ADDNODE GROUP

ANNUAL REPORT 2018

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 www.addnodegroup.com.

INVESTOR RELATIONS CONTACT

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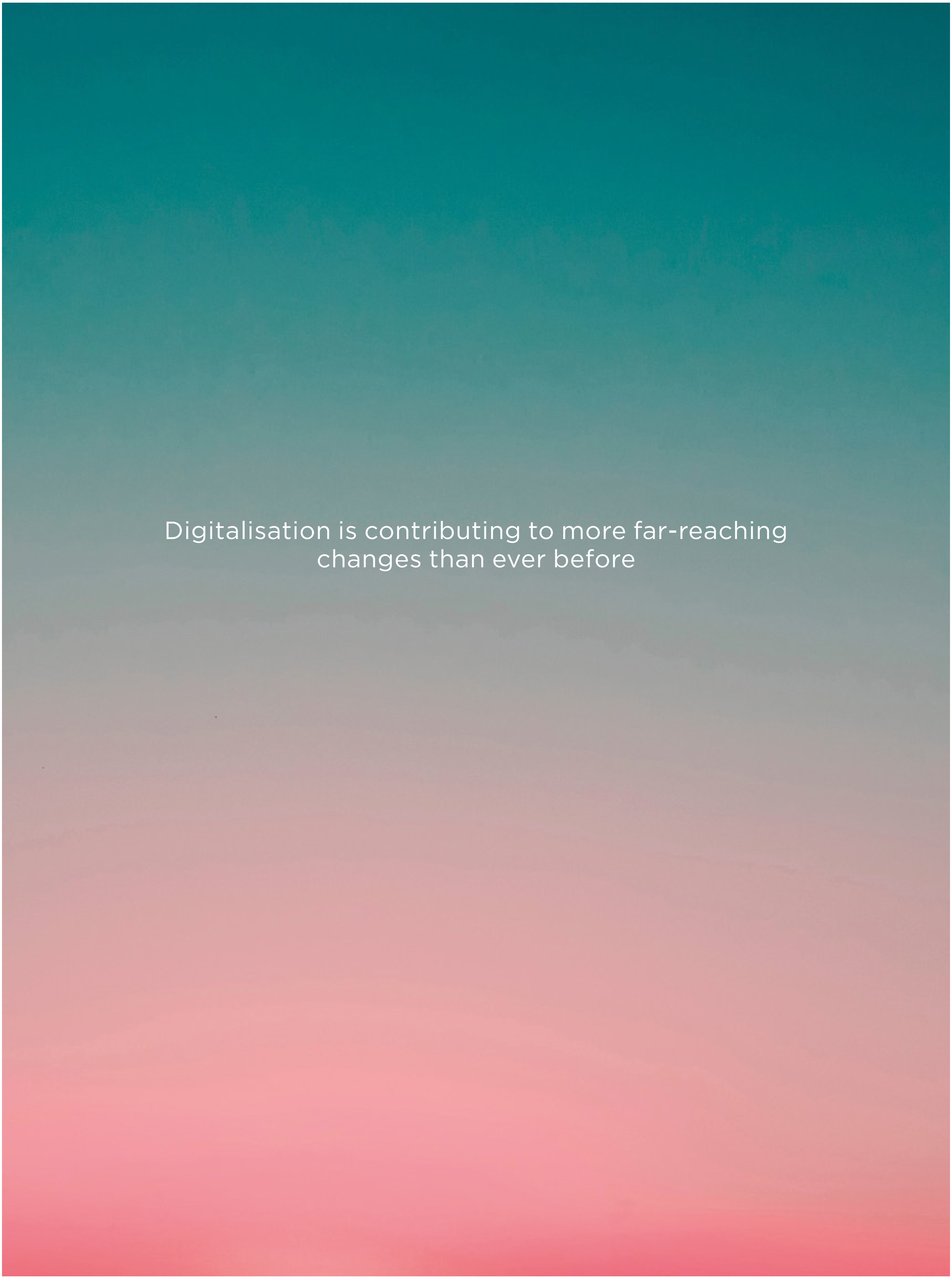
DISTRIBUTION POLICY

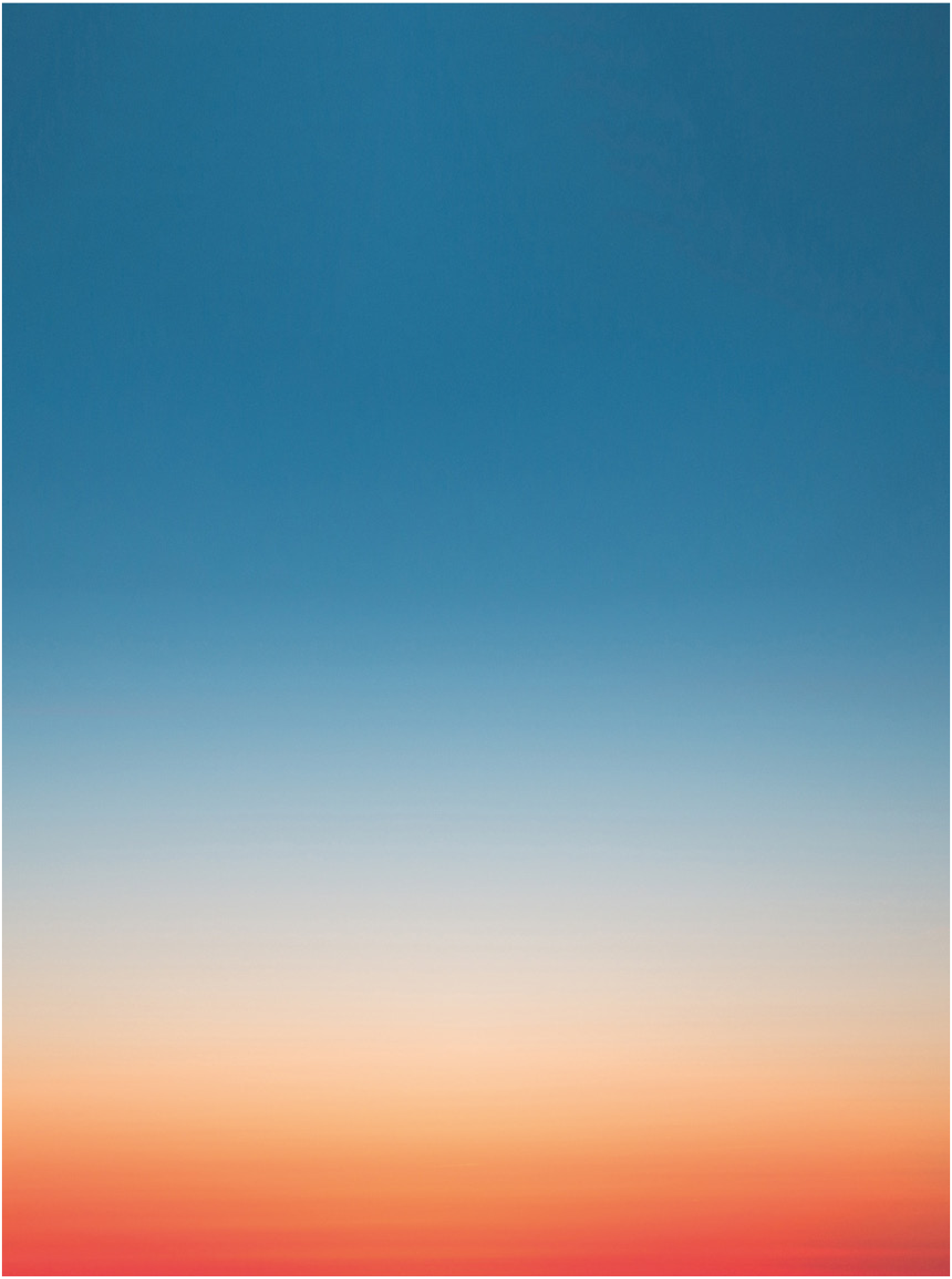
The 2018 Annual Report can be ordered prior to the AGM and is available as a downloadable PDF document from www.addnodegroup.com.

FINANCIAL CALENDAR

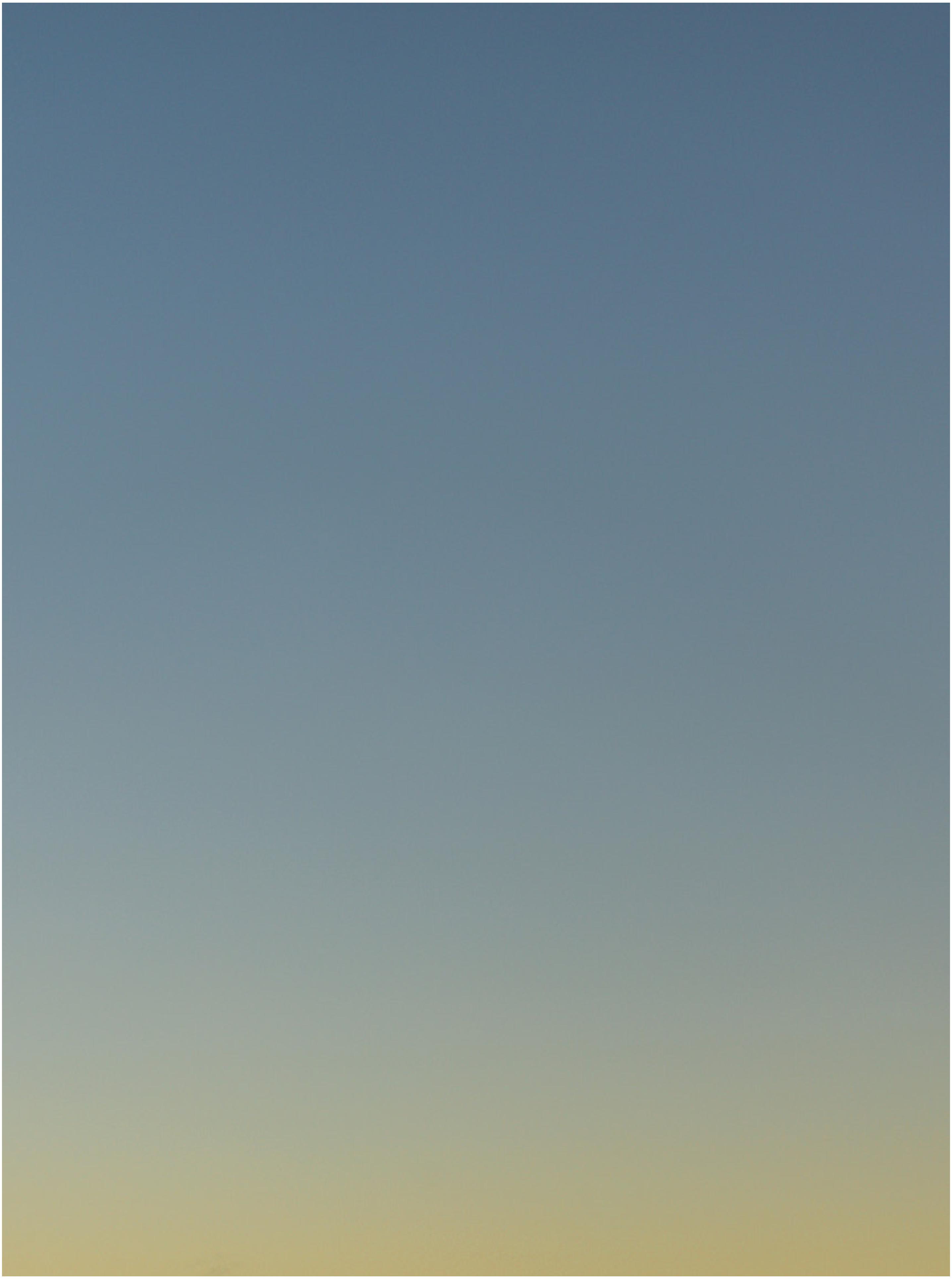
Interim report January–March: 26 April 2019
Annual General Meeting: 7 May 2019
Interim report January–June: 19 July 2019
Interim report January–September: 25 October 2019



