK m	*31/12/2019*	*31/12/2018*
Cash and cash equivalents	294	387
Committed bank overdraft facilities	100	100
Utilised portion of bank overdraft facilities	0	0
Available liquidity	**394**	**487**

Note 38, cont.

FINANCING RISK

Financing risk is defined as the risk that it will be difficult and/or costly to obtain new financing or to refinance and existing debt at a given point in time.

Financing risk is managed through the use of long-term credit facilities. The currently contracted revolving credit facility of SEK 750 m expires in June 2021. Utilised amounts under the credit facility are reported as short-term loans. The contracted credit facility can be used to finance future acquisitions as well as to pay contingent consideration.

After the end of the reporting period the Parent Company expanded its acquisition credit facility by SEK 250 m to SEK 1,000 m. The new credit has not been utilised.

The loan agreement contains financial covenants that prescribe a limit for the Group's net debt in relation to adjusted EBITDA as well as a limit for the Group's interest coverage ratio. Of credit facilities, SEK 481 m (498) had been utilised as per 31/12/2019. Management and the Board of Directors monitor the Group's prognosticated performance in relation to the limit values in the covenants and thereby ensure that the Group will meet its obligations to external lenders. As per 31 December 2019 the Group was in compliance with the terms of the loans and expects to be remain so in 2020.

The following table shows undiscounted future cash flows (differences compared with amounts of interest-bearing liabilities carried on the consolidated balance sheet pertain to future interest payments).

	Due for payment			
SEK m	***Within 1 year***	***Between 1 and 2 yrs***	***Between 2 and 5 yrs***	***After more than 5 yrs***
Provisions and financial liabilities at 31/12/2019				
Provisions for contingent consideration	5	3	—	—
Provisions for decided restructuring measures	0	—	—	—
Other provisions	—	2	—	9
Interest-bearing liabilities excluding lease liabilities according to IFRS 16	497	—	—	—
Interest-bearing lease liabilities according to IFRS 16	61	38	27	—
Liabilities for consideration, non-interest-bearing	8	—	—	—
Trade payables and other financial liabilities	167	—	—	0
Total	**738**	**43**	**27**	**9**

	Due for payment			
SEK m	***Within 1 year***	***Between 1 and 2 yrs***	***Between 2 and 5 yrs***	***After more than 5 yrs***
Provisions and financial liabilities at 31/12/2018				
Provisions for contingent consideration	103	5	—	—
Provisions for decided restructuring measures	6	—	—	—
Other provisions	—	—	—	8
Interest-bearing liabilities	550	1	0	—
Trade payables and other financial liabilities	165	—	—	—
Total	**824**	**6**	**0**	**8**

CURRENCY RISK

By currency risk is meant the risk of unfavourable changes in exchange rates having a negative impact on the Group's earnings and financial position. The Group is exposed to currency risks through continuing business transactions in various currencies and by virtue of the fact that the Group conducts business in various currencies (transaction exposure). In addition, the Group is affected by translation effects when foreign subsidiaries' earnings and net assets in foreign currencies are translated to Swedish kronor (translation exposure).

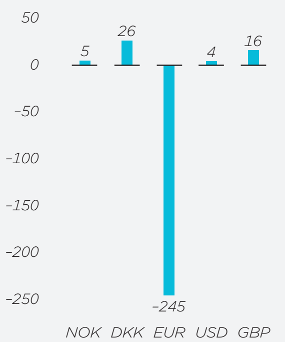
Transaction exposure

Transaction exposure arises when a company has cash flows in foreign currencies. Exchange rate movements affect cash flow in foreign currencies and entail a risk of the Group's profitability being negatively affected.

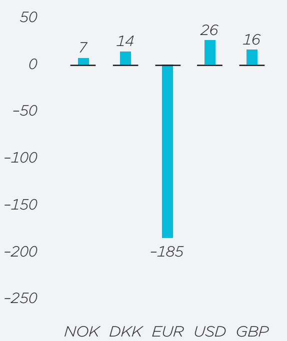
The Group's subsidiaries work mainly in their respective local markets, with revenue and expenses in local currency, which reduces transaction exposure. Decisions on possible hedges of transaction exposure through currency derivatives are made centrally by the Parent Company.

The following chart shows net transaction exposure (revenue less expenses) in the most significant surplus and deficit currencies.

TRANSACTION EXPOSURE 2019, SEK M



TRANSACTION EXPOSURE 2018, SEK M



Based on net flows in 2019, the table below shows a sensitivity analysis of the effect on profit after tax of a 10 per cent weaker SEK in relation to other currencies, with all other variables remaining constant.

During 2019, no transaction flows in foreign currency were hedged through forward exchange contracts

SEK –10% compared with	*SEK m*
EUR	–18
USD	2
GBP	1
DKK	0
NOK	0

Translation exposure

Changes in exchange rates have an impact on the Group's earnings through translation of foreign subsidiaries' earnings to Swedish kronor. The effects pertain mainly to the currencies GBP, NOK and EUR.

Upon consolidation to the Group's reporting currency, SEK, net assets in foreign subsidiaries give rise to translation differences that affect the Group's shareholders' equity. The Group can hedge translation exposure in net assets by financing assets with liabilities in the same currency. Exchange rate changes on loans taken out to hedge net assets are recognised in other comprehensive income.

Of net assets denominated in foreign currencies on the balance sheet date of 31/12/2019, SEK 564 m were attributable to pounds sterling (GBP), SEK 322 m were attributable to euros (EUR), and SEK 232 m were attributable to Norwegian kroner (NOK). If EUR were to strengthen/weaken by 10 per cent against SEK, the Group's total shareholders' equity would increase/decrease by approximately SEK 32 m, and if NOK were to strengthen/weaken by 10 per cent against SEK, the Group's total shareholders' equity would increase/decrease by approximately SEK 23 m. At present, net assets in GBP in the foreign subsidiaries TECHNIA Ltd, Service Works Global Ltd, Cadassist Ltd, d2m3 Ltd and Kpass IT are hedged through loans.

Currency	*Net assets*	*Currency hedges*	*2019*
DKK	23	–	23
EUR	322	–6	316
GBP	564	–446	118
NOK	232	–	232
USD	20	–	20
Other currencies	35	–	35
Total	**1,196**	**–452**	**744**

Currency	*Net assets*	*Currency hedges*	*2018*
DKK	21	–	21
EUR	328	–	328
GBP	628	–555	72
NOK	246	–	246
USD	14	–	14
Other currencies	42	–	42
Total	**1,279**	**–555**	**723**

OTHER PRICE RISKS

As per 31/12/2019 there were no significant assets or liabilities with exposure to other price risks.

CREDIT RISK

Credit risk pertains to the risk for losses due to the Group's customers or counterparties in financial contracts failing to meet their payment obligations. Credit risk is thus broken down into financial credit risk and business-related credit risk.

Financial credit risk

Financial credit risk in the form of counterparty risks arises in connection with investments of cash and cash equivalents and trading in derivative instruments. Investment of surplus liquidity may only be made with counterparties with high credit ratings or that meet the Group's minimum rating requirement. The maximum credit risk corresponds to the carrying amount of financial assets on the consolidated balance sheet.

Note 38, cont.

Business-related credit risk

Addnode Group's business-related credit risk is primarily attributable to trade receivables and is managed in the respective divisions and subsidiaries. Trade receivables are distributed among a large number of counterparties. Of total trade receivables at 31/12/2019, 57 per cent (69) were for amounts of less than SEK 1 m per customer. The Group has established guidelines to ensure that sales are made to customers with satisfactory credit histories. Historically the Group has had very low costs for bad debts. The provision for bad debts amounted to SEK 4 m (4) on the balance sheet date of 31/12/2019, corresponding to 0.7 per cent (0.7) of total trade receivables. Earnings for 2019 were negatively affected by SEK 2 m (5) through provisions for bad debts.