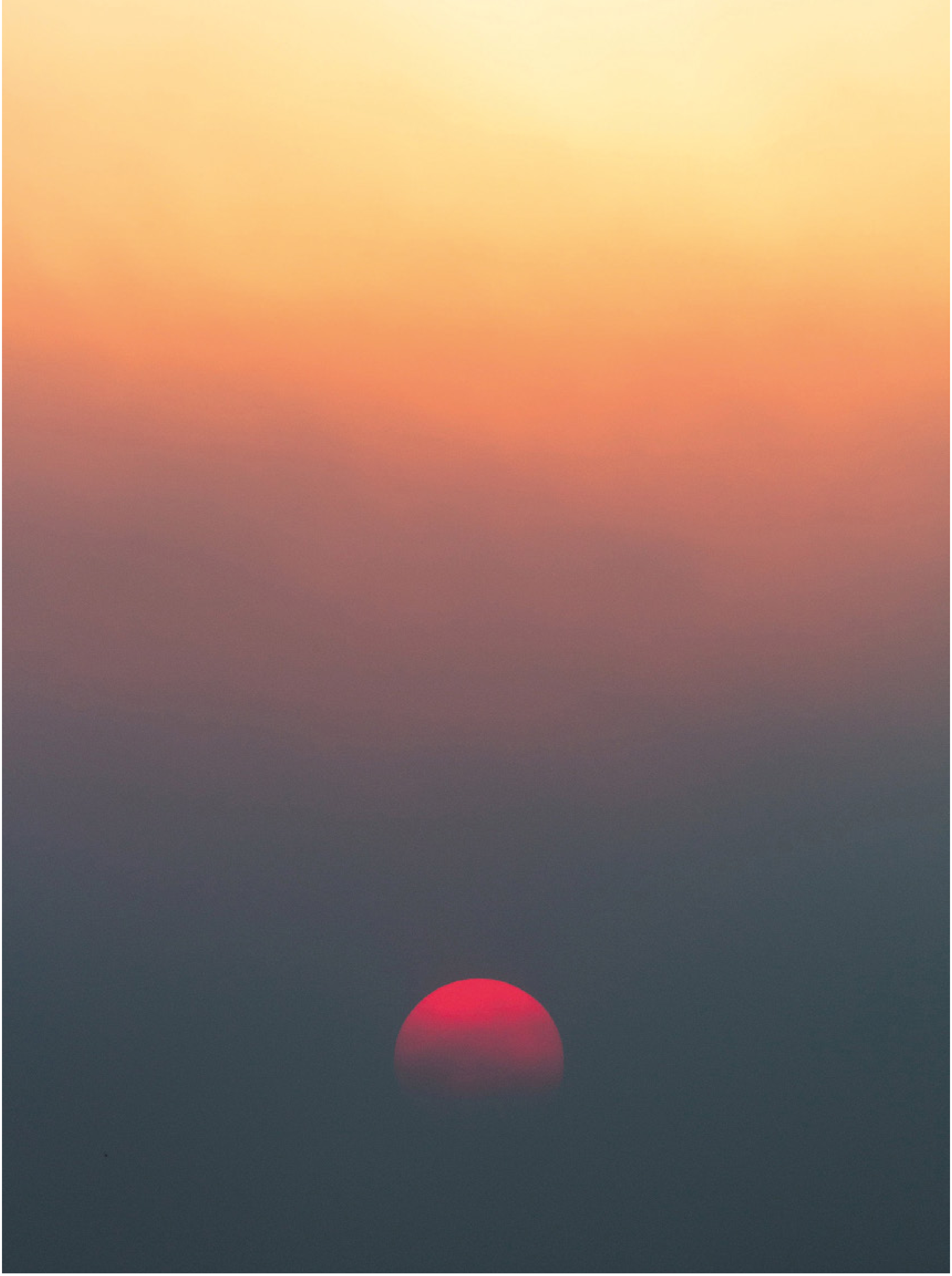
Digitalisation is contributing to more far-reaching changes than ever before



The trend towards more multifunctional and intelligent systems is constantly creating new business opportunities



We offer companies and organisations greater efficiency in the way they create, share and use information



In an ever-changing digital world,
the sky is not the limit

ADDNODE GROUP IN BRIEF

Addnode Group is a listed group that acquires, operates and develops IT companies. Our subsidiaries develop and provide digital solutions to customers in industries such as construction and real estate, manufacturing, automotive and life sciences as well as in the public sector. The software and digital solutions we provide make it possible for our customers to communicate better with their customers and citizens, and improve the efficiency of their operations. Addnode Group had sales of approximately SEK 2.9 bn in 2018, with 1,600 employees in 17 countries. The company's shares are listed on Nasdaq Stockholm.

THREE DIVISIONS THAT ARE EXPANDING IN THE WORLD

DESIGN MANAGEMENT DIVISION

Software and digital solutions 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 36%

PRODUCT LIFECYCLE MANAGEMENT DIVISION

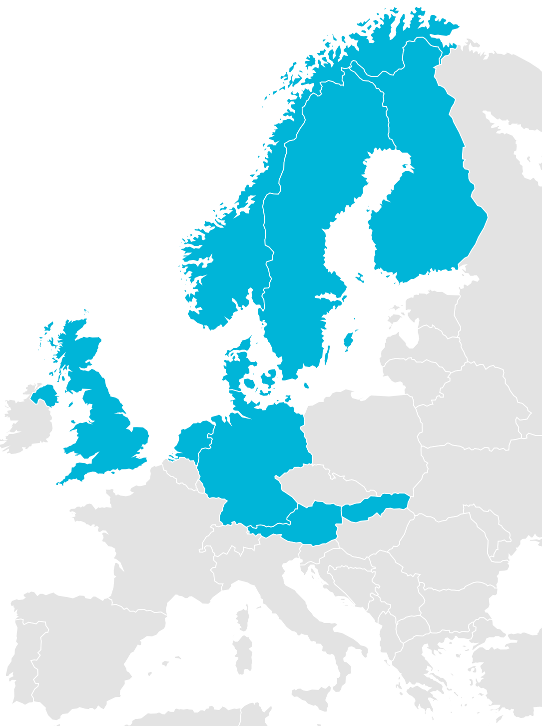
Software and digital solutions for developing and managing products throughout their lifecycles – from idea, design, simulation and construction to sale, aftermarket and recycling.

Share of net sales 38%

PROCESS MANAGEMENT DIVISION

Software and digital solutions 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 26%



Share of net sales 2018, %

Sweden	*46*
Germany	*18*
UK	*11*
Norway	*9*
Finland	*6*
USA	*3*
Denmark	*2*
Netherlands	*2*
Other	*3*

STRATEGY

Addnode Group's strategy for value creation is to be the knowledge leader in the areas in which we work. As a foundation for this we have built up **an organisation based on decentralised management** with great responsibility for each local unit.

Knowledge leader in four areas

- AEC (Architecture, Engineering, Construction)
- Property management and maintenance
- Product Lifecycle Management (PLM)
- Public administration

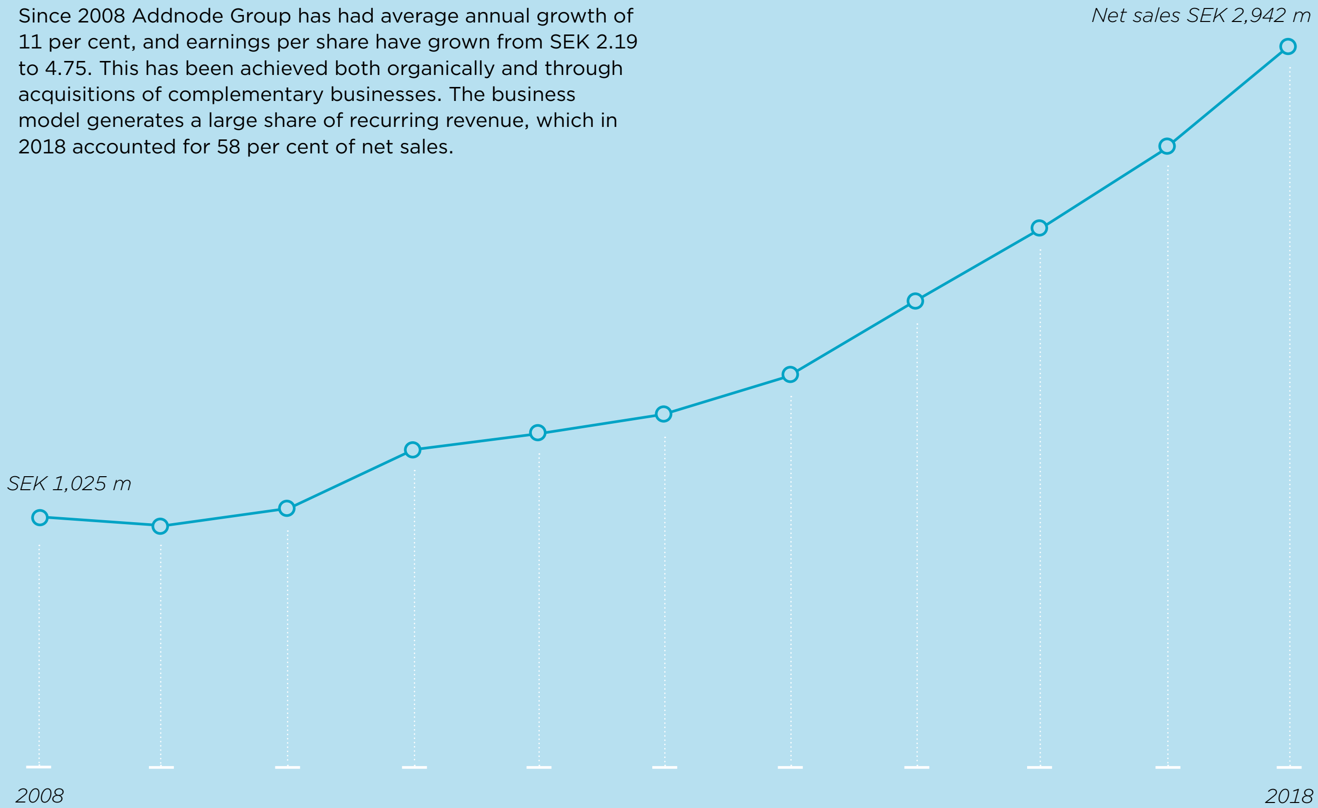
Innovative software and digital solutions
Addnode Group invests continuously in product development and has close partnerships with the globally leading platform providers Autodesk and Dassault Systèmes. We have increased our recurring revenue, which in 2018 accounted for 58 per cent of net sales.

Efficiency in everything we do
Decentralised responsibility allows us, in every unit, to use more efficient processes and take good care of our human and financial capital.

Acquisitions
Owing to solid industry knowledge and tried-and-tested routines for acquisitions, more than 60 value-creating acquisitions have been carried out since Addnode Group was established in 2003.

PROFITABLE GROWTH

Since 2008 Addnode Group has had average annual growth of 11 per cent, and earnings per share have grown from SEK 2.19 to 4.75. This has been achieved both organically and through acquisitions of complementary businesses. The business model generates a large share of recurring revenue, which in 2018 accounted for 58 per cent of net sales.



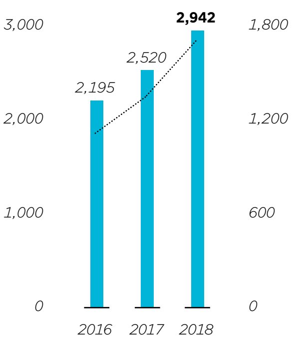
HIGHLIGHTS AND EVENTS 2018

The Group grew by 17 per cent, of which 4 per cent was organic, and net sales amounted to SEK 2,942 m. The share of recurring revenue increased to 58 per cent, and the EBITA margin improved to 10.1 per cent. On the whole, 2018 was a record year, and we grew our earnings per share by 60 per cent to SEK 4.75.

KEY FINANCIAL DATA 2018	2018	2017	2016
Net sales, SEK m	2,942	2,520	2,195
EBITA, SEK m	298	212	171
EBITA margin, %	10.1	8,4	7.8
Operating profit, SEK m	203	130	114
Operating margin, %	6.9	5,2	5.2
Profit after tax, SEK m	152	90	82
Earnings per share, SEK	4.75	2.96	2.71
Cash flow per share, SEK	8.90	4.83	5.18
Dividend per share, SEK	2.50[1]	2.25	2.25
Net debt, SEK m	158	448	66
Equity/assets ratio, %	44	37	49
Debt/equity multiple	0.12	0.46	0.07
Average number of employees	1,471	1,317	1,160
Total number of employees at year-end	1,583	1,511	1,277

[1] *Board of Directors' proposal to the Annual General Meeting.*

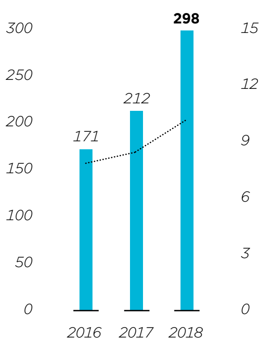
NET SALES AND RECURRING REVENUE



■ *Net sales, SEK m*
···· *Recurring revenue, SEK m*

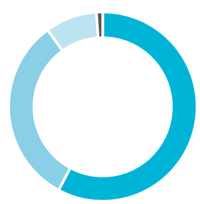
During the last three-year period, the average rate of growth was 16 per cent.

EBITA AND EBITA MARGINAL



■ *EBITA, SEK m*
···· *EBITA margin, %*

BREAKDOWN OF REVENUE BY TYPE



■ *Recurring revenue 58%*
■ *Services 32%*
■ *Licences 9%*
■ *Other 1%*

NET SALES GROWTH

+17%

EBITA

+41%

EARNINGS PER SHARE

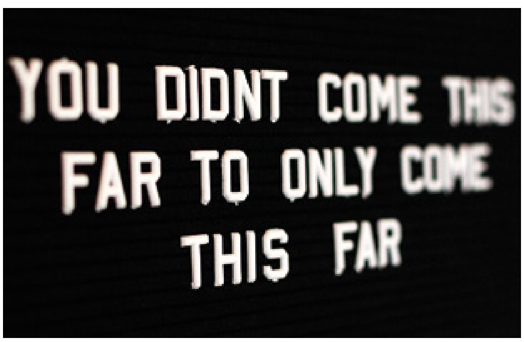
+60%

NEW BUSINESS

In 2018 Addnode Group signed new, large agreements with customers such as ArcelorMittal, Dräxlmaier, the Swedish Energy Agency, Huskvarna, the Kuwait Ministry of Public Works, Mölnlycke Health Care, the Swedish National Board of Institutional Care, the Swedish Courts, Vestas and Tetra Pak.

VALUE-CREATING ACQUISITIONS

During the year Addnode Group acquired five new companies with combined annual sales of approximately SEK 175 m. Parallel with this, the companies acquired in 2017 were integrated well into operations and made a strong contribution to the Group's offerings with a broader software portfolio and greater international spread.



STRONG GROWTH IN EARNINGS PER SHARE, +60%

The strong earnings improvement can be credited to our success at winning even more business and tenders, attracting talented people, launching new products and completing acquisitions that have strengthened profitability.

NEW ISSUE FOR CONTINUED ACQUISITION STRATEGY

To support continued acquisitions, growth and broader ownership, a directed new issue of 3 million Class B shares was carried out for institutional investors during the second quarter, raising net proceeds of SEK 254 m for Addnode Group.

SUSTAINABLE URBAN DEVELOPMENT UNDERPINS OUR PROFITABLE GROWTH

2018 was a record year for Addnode Group. Never before have we won so much business, attracted so many talented employees and earned as much money. The fact that our smart software and digital solutions also contribute to effective and sustainable urban development makes it even more gratifying to lead this internationally growing Group with all our great employees.

In our operating environment, 2018 was a precarious year in many ways, with political worries and faltering stock prices. However, for Addnode Group the market conditions were relatively stable, and we achieved our financial targets for growth and earnings, and we grew both organically and via acquisitions, which is evidenced in the favourable performance of our share price during the year.

LONG-TERM DRIVERS IN SOCIETY

The fundamental drivers of our business span across short-term movements in the economy and are mainly associated with the major societal trends such as urbanisation, digitalisation, automation and growing demands for sustainable development in private industry as well as public administration.

Our software and digital solutions contribute to effective design and product lifecycle management for our customers in areas such as the engineering, transport, life sciences and marine industries. They enable them to meet increasingly stringent demands for traceability and environmental performance. Architects use our software and digital solutions to design properties and infrastructure in society, construction companies use our collaboration solutions to achieve more efficient production, and property companies use our administrative systems for operations and maintenance of finished buildings and infrastructure. For public sector customers we provide e-services, case management systems and digital archives that help them free up resources and communicate better with citizens.

KNOWLEDGEABLE EMPLOYEES IN A GLOBAL MARKET

Addnode Group is the sum of the contributions made by all its employees. All of the digital solutions that we provide are based on software and services created by our more than 1,600 employees. For every year that passes we are strengthening our international presence. We have offices in 17 countries, and in 2018 we employed 300 new employees and welcomed five new companies into the Group: Cadassist, D2M3, Landborgen, Simuleon and SSA.

Being a growing company with a favourable financial position makes it possible for us to continue investing in our employees' expertise along with new products, services and business models. This resulted in growth of 17 per cent in 2018, of which 4 per cent was organic. All three of our divisions had good growth and improved their EBITA margins.

MUSTERING OUR STRENGTHS FOR THE NEXT STEPS

At the same time that we had good growth in 2018, we have mustered our strengths in order to build platforms for future growth in the best possible way. In the Design Management division, for example, we gathered all property management products and services in the company SWG. In the Product Lifecycle Management division, this consolidation of our strengths is manifested in the use of the TECHNIA brand for activities to fully leverage our position as a world leader in PLM. In the Process Management division we are seeing positive effects of a more cohesive offering to the municipal market.

PRODUCT COMPANY WITH PARTNERSHIPS

We have become more and more of a product company with development of both standalone products and add-on components to our partners' products. A clear sign of this can be seen in the growth in our recurring revenue, which accounted for 58 per cent of net sales in 2018. Our world-leading expertise as a partner to the major international software companies Dassault Systèmes and Autodesk will continue to be a success factor. We take responsibility for the entire delivery, and customers appreciate our long-term commitment that is often based on flexible subscription models.

STRATEGIES REMAIN FIRM

After ten years with the company and my second year as President and CEO, I can affirm that our strategies work and that we are both growing and improving our margins. With a decentralised management model as a foundation, we encourage innovation and continuous improvement work in close collaboration with our customers. This results in digital solutions that are helping to build society in a more effective and sustainable way.

A key aspect of Addnode Group's growth over all these years is our ability to carry out value-creating acquisitions. Most of our acquisitions are from entrepreneurs with businesses that complement our existing offerings and who want to remain active in their future development with us. We are currently engaged in a number of acquisition talks that may lead to deals in 2019.

Johan Andersson
President and CEO

DIGITAL DRIVER MEETING CHALLENGES IN SOCIETY

Digitalisation is resulting in extensive changes in society, and Addnode Group contributes to technological development that addresses these major challenges. The service content of digital solutions is growing, and the trend towards more multifunctional and intelligent systems is steadily giving rise to new business opportunities. Our software and services offer companies and organisation greater efficiency in the way they create, share and use information.

DEMOGRAPHICS

THE WORLD'S POPULATION IS GROWING

By 2025 the world's population will reach 8 billion, and according to the UN it is projected to increase to 9.6 billion by 2050. This is resulting in a greater need for sustainable, innovative and digital solutions for urban development, healthcare, community services and public administration, which Addnode Group contributes to in collaboration with our customers in these areas.

CONTINUED URBANISATION

A growing share of this growing population are leaving the countryside, and projections indicate that a billion people will migrate to urban areas by 2025. This means that roughly 60 per cent of Earth's population will live in cities, which is increasing the need for innovative design, production and management of properties and infrastructure. Addnode Group provides solutions that help organisations and companies achieve this.

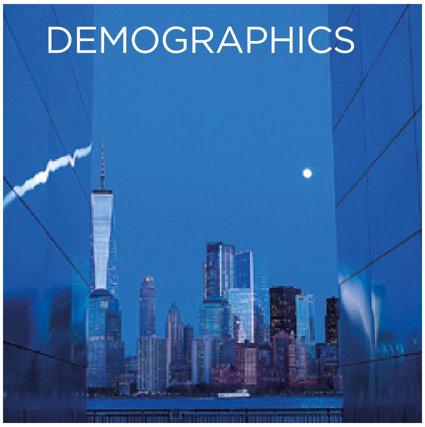
MARKET

SMART AUTOMATION

Demands for greater productivity in both the private and public sectors has led to an ever-higher degree of automation of time-consuming and labour-intensive tasks. The higher the degree of digitalisation and automation, the more intelligently machines and systems can learn, adapt, make decisions and act without human control. While industry has paved the way in this area, the public sector has taken large leaps in automating decision processes via decision-making robots for various tasks. This is easing the burden on organisations and freeing up time so that human resources can be used where they are needed most. According to a report from McKinsey, automation and advanced data analysis are expected to free up SEK 475–695 bn per year in Sweden by 2025.

GREATER COMPETITION AND PRICE PRESSURE

Globalisation and outsourcing of production to low-cost countries are exposing companies to higher competition and price pressure, which is putting higher demands on productivity improvements. This is leading to more complex and geographically spread production for companies, which in turn is increasing the need for systems to assure quality and control. This represents growth opportunities for Addnode Group. Our customers can deliver products and services that improve efficiency and link together internal and external units across a product's entire life cycle from research and development, to production and delivery, to maintenance and disposal.



TECHNOLOGY

VISUALISATION AND SIMULATION FACILITATE PROCESS OPTIMISATION

Visualisation in 3D models is giving rise to new opportunities as well as cost savings, as the entire picture of a product, property, project or operation can be analysed prior to production and project start. With Addnode Group's solutions, relevant data can be visualised in a format that is adapted to customers' processes and work flows.

Access to digital data means that the simulation opportunities offered by our software are boundless. Application areas can be found in everything from crash tests of cars and the strength of steel beams to efficiency improvement applications in the public sector, such as control of regulatory requirements and simulation of optimal school bus routes.

5G DRIVING DEVELOPMENT TOWARDS 34 BILLION CONNECTED DEVICES

5G, the next generation of mobile networks, is driving development, and it is estimated that the number of connected devices will reach 34 billion by 2020. This is creating new opportunities to link together various devices and communicate with them. Addnode Group has developed smart software that ensures that machine maintenance is performed in the right way and that nascent problems can be discovered before they cause damage to equipment or buildings.

MORE EFFICIENT COLLABORATION

Digitalisation is creating opportunities to gain control over all product-related information throughout an entire lifecycle. With such information gathered and made conveniently accessible in a system, production lead times can be shortened and resource handling can be optimised while contributing to more efficient administration and easier follow-up of environmental, quality and safety requirements.

At Addnode Group we help our industrial customers collaborate both internally and externally in the design process and production with the help of smart and effective Product Lifecycle Management (PLM) systems. We help our customers in the construction and real estate sectors utilise the potential that exists in building information modelling (BIM). In addition, our cloud-based systems make it possible for all details surrounding a construction project to be compiled and made accessible in the parts that are relevant for each project participant. This allows the progress of construction work to be closely monitored and quick decisions to be made when necessary.

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

Addnode Group's strategies for value creation build upon leading positions in our areas of operations, innovative software and digital solutions, efficiency in everything we do, and acquisitions. Toward this end we have built an organisation based on decentralised management and governance with great responsibility for every local unit.

VISION
Addnode Group's vision is to contribute to a digitalised society in which people, companies, authorities and organisations interact with the technology that surrounds us.

STRATEGY
Addnode Group acquires, operates and develops companies that help digitalise society. We have identified five strategic pillars for achieving our mission of achieving long-term, profitable and sustainable growth:

- Knowledge leader in four areas
- Innovative software and digital solutions
- Efficiency in all we do
- Acquisitions
- Decentralised management and governance

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

CORE VALUES
Addnode Group contributes through support to a society in which people, companies, authorities and organisations are interacting to an increasingly greater degree with the technology that surrounds us. The Group's core values are:

- We care about our customers, employees, 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.

ADDNODE GROUP'S SUSTAINABLE VALUE CREATION 2018

RESOURCES

Customer relationships
5,000 customers

Employees
1,600 employees

Intangible assets
Naviate, SOVELIA, INTERAXO, QFM, P3RFORM, TVC, CAVA, iipax, Ecos, Abou, Topocad, Congeria, and others

Partnerships
Long-term partnerships with software developers

Capital
SEK 1,339 m in equity
SEK 158 m in net debt

STRATEGIES

Knowledge leader in four areas

Innovative software and digital solutions

Efficiency in all we do

Acquisitions

Decentralised management and governance

VALUE CREATED

Customer value
- More efficient operations
- New business opportunities

Employee value
- Employment benefits
- Interesting product development projects, relationships and knowledge-sharing
- Secure workplace

Partner value
- Sales for Dassault, Autodesk, Microsoft, Pitney Bowes, IBM and others

Societal value
- Effective communication between authorities and citizens
- Customer offerings that contribute to sustainable development

Economic value
- EBITA SEK 298 m
- Cash flow SEK 285 m
- Earnings per share SEK 4.75

Shareholder value
- Share price growth 37%
- Dividend SEK 84 m[1]
- Dividend yield 3%

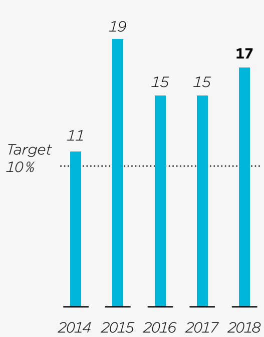
[1] *Proposed by the Board of Directors to the Annual General Meeting.*

FINANCIAL TARGETS AND ACHIEVEMENT

	GROWTH	EARNINGS	DIVIDEND
TARGETS SET BY THE BOARD OF DIRECTORS	**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 2018	**17%** Growth in 2018 was 17 per cent. The increase is mainly attributable to new business and acquisitions. Organic growth was 4 per cent.	**10.1%** The EBITA margin was 10.1 per cent (8.4) of net sales. This represents an improvement in the EBITA margin by 1.7 percentage points compared with 2017.	**55%** The Board of Directors has proposed an increase in the dividend to SEK 2.50 per share for the 2018 financial year, which corresponds to 55 per cent of consolidated profit after tax.

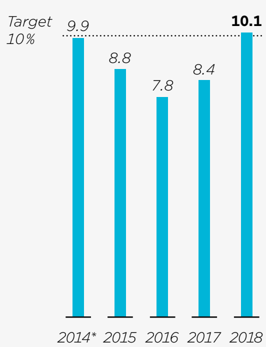
TARGETS AND ACHIEVEMENT OVER FIVE YEARS

SALES GROWTH



■ Growth, % ···· Target, 10%

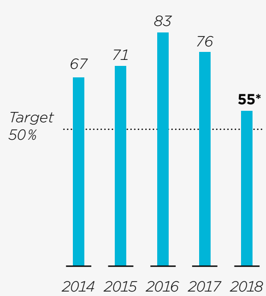
EBITA MARGIN



■ Growth, % ···· Target, 10%

*Excluding remeasurement of contingent consideration

DIVIDEND PAYOUT RATIO



■ Dividend as % of profit after tax ···· Target, 50%

*Proposed by the Board of Directors

DECENTRALISED MANAGEMENT AND GOVERNANCE

The subsidiaries operate with freedom under responsibility. Every unit conducts and develops its business activities in accordance with strategies, guidelines and joint-Group values. As a result, business-critical decisions are made close to the customers and market.

STRATEGIC CHOICE

The decentralised governance model is a conscious, strategic choice based on our conviction that it provides the best outcome for an expanding entrepreneurial group. The governance model entails delegated responsibility for earnings, and decisions are made as close to the customers and end users as possible.

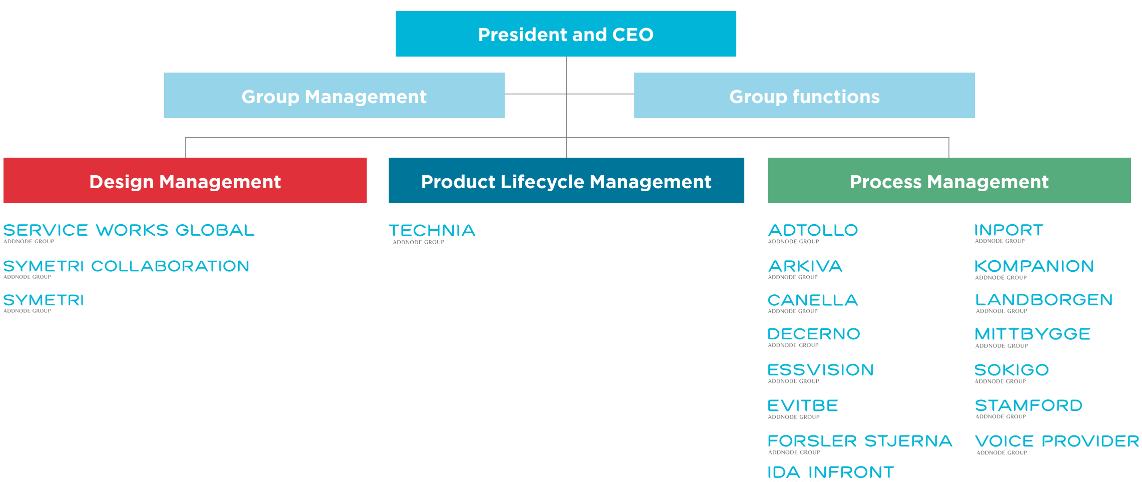
MANAGEMENT AND GOVERNANCE

Addnode Group's subsidiaries are grouped into three divisions: Design Management, Product Lifecycle Management and Process Management. In accordance with set strategies and goals, the divisional presidents are responsible for the subsidiaries in their respective divisions and report to Addnode Group's President and CEO. 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. Group Management, which is made up of the divisional presidents and Group CFO, supports the CEO in operational and strategic matters.