	Group			
	31/12/2019		31/12/2018	
SEK m	*Amount*	*Share, %*	*Amount*	*Share, %*
Concentration of trade receivables				
Trade receivables < SEK 1 m per customer	317	57	412	69
Trade receivables SEK 1–5 m per customer	200	36	114	19
Trade receivables > SEK 5 m per customer	43	7	73	12
Total	**560**	**100**	**599**	**100**

The following table shows the age structure of the trade receivables that were past due on the balance sheet date, but for which no need to recognise impairment was identified:

	Group	
MSEK	*31/12/2019*	*31/12/2018*
Past due trade receivables		
Trade receivables past due 1–29 days	102	112
Trade receivables past due 30–59 days	18	15
Trade receivables past due 60–89 days	10	4
Trade receivables past due 90 days or more	7	9
Total	**137**	**140**

DERIVATIVE INSTRUMENTS

The Group had no outstanding forward exchange contracts or other held or issued derivative instruments on 31/12/2019 or 31/12/2018.

MEASUREMENT OF FAIR VALUE

No financial assets or liabilities are stated at a value that considerably deviates from their fair value.

NOTE 39

IMPORTANT ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

Carrying amounts are based partly on assessments and estimates. This applies mainly to the regular impairment testing of goodwill and other acquisition-related intangible assets (see Note 15). The carrying amounts of these assets are affected by changes in applied discount rates as well as by assessments of future trends in prices, costs and demand for the products and services that form the basis of the cash flow prognostications.

For certain company acquisitions, contingent consideration (earn-out payments) may account for a large portion of the total consideration for the acquired company and may also amount to considerable sums. Contingent consideration is normally dependent on the future earnings performance and/or the revenue performance for the acquired company. At the time of acquisition, provisions for estimated contingent consideration are reported based on forecasts on the future revenue and earnings performance of the acquired companies (see Notes 28 and 35). According to IFRS 3, subsequent remeasurements of provisions for contingent consideration and the differences between the reported provision and the actual outcome are to be recognised through profit or loss. This means that future remeasurements of reported provisions may significantly affect consolidated earnings, both positively and negatively, in coming years.

NOTE 40

RELATED PARTY DISCLOSURES

On 31 December 2019, Aretro Capital Group AB's ownership amounted to 6.8 per cent (6.8) of the share capital and 18.7 per cent (18.7) of the votes in Addnode Group AB (publ). Aretro Capital Group AB is owned jointly via companies by Staffan Hanstorp and Jonas Gejer. Staffan Hanstorp is Chairman of the Board of Addnode Group. Jonas Gejer is President of TECHNIA AB as well as of the Product Lifecycle Management division. No transactions have been made between Aretro Capital Group AB and companies in the Group in which Addnode Group AB (publ) is the Parent Company.

	Group	
SEK thousands	*2019*	*2018*
Remuneration of the Board of Directors and senior executives:		
Salaries and other short-term employment benefits (see also description in Note 5)	19,461	18,487
Total	**19,461**	**18,487**

In 2019 the Chairman of the Board, Staffan Hanstorp, invoiced via a company the Parent Company SEK 2,520 thousand (2,688) in fees for consulting services related to the Group's acquisition opportunities, financing matters, strategic partnerships and overarching strategic matters. This amount is not included in the table above.

Sales to and purchases from other companies in Addnode Group

For the Parent Company Addnode Group AB (publ), 100 per cent (100) of net sales for the year and 18 per cent (19) of purchases for the year pertained to own subsidiaries. For sales and purchases between Group companies, the same policies apply for pricing as in transactions with external parties.

NOTE 41

AVERAGE NUMBER OF EMPLOYEES, ETC.

Average number of employees	*2019* *Average number of employees*	*2019* *Of whom, men*	*2018* *Average number of employees*	*2018* *Of whom, men*
Parent Company	7	5	7	5
Subsidiaries				
Sweden	786	588	747	568
Denmark	12	8	14	10
Finland	63	53	61	51
Norway	92	75	93	72
UK	149	111	119	83
Germany	187	139	203	154
Netherlands	21	19	15	15
France	26	21	—	—
Serbia	16	9	18	11
Slovakia	27	24	25	24
Austria	4	4	4	4
USA	19	13	18	13
Australia	14	6	16	7
Canada	4	3	4	3
South Africa	9	4	10	5
India	153	118	117	84
Japan	1	1	—	—
Total, subsidiaries	**1,583**	**1,196**	**1,464**	**1,104**
Group total	**1,590**	**1,201**	**1,471**	**1,109**