ORGANISATION AND BRAND STRATEGY

Addnode Group is a growth company, and new units are created or added through acquisitions on a regular basis. The Group's brand strategy, with Addnode Group as the supporting brand, entails that acquired companies can retain their names in a new brand structure while at the same time taking advantage of the benefits provided by a larger organisation.

OPERATIONAL GROUP STRUCTURE



KNOWLEDGE LEADER IN FOUR AREAS

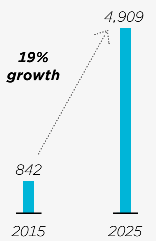
Our employees' expertise, our competitive products and our knowledge about our customers' circumstances make us knowledge leaders in the areas we work in.

AEC

Addnode Group is one of Europe's leading providers of software and digital solutions for the AEC (*Architecture, Engineering, Construction)* industry, with a portfolio that stretches across a building's entire lifecycle, from the architect's digital desk to the construction site. Operations in this area are conducted in the *Design Management* division, see pages 28–31.

IT INVESTMENTS IN THE CONSTRUCTION INDUSTRY

According to estimates from McKinsey, global IT investments in the construction industry are expected to grow from SEK 842 bn in 2015 to SEK 4,909 bn in 2025, representing average annual growth of 19 per cent.

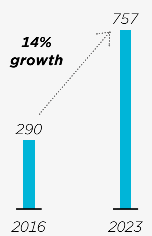


PROPERTY MANAGEMENT AND MAINTENANCE

Addnode Group is a leading provider in the Nordic countries, the UK, Australia and Canada of software and digital solutions to customers in need of property management and maintenance and facility management services. Operations in this area are conducted in the *Design Management* division, see pages 28–31.

FACILITY MANAGEMENT MARKET

According to estimates from Allied Market Research, the global facility management market was worth SEK 290 bn in 2016 and is expected to be worth SEK 757 bn in 2023, representing average annual growth of 14 per cent.

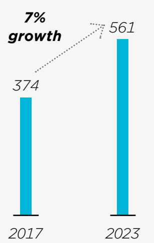


PRODUCT LIFECYCLE MANAGEMENT (PLM)

Addnode Group is a global provider of software and digital solutions for consumer and industrial products as well as for properties and infrastructure for customers with a need to design and subsequently maintain related information during a product's entire lifecycle. Operations in this area are conducted in the *Design Management* and *Product Lifecycle Management* division, see pages 28–31 and 32–35.

PLM MARKET

According to Market Research Future, the global PLM market is expected to grow from SEK 374 bn in 2017 to SEK 561 bn in 2023, representing average annual growth of 7 per cent.

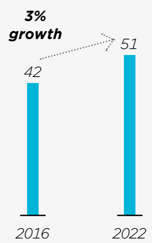


PUBLIC ADMINISTRATION

Addnode Group is a leading provider of software and digital solutions to public sector customers in Sweden and Norway in areas such as case management, e-archives, e-services and digital administrative support for municipalities' licensing departments and administration. Operations in this area are conducted in the *Process Management* division, which is described on pages 36–39.

SWEDISH PUBLIC SECTOR'S IT COSTS

According to Radar, the Swedish public sector's IT costs are expected to grow from SEK 42 bn in 2016 to SEK 51 bn in 2022, representing average annual growth of 3 per cent .



INNOVATIVE SOFTWARE AND DIGITAL SOLUTIONS

Innovation and product development emanate from customers' needs and a long-term product development plan. Every new product and service should create as much customer value as possible through better functions, simpler use and more efficient administration.

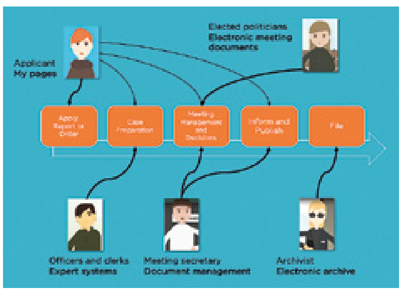
INCREASED INVESTMENT IN INNOVATION AND SOFTWARE

To meet customers' growing needs, Addnode Group continues to invest in product development, both by developing new software and digital solutions and by acquiring software companies. Three hundred of our employees work with continuous development and administration of our software and digital solutions. By continuously investing in new software, digital solutions and business models – both organically and through acquisitions – the share of recurring revenue has grown steadily and reached 58 per cent in 2018. Addnode Group's organisation, with decentralised responsibility, results in short decision paths in which business-critical decisions can be made as close to customers and end users as possible. This means that we as an organisation receive fast feedback from our customers about their needs and our offerings to them.

PARTNERSHIPS A KEY PART OF STRATEGY

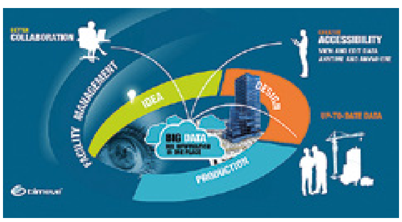
Addnode Group has long history of collaborating with globally leading product companies such as Autodesk and Dassault Systèmes. Collaboration will continue to be an important part of the strategy and offering to our customers.

A SELECTION OF OUR SOFTWARE AND DIGITAL SOLUTIONS



Tivoli – digital case flows for municipalities

With the Tivoli framework we tie together our business systems in urban planning, environment, logistics and health with systems for e-services, document management and e-archives in a digital flow. The various municipal specialists gain access to efficient system support that Addnode Group's companies are known for at the same time that they collaborate with their municipality's other systems. This creates a digital flow the entire path from electronic application, via administrative processing and political decision processes to long-term storage in an e-archive.



BIMeye – Innovative cloud solution for projects

BIMeye is a user friendly and innovative cloud-based building information management (BIM) solution. Customers consist of developers, architects, designers, project coordinators and entrepreneurs. BIMeye compiles, enhances, visualises and shares building project information and creates a synchronised data model of all phases of a project. BIMeye frees time for our customers, increases quality and lowers project costs. A hand-off of a complete digital model can then be made to the administrator when the project has been completed.

EFFICIENCY IN ALL WE DO

Addnode Group has decentralised responsibility for continuous efficiency improvements in each unit by using smarter processes and managing both human and financial capital.

SYNERGIES AND COLLABORATIONS

Addnode Group's decentralised organisation with clear profit responsibility enables transparent operational follow-up. Where commercially justified, cost-savings, synergies and collaborations are pursued within and between the divisions. Examples of this involve purchases of insurance, data and telecom services, premises and auditing services. Addnode Group co-locates its premises where possible and maintains centralised control of banking services and financing as well as implementation of new laws and regulations that affect the entire Group, such as the EU's General Data Protection Regulation (GDPR).

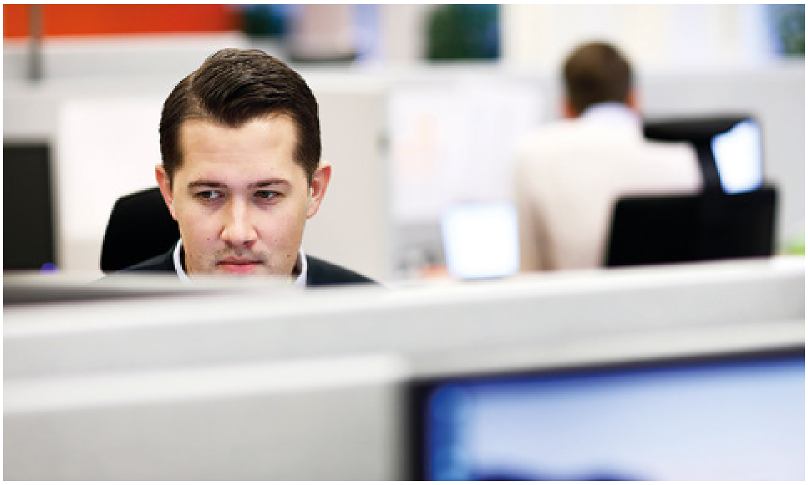
AUTOMATION OF ADMINISTRATIVE PROCESSES

Addnode Group works relentlessly to streamline administrative processes and thereby enhance customer benefit. All recurring elements are to be automated. A key part of this is to automate support functions in areas such as sales, customer support, IT, HR and finance. By standardising flows and processes with the help of digital technology we free up resources that can be used for value-creating activities for our customers.

As more resources become available when support functions are streamlined and coordinated, automation generates enhanced value-added in our relationships with customers. Overcapacity and inefficiencies shall always be scrutinised.

GLOBAL TEAMS

A key part of the company's activities to enhance customer benefit and lower costs is the introduction of processes and tools for conducting efficient product development and projects in virtual global teams. This enables us to serve our customers locally with global resources. As part of this the company has built up customer delivery and product development units in India, Serbia and Bosnia, with some 200 employees in all.



Virtual global teams

In an international operation, virtual global teams for product development and project coordination are a success factor.

ACQUISITIONS

Depth of industrial knowledge and a long record of experience with acquisitions and company integration make Addnode Group an attractive home for entrepreneurs interested in selling their companies.

Acquisition-driven growth is a central part of Addnode Group's strategy. The company actively searches for acquisition candidates and at the same time fields queries from entrepreneurs interested in becoming part of the Group. With a wealth of industry knowledge and well-established acquisition routines, Addnode Group has favourable conditions to securely and seamlessly integrate new companies in its operations.

Since its start in 2003 Addnode Group has carried out more than 60 acquisitions. Most have been companies with annual sales of SEK 10–40 m, and the largest acquisition was of a company with sales of SEK 450 m. In 2018 we welcomed five new companies into the Group.

ACQUISITION CRITERIA

The company's evaluation process attaches a premium to tried-and-tested products, competent employees, recurring revenue and strong leaders. Acquisition candidates will preferably meet several of the following criteria:

- They complement or strengthen the existing software or a service offering.
- They consolidate or broaden our geographic presence or give us access to a new customer market.
- They have competent employees and leaders who are committed to both innovation and implementation.
- They bring us technologies that further develop our offering.

ACQUIRED COMPANIES CONTINUE TO GROW

Once they have become part of the Group, our acquired companies have the opportunity to achieve their full potential and pursue ventures that were previously beyond their reach. Through knowledge, business relationships and financial stability we support employees and managers who join the Group via acquisitions to stay on and develop together with us. By working together with entrepreneurs we increase the value of our investment. Addnode Group ensures favourable development for customers, employees and shareholders.

64
Acquisitions since 2004

175 SEK m
Annual sales for the year's communicated acquisitions

5
Acquisitions in 2018

"We already had good experiences from certain Addnode Group subsidiaries, where we repeatedly saw that we have the same goal-oriented focus on satisfied customers."

ACQUISITION CASE 2018

Licensing specialist strengthens our municipal offering

In August 2018 Addnode Group acquired the software company Landborgen, which develops solutions for municipalities' licensing and regulatory operations. As part of the Process Management division, Landborgen brings a stronger offering with smart IT support and e-services that expedite digitalisation for public sector actors.

LANDBORGEN HAS 20 years of experience in developing user-friendly and reliable operating systems for municipalities' administration of licences and oversight of primarily alcoholic beverage licences.

"It's an operation that is regulated by extensive legal requirements and review by authorities," explains Caroline Rasmussen, product owner at Landborgen.

"Our system provides administrative support with clear templates that facilitate the entire process from the application and review process to approval of an alcohol licence and subsequent handling of continuing regulatory matters."

Caroline joined the company in 2007, but has watched it closely since it was started in Helsingborg in 1998 by her father, Göran Nordegren, who is also CEO. He saw a market niche early on when responsibility for granting alcoholic beverage licences was transferred from Sweden's county administrative boards to the municipalities.

LANDBORGEN HAS grown from annual sales of SEK 1 m and 50 municipal customers in 2000 to more than 200 municipal customers and annual sales of approximately SEK 10 m today. This makes the company the leader in its market segment, with more than 70 per cent of Sweden's municipalities on its customer list. However, the largest customer is in Norway, where the small family company won a major procurement process in Oslo Municipality in 2008.

"We have had amazing development with good profitability over the years," says Caroline. "But we finally arrived at a crossroads, as we needed a future plan ahead of a coming generation shift with my dad looking to retire in a few years. One option was to hire more people and continue growing on our own. But recruiting competent programmers and developers was a daunting challenge."

THE CHOICE fell instead to becoming part of a large company group in order to strengthen the company's resources both with respect to internal support processes and in the delivery organisation towards customers.

"We already had good experiences from certain Addnode Group subsidiaries on various collaboration projects out in the municipalities, where we repeatedly saw that we have the same goal-oriented focus on satisfied customers," Caroline recalls. "Now we see great opportunities to identify synergies and coordinate our efforts primarily with respect to e-services and mobile solutions, which have come into high demand."