Board members and senior executives	*2019* *Number on balance sheet date*	*2019* *Of whom, men*	*2018* *Number on balance sheet date*	*2018* *Of whom, men*
Group				
Board members	189	142	184	140
Presidents and other senior executives	165	133	167	138
Parent Company				
Board members	6	4	6	4
Presidents and other senior executives	3	2	2	1

NOTE 42

EVENTS AFTER THE BALANCE SHEET DATE

On 9 January 2020 all of the shares were acquired in the Norwegian company Unizite AS. Unizite has developed a cloud-based mobile field tool. Unizite has ten employees and will be part of Tribia, a company in the Design Management division, and is consolidated in the Group as from January 2020. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to approximately SEK 44 m, entailing a deferred tax liability of approximately SEK 4 m. Other acquired assets consisted mainly of software.

On 16 January 2020 Addnode Group signed an agreement to acquire and take possession of Excitech Ltd, with net sales of approximately GBP 50 m (last 12 months). Excitech, with more than 3,500 customers and 150 employees, is the largest Autodesk Platinum Partner in the UK market. The agreed purchase price for 100 per cent of the shares is approximately GBP 22 m, corresponding to approximately SEK 273 m based on the exchange rate at the date of transfer of possesson, of which approximately GBP 9 m (approximately SEK 109 m) has been paid as per the date of publication of this annual report. The contracted purchase price of GBP 22 m amount includes GBP 17 m as a fixed cash payment, GBP 2 m payable in the form of a debt (for which the nominal amount can increase/decrease depending on the net proceeds from Excitech's office building, which is planned to be sold in a sale/leaseback transaction), and approximately GBP 3 m in cash in respect of net cash and working capital. The purchase price represents an Enterprise Value of approximately GBP 15 m (cash and debt-free basis, excluding the value of the office building). The transaction will be finalised in two steps. On 16 January, 55 per cent of the shares in Excitech were acquired. The agreement includes a binding obligation for Addnode Group to acquire, and for the sellers to sell, the remaining 45 per cent through combined call and put options. These options will be exercised during the first half of 2020. Excitech is consolidated as from January 2020 as part of Addnode Group's Design Management division. According to the preliminary purchase price allocation analysis, goodwill and unallocated surplus value amount to approximately SEK 173 m. The process for determining the fair value of the intangible assets and the property, plant and equipment is in progress. Other acquired assets and liabilities amount to approximately SEK 100 m, net, and pertain mainly to the above-mentioned office building, with a carrying amount of approximately SEK 53 m, trade receivables, cash and cash equivalents, trade payables, and accrued expenses and prepaid income. The sales price for the office building is hard to determine and depends on, among other things, the length of the future lease and the market trend. Costs for carrying out the acquisition of Excitech amount to approximately SEK 1 m and are included in the Group's other external costs during the first quarter of 2020.

In January 2020, Addnode Group AB expanded its existing acquisition credit facility by SEK 250 m to a total of SEK 1,000 m. The new credit has not been utilised.

In February 2020 Lotta Jarleryd was named CFO after serving as interim CFO since September 2019.

As a result of the outbreak of the COVID-19 pandemic, Addnode Group is working intensively on analysing and assessing the pandemic's impact on the Group's operations. Action plans have been drawn up, and a number of measures have already been taken to safeguard the employees' health, ensure continued deliveries to customers, and balance capacity and costs. Addnode Group is closely following developments, however, the situation is hard to assess with respect to the pandemic's impacts on society in general and on the global economy. The Board notes, however, that there is a significant risk that the ongoing COVID-19 pandemic may have a financial impact on Addnode Group in 2020.

NOTE 43

INFORMATION ABOUT ADDNODE GROUP AB (PUBL)

Addnode Group AB (publ) has its registered office in Stockholm, Sweden, and the address of the Company's head office is Hudiksvallsgatan 4B, SE-113 30 Stockholm. The Parent Company's Class B shares are listed on Nasdaq Stockholm.

This annual report and consolidated financial statements were approved for publication by the Board of Directors on 30 March 2020.

The income statements and balance sheets for the Parent Company and the Group will be presented for adoption at the Annual General Meeting on 7 May 2020.