ADDNODE WELCOMES FIVE NEW COMPANIES IN 2018

COMPANY	DESCRIPTION	DIVISION	ANNUAL SALES
Cadassist and D2M3	Leading British suppliers of software and consulting services to architects, engineering operations and the construction industry	Design Management	SEK 110 m
Landborgen	Case management system for Swedish municipalities' licensing and regulatory operations	Process Management	SEK 10 m
Strategic Simulation & Analysis (SSA)	British simulation specialist and Dassault Systèmes partner that provides software, training and consulting services for digital technology development	Product Lifecycle Management	SEK 45 m
Simuleon	Dutch sister company to SSA and Dassault Systèmes partner with specialist know-how in product simulation	Product Lifecycle Management	SEK 10 m

VOICES FROM ACQUIRED COMPANIES

" We have had the pleasure of fantastic development during the last ten years. But no successful organisation can rest on its laurels. With today's market pressure and an ever-growing emphasis on customer commitment and value creation, we wanted to strengthen, deepen and broaden our service and software offerings. When we began talks with Symetri and Addnode Group in early 2018 it immediately became apparent that we shared the same aspirations and philosophy, where customers and employees alike make up the core of the business culture.

TONY REECE, PRESIDENT OF CADASSIST

" Our growth during the last ten years has been achieved by focusing on operations in advanced simulation technologies and how these are applied and supported in customers' processes. This has opened exciting opportunities for greater value creation. By joining Europe's most experienced team in this area we have strengthened our delivery capacity and can grow further with new customers.

LAURENCE MARKS, FOUNDER AND PRESIDENT OF SSA

THREE DIVISIONS THAT ARE DIGITALISING SOCIETY

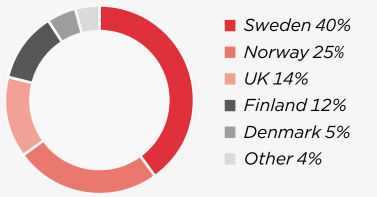
In Addnode Group's three divisions – *Design Management, Product Lifecycle Management and Process Management* – the subsidiaries deliver software and digital solutions to industries such as construction, real estate, manufacturing, automotive and life sciences as well as to the public sector. Addnode Group's solutions help companies and authorities streamline everything from case management and citizen dialogues to design, construction and management of product data throughout a product's entire lifecycle.

DESIGN MANAGEMENT DIVISION

Software and digital solutions 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.

SALES*	EBITA*	EMPLOYEES
36 %	34 %	412

NET SALES 2018
(SEK 1,053 m)

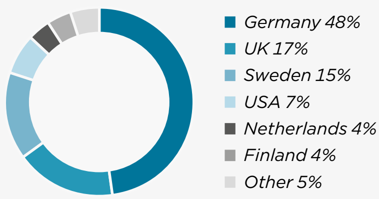


PRODUCT LIFECYCLE MANAGEMENT DIVISION

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

SALES*	EBITA*	EMPLOYEES
38 %	31 %	555

NET SALES 2018
(SEK 1,132 m)

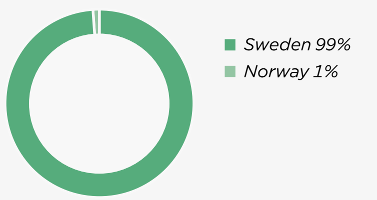


PROCESS MANAGEMENT DIVISION

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.

SALES*	EBITA*	EMPLOYEES
26 %	35 %	497

NET SALES 2018
(SEK 773 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, Symetri Collaboration and Service Works Global (SWG). SWG was acquired in 2017 and is based in the UK. In 2018 another British company was acquired, Cadassist, which is an Autodesk partner and leading provider of software, training and consulting services to architects and engineering activities in the construction industry. Cadassist is integrated in the operations as part of the subsidiary Symetri. The division's home markets are the Nordic countries and the UK, with growth also in Australia, Canada and the Middle East.

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.

Symetri Collaboration is a product company that delivers cloud-based collaboration tools for construction and civil engineering products 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, and 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.

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 AF Gruppen Norge, Crosslinx, Ericsson, the Kuwait Ministry of Public Works, Meyer Ship Design, Rautarukki, Rejlers, Snøhetta, Sodexo, Tengbomgruppen and Tetra Pak.

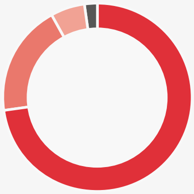
COMPETITIVE SCENARIO

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

"During the year we had continued stable demand for our Autodesk offering from both the construction and manufacturing industries. The acquisition of Cadassist has further strengthened our position in the UK market for our offering to the construction industry. Our property management products performed well, especially in the UK and Australia, which became new markets in 2017 through the acquisition of SWG. At the same time, our cloud-based solutions for project management had continued favourable development in the Norwegian and Swedish construction markets. A more favourable revenue mix with a larger share of sales of services and proprietary products had a positive earnings effect, and we improved our EBITA margin. Organic growth was three per cent."

DIVISION PRESIDENT **ROLF KJÆRNSLI**

NET SALES BY REVENUE STREAM 2018



- *Recurring revenue 73%*
- *Services 19%*
- *Licences 6%*
- *Other 2%*

EBITA

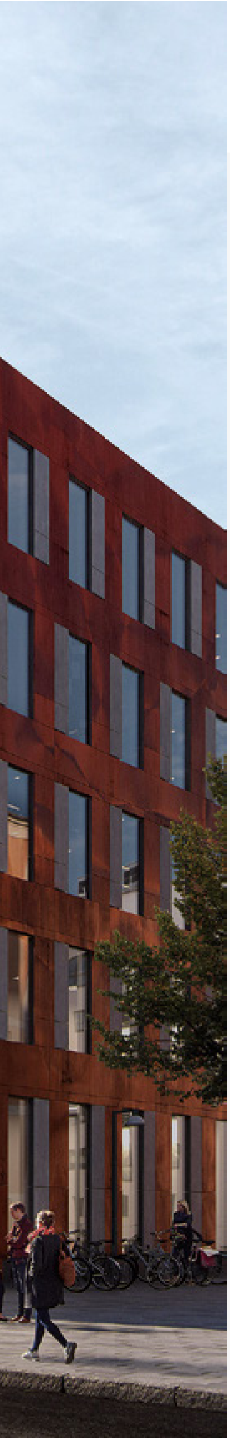
+50%

KEY RATIOS

SEK m	2018	2017	2016
Net sales	1,053	906	829
EBITA	114	76	57
EBITA margin, %	10.8	8.4	6.9
Operating profit	74	45	33
Operating margin, %	7.0	5.0	4.0
Average no. employees	412	345	319

"Symetri's BIMeye solution opened the path for a better way of working digitally the entire way, from the architects' design proposal in earlier phases until we hand over the documentation to the property owner."

KIM FRELIN
CATEGORY BUYER, SKANSKA



CASE — SKANSKA

Smart digitalisation streamlining the construction process – from drawing board to property management

To avoid duplicate work and minimise the risk for errors, it is crucial to be able to control information surrounding a construction project more efficiently. With the help of Addnode Group's subsidiary Symetri, Skanska has implemented easy-to-use digital support to handle all aspects of complex door environments – from project planning to production and management of the finished building.

MODERN CONSTRUCTION INDUSTRY is dependent on advanced IT systems that support design and visualisation of early concept drawings as well as calculations and volume estimates for material purchases and production. Moreover, with many trade categories involved, it is important that the right information is made available at the right place and for the right people.

When it comes to doors, for example, which are a complex building component with many related parts, there has long been a need in the market to be able to compile all information and technical specifications for doors in one and the same place, where the information can be reused during the entire construction process.

"We saw that Symetri's cloud-based system BIMeye had great potential to work like we wanted, and which was also appreciated by our project planning consultants. It opened the path for a better way of working digitally the entire way, from the architects' design proposal in earlier phases until we hand over the documentation to the property owner as a basis for continued management," says Kim Frelin, category buyer for doors, locks and fittings at Skanska Sverige AB.

FRELIN EXPLAINS THAT these project hand-offs have traditionally been done in the form of paper, binders and PDF documents, which was not only cumbersome for all parties involved, but also entailed a risk for errors.

"In a large building with hundreds of doors, this was a cumbersome and tough paper-handling process," says Frelin. "Every little change required revisions in individual documents. Now we have a joint project database that allows us to change data in one place, and all partners in the process gain convenient access to relevant and updated information. This has allowed us to eliminate a lot of manual work, which saves an enormous amount of time."

The new system also gives Skanska greater control to ensure that the product configuration created by architects and calculation engineers works in accordance with the functional requirements that have been made once the doors are installed at the actual construction sites. Depending on the door's location, many decisions need to be made with respect to, for example, fire safety and evacuation routes. This affects everything from the material in the actual door to the locking automation, handles and other fittings down to the nuts and bolts level. Plus, all of the component parts must be able to be combined so that they fit with each other.

"During my 35 years in the industry I have never seen a case where there wasn't something wrong with one or more doors in a building project. Now we have a great opportunity to break this trend. Together with Symetri we have developed digital templates that steer the material choice in the project planning towards product combinations that we know work. In this way we get better documentation for purchasing and avoid errors," says Frelin, while stressing the importance of good cooperation with the system supplier:

"Symetri has been receptive to our specific needs and is very familiar with the building process. With BIMeye we have gained a pedagogic and well designed tool that is now attracting interest also from other parts of the organisation."

DOORS ARE JUST one of the many building parts that can be handled by BIMeye. Symetri offers adapted variants of the solution to streamline processes in everything from rooms and furnishings to equipment and installations. Skanska also uses BIMeye in major civil engineering projects, such as the refurbishment of the Slussen traffic centre in Stockholm, where it is being used to manage piles, beams, and tongue and groove board.

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 the division's customers shorter lead times, more innovation, increased efficiency and traceability.

The division's operations are conducted by the subsidiary TECHNIA, which is one of Europe's largest suppliers of PLM software and consulting services. During 2018 SSA and Simuleon were acquired, two leading simulation companies based in the UK and the Netherlands, respectively, that provide simulation software, training and consulting services and give TECHNIA a market-leading position in advanced simulation. 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 the its partner Dassault Systèmes' market-leading 3DEXPERIENCE platform along with unique, add-on 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 taken to the PLM concept. Examples of customers include Arla, Arcelor Mittal, Dräxlmaier, EDAG, Edwards, European Spallation Source, Ericsson, Fjällräven, TUI, Honeywell, Husqvarna, Jula, Light Year One, London Taxi, Parker Hannifin Corporation and Seco Tools.

COMPETITIVE SCENARIO

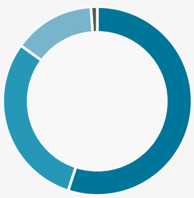
Competitors consist of other PLM software companies with own sales organisations, such as Siemens and PTC, as well as other Dassault Systèmes partners. In larger system integration projects, companies such as Tata and Accenture are competitors. The division's competitive advantages include world-leading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

"During the year we won several new licence contracts with subsequent system implementations, and capacity utilisation of consultants was favourable. The company Intrinsy, acquired in 2017, contributed to the growth and margin improvements as well as to recurring revenue. The acquisitions of SSA and Simuleon have further strengthened our simulation offering.

"Demand from customers in the UK, the Nordic countries and Germany remains stable for our broader PLM offering, and we are extracting increasingly greater benefit from our position as a world-leading partner to Dassault Systèmes. Capacity utilisation was good during the year, and organic growth was eight per cent."

DIVISION PRESIDENT **JONAS GEJER**

NET SALES BY REVENUE STREAM 2018



- *Recurring revenue 55%*
- *Services 30%*
- *Licences 14%*
- *Other 1%*

EBITA

+44%

KEY RATIOS

SEK m	2018	2017	2016
Net sales	1,132	920	780
EBITA	104	72	62
EBITA margin, %	9.2	7.8	8.0
Operating profit	78	54	50
Operating margin, %	6.9	5.9	6.5
Average no. employees	555	508	428

CASE — EMERALD AUTOMOTIVE DESIGN

Making London traffic greener – with the help of PLM

British vehicle design studio Emerald Automotive Design (Emerald) has made city traffic in the UK greener by upgrading the iconic London taxi to an electric hybrid model. It is a project that has helped the company grow from 12 employees to more than 250 in five years' time – an explosive expansion that would not have been possible without an effective Product Lifecycle Management (PLM) strategy.

TOGETHER WITH Addnode's subsidiary TECHNIA, Emerald has implemented an entirely new PLM environment based on the 3DExperience platform from Dassault Systèmes to facilitate sharing of product information between different departments.

"TECHNIA'S experience has been one of the keys to our success. When they explained what would happen if we moved in a certain direction, they were always right," says Stuart Gale, Emerald Automotive Design IT Director.

The first design sketches for the hybrid taxi, which goes under the name LEVC TX, were made back in 2013. The project team at Emerald quickly realised that file sharing was becoming problematic as the team grew and became dispersed over several different locations. At the same time, the company had set an ambitious goal to launch the new model in 2017, which meant that rapid growth and more efficient methods for construction and design were a must.

AT THE TIME, Emerald Automotive Design was already working with Dassault Systèmes' CATIA software package for 3D design and ENOVIA for efficient process support in the product development. But to address the new challenges, they decided to create a comprehensive PLM solution – a new concept for the company.

Following a market evaluation their choice fell on the 3DExperience platform. It was the platform that best met Emerald's high demands – namely, for a scalable system that would make it possible for employees to seamlessly collaborate in complicated projects even though they were working in different countries. They also needed support for including supply chains in the new business model, plus support for the planning phase of new production facilities and simulation opportunities.

"3DExperience has been a key contributor to our success with this project and has been instrumental in facilitating our engineering strategy," notes Ian Collins, CEO of Emerald Automotive Design.