ANNUAL REPORT SIGNATURES

The Board of Directors and President affirm that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, and that they provide a true and fair view of the Group's financial position and results of operations. The annual report was prepared in accordance with generally accepted accounting practice and provides a fair and accurate view of the financial position and earnings of the Parent Company.

The Board of Directors' report for both the Group and the Parent Company accurately reflects the Group's and the Parent Company's operations, financial position and earnings, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 30 March 2020

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

Our audit report was submitted on 30 March 2020
PricewaterhouseCoopers AB

Anna Rosendal
Authorised Public Accountant
Auditor-in-charge

AUDITOR'S REPORT

To the general meeting of the shareholders of Addnode Group AB (publ), corporate identity number 556291-3185

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Addnode Group AB (publ) for the year 2019 except for the corporate governance statement on pages 71–81. The annual accounts and consolidated accounts of the company are included on pages 63–124 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by EU, and the Annual Accounts Act. Our statements do not include the corporate governance statement on pages 71–81. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

Addnode Group acquires, operates and develops enterprise-driven IT companies that provide software and services to markets in which they have, or can take, market-leading positions. The Group's revenue streams come primarily from consulting, service and licensed products. The company's development has been both organic and acquisition driven, and its revenue is relatively contractual and recurring.

An extensive part of the Addnode Group audit takes place in Sweden since the main part of the group's operations are based there. In addition, significant operations are carried out on subsidiaries in Norway, Finland, Germany and England, which are also included in the Group audit. For the entities selected for audit activities in the Group audit, we have issued detailed instructions as well as obtained reporting and followed up review in discussions and meetings with local teams to determine that sufficient audit evidence has been obtained for our statement in the Group audit report.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of goodwill Addnode Group describes impairment testing of goodwill in Note 15. On Addnode Group's balance sheet, SEK 1,588 million is reported in the form of goodwill linked to acquisitions. This amount represents just over 50% of the group's total assets. Goodwill is therefore significant for the group. In addition, valuation of goodwill is associated with management's assessments. All in all, we consider valuation of goodwill as a particularly important area in our audit. Management conducts an impairment test of goodwill annually to determine whether or not there is a need for write-down. Assumptions and assessments include forecasts of growth and operating margin, investment needs and applied discount rate. If future performance deviates negatively from applied assumptions and assessments, an impairment need may arise. Addnode Group's impairment test shows that no need of write-down exists on the closing date.	**The most significant audit efforts we have conducted include:** In our audit, we have evaluated and reviewed the management's process for establishing impairment tests, including evaluating previous years' accuracy in forecasts and assumptions. In cooperation with our valuation specialists, we have examined the company's model and method for conducting impairment tests. We have evaluated the company's sensitivity analyzes and conducted our own sensitivity analysis of significant assumptions and possible impact factors. With support from our valuation specialists, we have also examined the reasonableness of assumptions about discount rates and long-term growth. We have verified that data included in the impairment test complies with the Board's long-term business strategy per cash-generating unit. We have focused on revenue growth rates and forecasts of operating margin. We have also conducted sensitivity analysis to analyze the effects of changes in significant assumptions and assessments. Finally, we have examined that disclosure requirements have been provided in the annual report in accordance with IAS 36 Impairment. Based on our review, we have not identified any significant observations reported by the audit team to the company's audit committee regarding Addnode Group AB's valuation of goodwill.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–62 and 129–132. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Board's Audit Committee shall, without prejudice to the Board other responsibilities and tasks, including monitoring the company's financial reporting.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website

www.revisorsinspektionen.se/revisornsansvar

This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Addnode Group AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website

www.revisorsinspektionen.se/revisornsansvar

This description is part of the auditor's report.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 71-81 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our 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. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Stockholm, was appointed auditor of Addnode Group AB (publ) by the general meeting of the shareholders on the 7th May 2019 and has been the company's auditor since the 9th of April 2003.