EMERALD BEGAN using 3DExperience in 2014 and has gradually added new functions as they are needed in development, design and production. One of the biggest advantages has been the ability to accelerate the management of CAD models, which became increasingly data-heavy and began slowing down the network when they needed to be shared. The solution was to introduce replicated remote file stores of the models, which are updated only when changes are made.

"They have worked spectacularly for all our CATIA users while easing the burden on our central servers," says Stuart Gale.

The new taxis are now rolling on the streets of London and can drive more than 100 km exclusively on electric power, a feature that allows them to meet the city's new zero emission requirements for taxis. The taxis have also been deployed in other UK cities and in the Netherlands, with plans to spread the model around the world.

"TECHNIA's experience has been one of the keys to our success. When they explained what would happen if we moved in a certain direction, they were always right."

STUART GALE
EMERALD AUTOMOTIVE DESIGN
IT DIRECTOR

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 document 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 in their processes.

During the year, the software company Landborgen was acquired, which provides case management systems for Swedish municipalities' licensing and regulatory operations. Previous acquisitions made by the division made a positive contribution to growth and improved earnings in 2018. The division's operations are conducted by the subsidiaries Adtollo, Arkiva, Canella, Decerno, EssVision, Evitbe, Forsler & Stjerna, Ida Infront, InPort, 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 Apoteket, Coop, the Swedish Environmental Protection Agency, Swedish Police, the Swedish Post and Telecom Authority, Rentokil, the Swedish National Heritage Board, Swedbank Fastighetsbyrå, Volvo Cars and the Swedish Prosecution Authority.

COMPETITIVE SITUATION

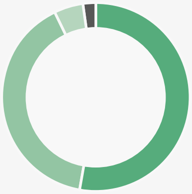
We have a strong position in the Swedish market for case management systems for public sector authorities and municipalities. There is currently no main competitor to the division's total offering. Examples of competing companies with somewhat similar products and services include CGI, Tieto, Esri S-Group,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

"Better capacity utilisation and a more efficient organisation, combined with completed acquisitions, contributed to favourable margin and earnings performance during the year. Organic growth was one per cent. Business with lower profitability was scaled down, and we topped this up with new assignments in case management, e-archives, system development and e-services from authorities, municipalities and private companies.

"The public sector's willingness to invest in digitalising operations remains high, and we are a strong partner with needed solutions for implementation."

DIVISION PRESIDENT **ANDREAS WIKHOLM**

NET SALES BY REVENUE STREAM 2018



- *Services, 53%*
- *Recurring revenue, 40%*
- *Licences, 5%*
- *Other, 2%*

EBITA

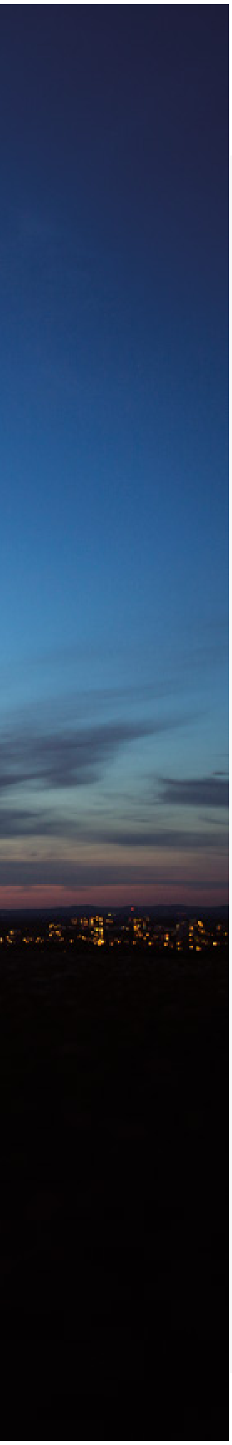
+15%

KEY RATIOS

SEK m	2018	2017	2016
Net sales	773	705	595
EBITA	116	101	78
EBITA margin, %	15.0	14.3	13.2
Operating profit	87	69	57
Operating margin, %	11.3	9.8	9.6
Average no. employees	497	457	405

"The product had what was needed to handle our caseload. Applicants were able to receive prompt replies about their subsidies"

JOHAN KJELL
ADMINISTRATIVE MANAGER
AT NATURVÅRDSVERKET



CASE — SWEDISH ENVIRONMENTAL PROTECTION AGENCY

Here's how Naturvårdsverket automated subsidy applications

Last year some 100,000 Swedes applied for subsidies for e-bike purchases. To administer all of its decisions, Naturvårdsverket (the Swedish Environmental Protection Agency) needed to quickly set up a smooth and secure system that would ease the burden of time-consuming manual tasks. The assignment went to Addnode Group's subsidiary Ida Infront, which had just launched a suitable product for automated case management.

IN SEPTEMBER 2017 the government decided to offer subsidies on purchases of e-vehicles, including e-bikes and scooters. Naturvårdsverket was put in charge of the application process and payments of the SEK 350 m appropriated, and for ensuring that subsidies could be applied for at the start of 2018.

"It was a unique situation. We had not worked with subsidies for private persons on such a large scale before and lacked the staffing, IT support and premises to do it," recalls Johan Kjell, administrative manager at Naturvårdsverket.

He knew they had to act quickly and turned to Ida Infront, which for many years had been providing administrative system support for Naturvårdsverket's traditional operations involving various forms of permitting and subsidies for environmental investments by companies.

"We had a well-working business relationship with Ida Infront, and when I saw a demonstration of their new product iipax one, I knew it had what was needed to handle our caseload for the e-vehicle subsidies. We needed a secure system with a high degree of automation and robust electronic interfaces for decision generation and payments," says Kjell, emphasising that the tight time frame was a major challenge.

MANUAL PROCESSING of the subsidy applications was not an alternative, since it would have required at least a hundred administrators. Instead, they recruited fewer than ten people, who were in place by March and learned the system during a test period.

"But prior to this we had already begun receiving digital applications via an online form, and these could not be processed until the entire system was up and running in April," Kjell says. "We then fed some 25,000 cases into the system at once, which began churning out decisions one after the other.

"The decisions are sent automatically either by post or e-mailbox to people enrolled in the 'My Messages' public service. The system verifies that the applications meet certain conditions, and if everything checks out, the money is paid to the applicant a week after the decision is made," Kjell explains, clearly satisfied with the results.

IN OCTOBER 2018 the appropriated funds were depleted, after the system had paid out subsidies to more than 100,000 people and generated nearly 20,000 denial decisions.

"It went better than expected in view of the tight time frame. The system worked essentially interruption-free during this period, and the solution was very cost effective. The general public have received prompt decisions on their subsidies, at the same time that the administrators had good system support for smooth handling of the manual controls that were necessary," notes Kjell, adding that a lot of the functionality surrounding automated disbursements and decisions may come to use also for other matters handled by Naturvårdsverket:

"We plan to use it as a general case management system also for other forms of subsidy applications for companies and legal entities."

WE DEVELOP SOLUTIONS FOR **LONG-TERM SUSTAINABLE SOCIETIES**

Addnode Group's systems help ensure that the houses we live in, the roads we drive on and the products we use every day can be designed, produced and maintained effectively. Through innovation and continuous development in close collaboration with the company's customers we create digital solutions that help build a more sustainable society.

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 systems 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.

In the real estate sector, for example, the benefit can entail extending the life of a property through effective administration 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 a 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. Optimal route planning leads to fewer trips and thus lower costs and a lower environmental impact.

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 gathered 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 adapted to 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. The subsidiary Service Works Group is ISO 27001 certified, and parts of TECHNIA are 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, which is a major benefit in our interaction with customers. 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.

In 2017 extensive work was begun on employee surveys. The goal is that all subsidiaries will regularly conduct such surveys as a way to take the pulse of their organisations. During 2018, 17 of our 18 companies 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.

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, the share of women in Swedish IT and telecom companies was 28 per cent in 2018. The share of women in Addnode Group is 25 per cent, and together with the IT sector and educational institutions we are working on making ourselves more accessible in order to achieve a better balance.

RESPECT FOR HUMAN RIGHTS AND COUNTERING CORRUPTION

Addnode Group is governed by short decision paths in a group of independent yet wholly owned subsidiaries driven by entrepreneurship. The companies' cultures and 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 the Group uses subcontractors on projects, most deliveries are performed by employees of our subsidiaries, which ensures good insight into the work environment.

We engage ourselves in the countries in which we work and support local aid projects. For example, in India our subsidiary TECHNIA supports the organisation Akansha, which provides grants to local orphanages. With the Group's growing reach across the globe 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 whistle blower policy, which allows employees to anonymously report any improprieties at the workplace. The Audit Committee chair is responsible for ensuring that this work is reported to the Board of Directors.

WE GIVE BACK TO SOCIETY

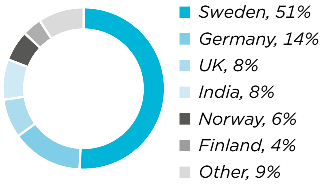
In our decentralised model it is common that employees vote on which organisation they want to donate money to instead of receiving a Christmas present, and that their respective companies top this off with their own contributions. In 2018 Addnode Group companies made donations to such organisations as the Swedish Cancer Fund, Children's Rights in Society (BRIS), Doctors Without Borders, Save the Children and SOS Children's Villages.

EMPLOYEES 2018

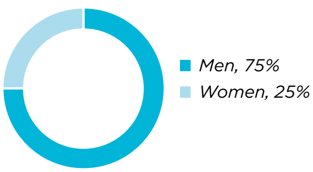
AVERAGE NUMBER OF EMPLOYEES

1,471

EMPLOYEES PER COUNTRY

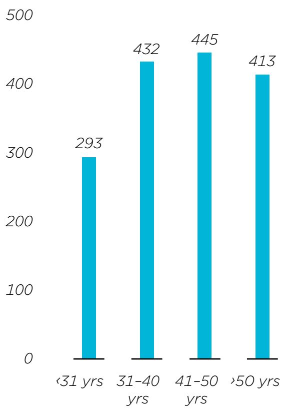


GENDER BREAKDOWN



EMPLOYEES PER FUNCTION

AGE DISTRIBUTION, NUMBER OF EMPLOYEES



MARIA LIDHOLM

Born: 1977
Joined Addnode Group: 2015
Job: Development Manager, Digital Service in Process Management division, Sokigo
Education: Master's in System Science from Linköping University
Interests: Spending time with friends and family, playing basketball, boxing, and skiing as often as possible

We simplify daily life

"After 15 years as in consulting it was exciting to try a new role in a product company. As a product owner for the Abou e-services platform, I work closely with the development team on designing various functions and planning which major changes we should make. In my role I am often in contact with customers and listen to their needs.

"I have always had a passion for technology and the opportunities it offers. Now I get to work on digitalising and improving important societal processes and often see examples of how this frees up time for municipal administrators to focus on qualitative work instead of administrative tasks. Plus, our solutions simplify daily life for citizens.

"It's a privilege working with something that really makes a difference in our society. I get energised from my varying work duties. One day I am sitting with colleagues and discussing technical solutions, and the next day I'm in front of 40 customers talking about our offering and my views of the future. At the same time, it is a challenge striking a balance in the further development of a product – between the customer's preferences and maintaining a manageable and long-term solution.

"A major change I've noticed in the industry is the ever-greater demand from our municipal customers that we build integrated systems. Demand for these orders is great, and it is clear that the municipalities want to be digital the entire way – from when a matter is sent in to the business system. Considerably higher demands are made for this now compared with a few years ago."

PETER SKOGSBERG

Born: 1987
Joined Addnode Group: 2014
Job: Product developer in Product Lifecycle Management (PLM), TECHNIA
Education: M. Sc. in Information Technology from KTH Royal Institute of Technology, Stockholm
Interests: Travel, technology, older video games, football, film, home renovation, good food and beverages

We are constantly coming up with new ideas

"I was drawn by the prospect of working with development at a product company in an international environment. For me, as a relative junior associate, it was enticing to learn from a team of talented senior colleagues. Today I am a product owner for one of our product lines. This entails gathering requirements, planning, estimating, setting priorities and searching for new technologies. But I also still spend some of my time programming.

"I enjoy variation and like trying new things. Here I have the opportunity to switch between the consultant role and working in-house. Early on in my job I was already working on-site at one of our largest customers. I think that developing a product in close collaboration with the customer benefits both parties. Often, ideas for improvement are driven directly by the customer's concrete needs. It's rewarding to know that what we do is truly in demand and used.

"Another thing that motivates me is the opportunity for knowledge-sharing and a change of environment. In just a few years I have travelled to India a few times to work with our talented team there. I have also visited several of our international customers in all conceivable industries, from the highly technical machine industry to retail and fashion.

"One trend we clearly see is that PLM systems will not only be a tool for advanced engineering users any more. Specialised apps can simplify daily life for buyers, for people who report defects from a field inspection, or for sharing documents with a vendor.

"We are constantly coming up with new ideas and ambitions, sometimes more than we can implement. This is a job to grow with. For sure, it can be hectic, but it is never boring."

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 2018 on pages 40–44 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, 28 March 2019

PricewaterhouseCoopers AB

Anna Rosendal
Authorised Public Accountant

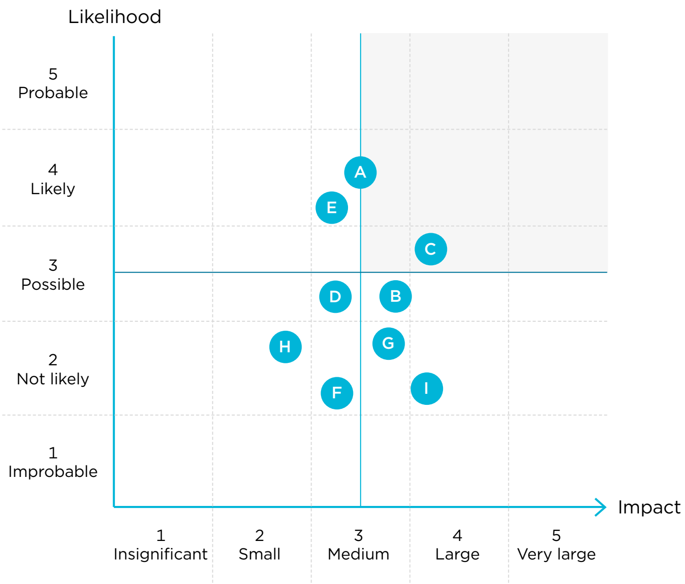
CONSCIOUS RISK MANAGEMENT **FOR OPTIMAL PROFITABILITY**

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.

The President and Group Management are responsible for adopting policies, rules and monitoring systems in the operations. 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.

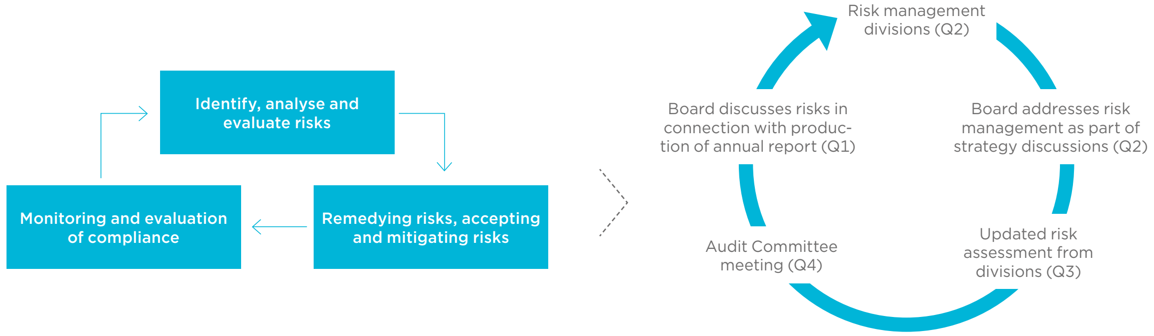
RISK ANALYSIS OVERVIEW



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 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	Probability	Impact	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 this risk by working closely with customers in software development in order to gain an understanding of their needs and changes in the market.
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.	4	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 projects bid at a fixed price.	2	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 projects that are bid at a fixed price to evaluate and limit their associated risk.
i IT security	Dependence on ability to offer customers reliable IT solutions.	2	4	Operational disruptions, cyber attacks and theft of information undermine the market's trust in us and can cause substantial financial losses. Addnode Group works continuously to prevent and counter the negative effects of these.

Financial risks are presented in Note 39 on pages 112–115, and sustainability risks are described on pages 40–44.

"It's extra gratifying that we not only exceeded our growth target of 10 per cent; after several years of nearing our 10 per cent profitability target, we ended 2018 with a 10.1 per cent EBITA margin."

CONTINUED GROWTH AND **SIGNIFICANT MARGIN IMPROVEMENTS**

2018 was the year in which we reached all our financial targets at the same time that we maintained good momentum in our international expansion. Addnode Group has a stable financial position and strengthened its cash position during the year through a directed new issue.

HOW WOULD I SUMMARISE 2018?

The 2018 financial year was very strong for Addnode Group. Net sales increased by 17 per cent over 2017, of which organic growth was 4 per cent. It's extra gratifying that we not only exceeded our growth target of 10 per cent; after several years of nearing our 10 per cent profitability target, we ended 2018 with a 10.1 per cent EBITA margin.

This put us in a good financial position which, moreover, was strengthened by the new issue that we carried out during the second quarter, raising SEK 254 m for the Group. The aim was to further diversify our ownership and ensure continued expansion with full force through acquisitions, which is a fundamental part of our growth strategy.

During 2018 five new companies joined the Group at the same time that we continued our work on integrating previously acquired companies into our decision-making structure.

DECENTRALISED GOVERNANCE MODEL

Working with risk minimisation is a central focus of my team. In pace with expansion of the business we have become increasingly international, but we have retained a decentralised governance model where a large share of decisions are made close to customers in the respective markets. Local self-governance is combined with good financial control and governance at the central level, and my job includes ensuring an effective organisation surrounding this.

Just like our customers, we benefit from the efficiency improvement opportunities created by digitalisation in the aim of reducing administrative costs. We are faced with continuously growing requirements of various regulations, and with the help of efficient processes we can seamlessly implement compliance of e.g., new accounting rules set forth in IFRS (International Financial Reporting Standards).

RECURRING REVENUE AND MORE PROPRIETARY PRODUCTS

Smarter work processes and capital efficiency are standing items on our agenda. An area we continue to focus on is cash flow. A large share of our cash flow is generated in the beginning of the year, as rental and maintenance agreements, as a rule, are invoiced and paid in advance.

The positive trend during the past few years of a steadily growing share of recurring revenue from continuing maintenance and rental agreements has continued, and during 2018 this accounted for a full 58 per cent of net sales.

In a group that works so much with acquisitions, we also need to focus on investing in our own product development where we see demand in the market. We have done this in a systematic fashion, which is now becoming apparent in that in addition to acquired growth, we are also growing organically in all divisions.

We are well-poised to continue expanding our operations in the years ahead.

Helena Nathhorst
CFO

ADDNODE GROUP **AS AN INVESTMENT**

1 LEADING MARKET POSITIONS

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

EARNINGS PER SHARE

4.75 SEK

2 HISTORICALLY FAVOURABLE TOTAL RETURN

During the years 2014–2018 Addnode Group's Class B shares increased in value from SEK 38.80 to SEK 103.50, corresponding to average annual growth of 22 per cent. In addition to this value growth, the shareholders received yearly dividends of SEK 2.25 per share during the five-year period. The dividend policy is to distribute a minimum of 50 per cent of net profit to the shareholders, and for 2018 the Board of Directors has proposed a dividend of 2.50 per share, which corresponds to 55 per cent of profit after tax.

DIVIDEND PER SHARE FOR 2018 PROPOSED BY THE BOARD OF DIRECTORS

2.50 SEK

3 ACQUISITION-DRIVEN GROWTH STRATEGY

The Group has extensive experience with acquisitions. Since 2004 we have carried out 64 acquisitions, contributing average annual growth of 11 percent between the years 2008 and 2018. Through acquisitions we strengthen our positions while maintaining strong customer relationships. They give us access to new technological expertise and software, and enable us to enter into new markets.

CHANGE IN PRICE FOR ADDNODE GROUP'S CLASS B SHARES 2018

+37%

4 DIVERSIFIED BUSINESS, SOFTWARE AND RECURRING REVENUE

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

GOOD GROWTH IN SHARE PRICE

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 2018 the company had 5,333 shareholders, and foreign ownership in the company was 20 per cent. The share of institutional ownership was 68 per cent.

SHARE PRICE DEVELOPMENT

At year-end 2018 Addnode Group's shares were quoted at a price of SEK 103.50 per share (75.75). The highest price paid in 2018 was SEK 116.00 (28 September), and the lowest price paid was SEK 72.80 (17 January). At year-end the company's market capitalisation was SEK 3,460 m (2,305). Trading volume in Addnode Group shares on Nasdaq Stockholm in 2018 was 7,819,322 shares, corresponding to average daily turnover of 31,153 shares (49,151) per trading day.

SHARE DATA

The number of registered shares in Addnode Group was 33,427,256 on 31 December 2018, 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 31 December 2018.

OWNERSHIP STRUCTURE

The largest shareholders in Addnode Group AB as per 31 December 2018 are shown in the table on page 52. The number of shareholders as per 31 December 2018 was 5,333.

SHARE-SAVINGS PROGRAMME, OPTIONS AND CONVERTIBLE PROGRAMMES

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

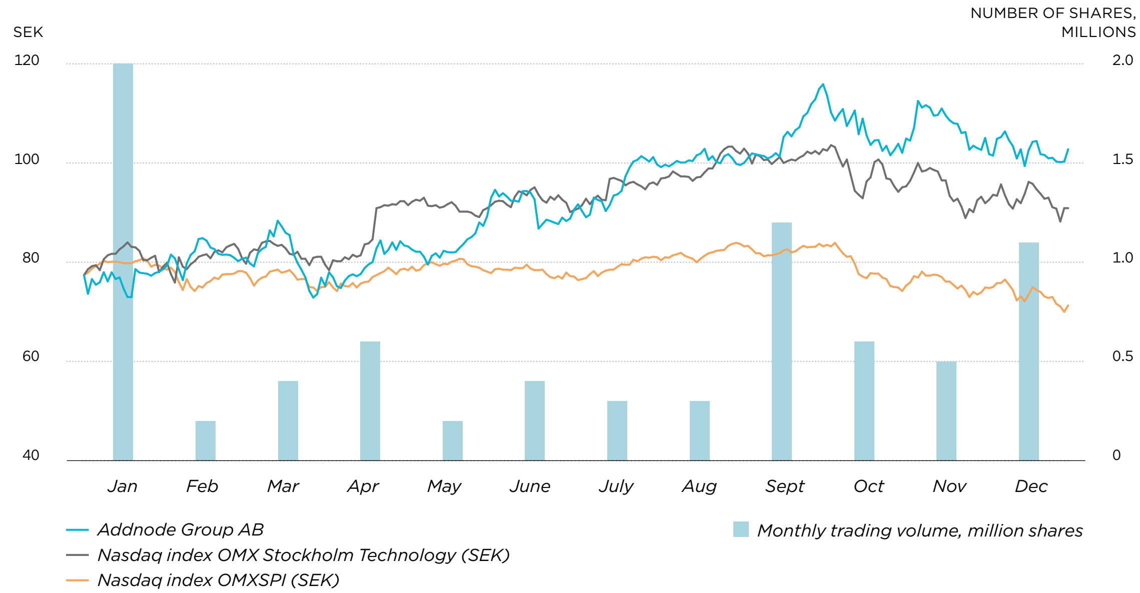
DIVIDEND POLICY

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.

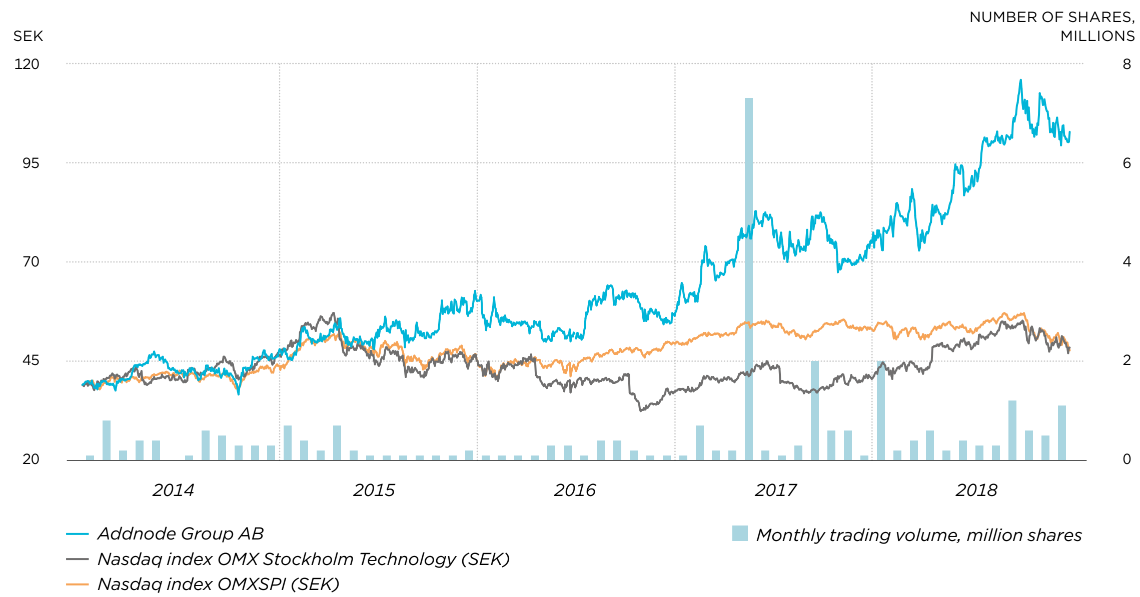
DIVIDEND PROPOSAL

The Board of Directors proposes that the Annual General Meeting vote in favour of an increased dividend of SEK 2.50 per share. The proposed dividend amounts to approximately SEK 84 m. Based on an average share price of SEK 92.98 in 2018, the proposed dividend represents a dividend yield of 3 per cent.