Stockholm, 30 March 2020

PricewaterhouseCoopers AB

Anna Rosendal
Authorized Public Accountant

KEY RATIOS, DEFINITIONS AND GLOSSARY

USE AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

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 shall be applied for Alternative Performance Measures in published compulsory information. Alternative Performance Measures refer to financial measures of 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. Certain performance measures are used in the annual report which are not defined in IFRS, with the purpose to give investors, analysts and other interested parties clear and relevant information about the company's business and performance. The use of these performance measures and reconciliation to the financial statements are presented below. Definitions are provided on page 130.

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

Net debt
The Group considers this key ratio to be useful for the users of the financial statements as a complement in evaluating the capacity to pay dividends, to execute strategic investments and to evaluate the Group's ability to meet its financial obligations. The key ratio expresses the level of financial borrowing in absolute amounts after deducting cash and cash equivalents.

Reconciliation of EBITA, SEK m	***2019***	***2018***
Operating profit	218	203
Depreciation, amortisation and impairment of intangible non-current assets	109	95
EBITA	327	298

Reconciliation of net debt, SEK m	***31/12/2019***	***31/12/2018***
Non-current liabilities	155	93
Current liabilities	1,604	1,643
Noninterest-bearing non-current and current liabilities	–1,144	–1,191
Total interest-bearing liabilities	**615**	**545**
Cash and cash equivalents	–294	–387
Other interest-bearing receivables	0	0
Net debt (+)/receivable (–)	**321**	**158**

DEFINITIONS

Average number of employees
Average number of employees during the period (full-time equivalents).

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.

Debt/equity ratio
Net debt in relation to shareholders' equity (including equity attributable to non-controlling interests).

Earnings per share
Net profit 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.

Interest coverage ratio
Profit before tax plus financial expenses divided by financial expenses.

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.

P/E multiple
Share price in relation to earnings per share.

Profit margin
Profit before tax as a percentage of net sales.

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 the average capital employed. Based on profit for the last 12 months and the average of the opening and closing balance of capital employed.

Return on shareholder's equity
Net profit as a percentage of average shareholders' equity. Based on profit for the last 12 months and the average of the opening and closing balance of shareholders' equity.

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.

Share price/ shareholders' equity
Share price in relation to shareholders' equity per share.

GLOSSARY OF INDUSTRIAL TERMS

BIM – Building Information Modelling
IT systems for 3D digital representation and information processing in e.g., buildings and facilities.

CAD – Computer Aided Design
IT systems for design and construction of products, buildings and facilities. Using a CAD system, designers can visualise their designs, ensure defect-free construction and improve documentation for all aspects of the design process.

Design Management
One of our divisions. Provides software and services for design, construction and management of products, properties and infrastructure.

FM – Facility Management
A collective name for spaces, infrastructure and people within an organisation, and often associated with administration of properties, office buildings and hotels.

GIS – Geographical Information Systems
IT systems for geographical information that analyse and present the results with map data as a foundation. The term GIS is not to be interchanged with "geographical information", such as a map symbol or line representing a road. GISs are used to create, edit and research land area

IOT–Internet of Things
A collective term for development entailing that machines, vehicles, buildings and household appliances with built-in electronics and internet connection can be controlled or share data over the internet.

Open source
Open source, open code or open software, is a computer program in which the source code is freely accessible for anyone to use, read, modify or further distribute.

PDM – Product Data Management
A tool for tracing and controlling components and data about a given product. Used mainly to ensure that the technical specifications during an entire development and manufacturing process are the same for all people working with the project. PDM is commonly used in conjunction with PLM systems.

PLM – Product Lifecycle Management
One of our divisions. Provider of software and services for product data information. One of Europe's leading providers. The PLM market can be divided into three different segments:

- Tools for creating, analysing, visualising, modelling and documenting information about products, buildings and facilities. CAD programs are one of the most commonly used tools in this work.
- Tools for capturing, managing, sharing, visualising and enabling collaboration. PLM systems are one of the most commonly used tools in this work.
- Tools for planning processes, resources, production layout, and for analysis and simulation of production processes.

Process Management
One of our divisions. Provider of IT systems for document and case management, websites and collaboration tools. One of Sweden's and Norway's leading providers to municipal administrations, authorities and companies.

SaaS – Software as a Service
A model for offering software as a service, where users gain access to the applications via the internet, i.e., without themselves having the system, service or program installed on their own computers or servers.

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