SHARE PERFORMANCE AND TRADING VOLUME 2018



SHARE PERFORMANCE AND TRADING VOLUME 2014–2018



SHARE CAPITAL DEVELOPMENT – ADDNODE GROUP

Year	Transaction	Number of shares after transaction	Total share captial after transaction, SEK
2000	New share issue – in connection with redemption of employee warrant programme	2,752,184	1,376,092
2000	Non-cash 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 issues for the companies acquired in 2000	18,766,817	1,876,681
2000	New 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 issue in connection with change of the share quota value	18,365,626	2,203,875
2003	Non-cash issue in connection with acquisition of 100% of Teknik i Media Sv AB	477,029,244	57,243,509
2003	Non-cash 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 issue in connection with acquisition of 74.85% of Mogul Holding AB	8,493,512	101,922,144
2003	Non-cash 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 issue in connection with acquisition of 100% of Technia Holding AB	17,227,984	206,735,808
2005	Non-cash 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 issue in connection with acquisition of 100% of Ida Infront AB	22,427,984	269,135,808
2008	Non-cash issue as partial payment for acquisition of Strand Interconnect AB	23,550,698	282,608,376
2009	Non-cash issue as partial payment for acquisition of Strand Interconnect AB	23,645,408	283,744,896
2010	Non-cash issue as partial payment for acquisitions of 100% of Decerno AB, Tekis AB and Mittbygge AB	28,145,408	337,744,896
2011	New issue for share-savings programme	28,819,632	345,835,584
2013	Non-cash issue as partial payment for acquisition of 100% of Abou AB	28,916,740	347,000,880
2013	Non-cash issue as partial payment for 100% of Joint Collaboration AS	30,088,517	361,062,204
2015	Non-cash issue as partial payment for acquisition of 100% of Transcat GmbH	30,427,256	365,127,072
2018	New issue to support continued acquisitions and growth	33,427,256	401,127,072

SHAREHOLDERS – DECEMBER 2018

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
Försäkringsaktiebolaget Avanza pension		3,896,714	3,896,714	11.7	3,896,714	9.2
Swedbank Robur funds		3,202,807	3,202,807	9.6	3,202,807	7.6
Odin funds		3,148,846	3,148,846	9.4	3,148,846	7.4
Lannebo Fonder		1,876,760	1,876,760	5.6	1,876,760	4.4
Fourth AP Fund		1,641,865	1,641,865	4.9	1,641,865	3.9
Nordea funds		1,323,413	1,323,413	4.0	1,323,413	3.1
SEB Fonder		1,271,302	1,271,302	3.8	1,271,302	3.0
Other shareholders	175	13,339,033	13,339,208	39.9	13,340,783	31.6
Total	**987,174**	**32,44,082**	**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, 28 DECEMBER 2018

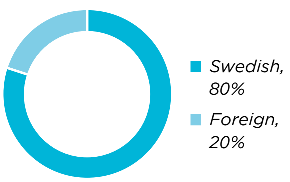
Shareholding	Number of shareholders	Capital, %	Votes, %
1 – 500	4,392	1.1	0.9
501 – 1,000	402	1.0	0.8
1,001 – 2,000	220	1.1	0.8
2,001 – 5,000	145	1.4	1.1
5,001 – 10,000	60	1.3	1.0
10,001 – 20,000	36	1.7	1.3
20,001 – 50,000	23	2.2	1.8
50,001 – 100,000	18	3.8	3.0
100,001 – 500,000	21	16.4	13.0
500,001 – 1,000,000	7	14.3	11.3
1,000,001 – 5,000,000	9	55.7	65.0
Total, 28/12/2018	**5,333**	**100.0**	**100.0**

SHARE DATA

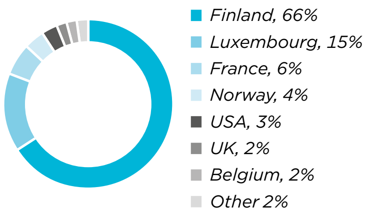
	2018	2017	2016	2015	2014
Average number of shares outstanding before and after dilution, millions	32.0	30.4	30.4	30.0	29.6
Total number of shares outstanding, millions	33.4	30.4	30.4	30.4	29.6
Total number of registered shares, millions	33.4	30.4	30.4	30.4	30.1
Earnings per share before and after dilution, SEK	4.75	2.96	2.71	3.18	3.38
Cash flow per share, SEK	8.90	4.83	5.18	4.79	5.15
Equity per share, SEK	40.06	32.30	31.70	30.12	29.47
Dividend per share, SEK	2.50[1]	2.25	2.25	2.25	2.25
Share price on closing date, SEK	103.50	75.75	56.50	61.25	46.10
P/E ratio	22	26	21	19	14

[1] *Proposed by the Board of Directors.*

BREAKDOWN OF SWEDISH AND FOREIGN SHAREHOLDERS 28/12/2018



FOREIGN SHAREHOLDERS BY COUNTRY, EXCL. SWEDEN



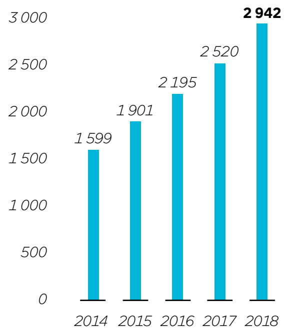
Analysts and further information
Among analysts who regularly monitor Addnode Group are Fredrik Nilsson (Redeye) and Daniel Thorsson (ABG Sundal Collier).

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
Helena Nathhorst
+46 (0)70 607 63 23
helena.nathhorst@addnodegroup.com

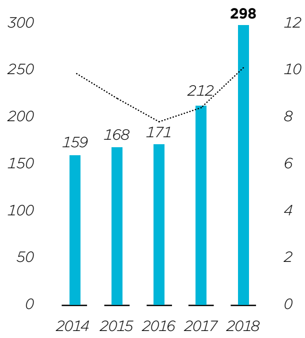
FIVE-YEAR OVERVIEW

NET SALES, SEK m



Net sales increased during the 5-year period from SEK 1,599 m to SEK 2,942 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 *

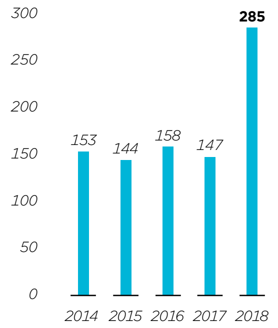


···· EBITA margin, %

EBITA grew during the 5-year period from SEK 159 m to SEK 298 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.

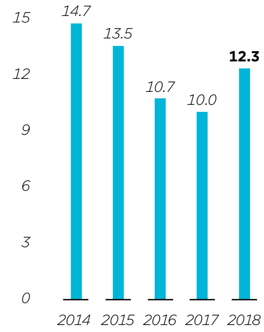
** Excluding remeasurement of contingent consideration.*

CASH FLOW FROM OPERATING ACTIVITIES, SEK m



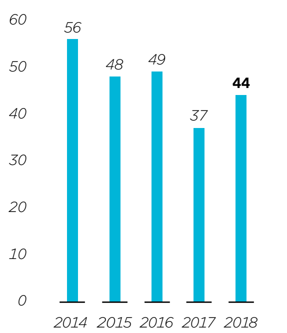
Addnode Group's business model, with a large share of prepaid support and maintenance contracts, entails that the business has a relatively small amount of tied-up capital. Historically, cash flow from operating activities has been on par with EBITA. The improved cash flow in 2018 is mainly due to higher earnings and to advance payments from customers for support, rental and maintenance agreements.

RETURN ON CAPITAL EMPLOYED, %



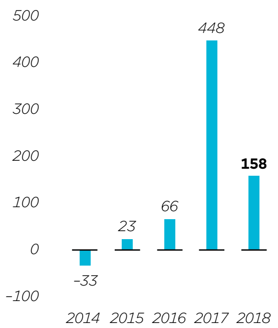
Return on capital employed was 12.3 per cent in 2018, which is higher than in the preceding year. This is mainly due to higher earnings compared with 2017.

EQUITY/ASSETS RATIO, %



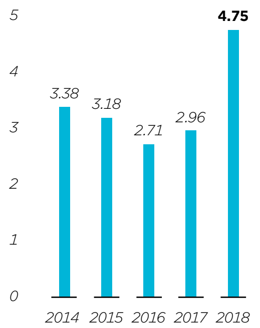
The equity/assets ratio averaged 47 per cent during the 5-year period. Compared with earlier periods, the equity/assets ratio in 2018 was affected mainly by an increase in cash and cash equivalents during the year as a result of a new issue.

NET DEBT, SEK m



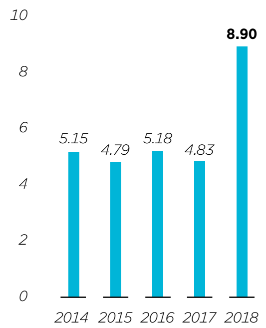
Addnode Group AB has a SEK 750 m credit facility for the financing of acquisitions, of which SEK 498 m was utilised through the date of publication of the 2018 year-end report. During 2018, SEK 118 m was utilised to finance acquisitions carried out during the year, and SEK 214 m was amortised. Net debt decreased during the year, as cash and cash equivalents increased by SEK 254 m as a result of a new issue.

EARNINGS PER SHARE AFTER DILUTION, SEK



Earnings per share in 2018 were SEK 4.75. A new issue was carried out in 2019, which increased the average number of shares outstanding compared with 2017. During the 5-year period, earnings per share varied between SEK 2.71 and SEK 4.75.

CASH FLOW PER SHARE, SEK



Cash flow per share was SEK 8.90 in 2018. A new issue was carried out in 2018, which increased the average number of shares outstanding compared with 2017. During the 5-year period, cash flow per share varied between SEK 4.79 and SEK 8.90. Cash flow per share is better than earnings per share, owing to the fact that depreciation and amortisation of identified assets in connection with acquisitions does not affect cash flow.

	2018	2017	2016	2015	2014
INCOME STATEMENT (SEK m)					
Net sales	2,942	2,520	2,195	1,901	1,599
of which, outside Sweden	1,585	1,264	1,133	894	647
Operating profit before depreciation/amortisation	314	228	185	182	206
EBITA	298	212	171	168	193
Operating profit	203	130	114	126	128
Net financial items	–6	–11	–5	–1	1
Profit before tax	197	119	109	125	130
Tax	–45	–29	–26	–29	–30
Profit for the year	152	90	82	96	100
BALANCE SHEET (SEK m)					
Intangible assets	1,803	1,654	1,166	1,061	875
Property, plant and equipment	37	40	37	35	27
Financial assets	28	28	24	30	35
Inventories	1	1	1	1	1
Other receivables	819	729	646	662	546
Cash and cash equivalents	387	173	112	103	72
Total assets	**3,075**	**2,625**	**1,986**	**1,891**	**1,557**
Shareholders' equity	1,339	982	965	917	873
Provisions	121	110	52	54	5
Loan liabilities, interest-bearing	545	621	177	127	40
Other liabilities, noninterest-bearing	1 070	912	792	794	638
Total shareholders' equity and liabilities	**3,075**	**2,625**	**1,986**	**1,891**	**1,557**
CASH FLOW					
Cash flow per share, SEK	8.90	4.83	5.18	4.79	5.15
Cash flow from operating activities, SEK m	285	147	158	144	153
Cash flow from investing activities, SEK m	–166	–439	–136	–115	–110
Cash flow from financing activities, SEK m	90	352	–19	7	–87
– of which, shareholder dividend	–68	–68	–68	–67	–66
RETURN METRICS					
Change in net sales, %	17	15	15	19	11
Return on capital employed, %	12.3	10.0	10.7	13.5	14.7
Return on equity, %	13.1	9.4	8.9	10.8	11.9
EBITA margin, %	10.1	8.4	7.8	8.8	12.1
Operating margin, %	6.9	5.2	5.2	6.6	8.0
Profit margin, %	6.7	4.7	5.0	6.6	8.1
FINANCIAL METRICS					
Interest coverage multiple	13	11	17	33	46
Equity/assets ratio, %	44	37	49	48	56
Debt/equity multiple	0.12	0.46	0.07	0.03	E/T
Net debt, SEK m	158	448	66	23	–33
Acid test ratio, %	73	62	79	88	98
Shareholders' equity, SEK m	1 339	982	965	917	873
Shareholders' equity per share, SEK	40.06	32.30	31.70	30.12	29.47
EMPLOYEES					
Number of employees at 31 December	1,583	1,511	1,277	1,202	934
Average number of employees	1,471	1,317	1,160	1,005	890
Net sales per employee, SEK thousands	2,000	1,913	1,892	1,891	1,796

ADDNODE GROUP 2018

ANNUAL REPORT

"After my first full year as Chairman I can affirm that in our management and governance functions we have settled in to our roles in a way that lays the foundation for continued purposeful strategic work on securing the company's continued development."

GOOD PROSPECTS FOR **FUTURE ACQUISITION JOURNEY**

Expansion, profitability and control functions are always key issues of focus for Addnode Group's board. In 2018 we dedicated a lot of time and involvement to looking forward and securing our continued development.

Addnode Group posted good results across the board in 2018. We reached our growth and profitability targets while at the same time taking care of our newly acquired companies and giving them the opportunity to grow into our operations in the best way possible for continued value-creating development.

For the Board of Directors, the stable performance in recent years allows us to look forward and take an even more long-term perspective in our considerations. In 2018 we chose for the first time to bring in new capital through a directed new issue that raised just over SEK 250 m for the company. It was a good time to attract both new and a few existing investors, and gave us a cash injection that gives us room to manoeuvre in our continued acquisition journey.

Expansion paired with profitability and risk minimisation are the overarching issues that always require the Board's attention. The larger and more international we become, the more important it is to review our control functions. During the year we executed a new process for internal control and re-reporting to the Board, which management and the line managers are responsible for out in the various companies. This concerns everything from which deals we carry out to who may sign for agreements and at which levels.

The Parent Company and Board support this work with their expertise and experience from previous acquisitions, for example, at the same time that the divisions' and subsidiaries' management teams take great responsibility for the business planning in their respective areas. This is a key success factor in our decentralised group structure.

At our core we are an entrepreneur-driven company that I have helped develop over many years as head of operations. After my first full year as Chairman of the Board I can affirm that in our new management and governance functions we have settled in to our roles in a way that lays the foundation for continued purposeful strategic work on securing the company's continued development. We have a good mix of different competencies and experience that adds dynamism to discussions before we proceed to a decision.

Continued expansion, both organic and through acquisitions, and managing the challenges that arise from an increasingly international operation will remain high on the agenda also in 2019.

Staffan Hanstorp
Chairman of the Board

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 2018. Addnode Group AB, with registered office in Stockholm, is a public stock corporation with corporate identity number 556291-3185.

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 2018 amounted to SEK 2,942 m (2,520), an increase of 17 per cent. The increase is mainly attributable to the acquisitions carried out in 2017 and 2018. Organic growth was 4 per cent compared with the preceding year, and the Group's recurring revenue increased by 27 per cent. EBITA was SEK 298 m (212), corresponding to an EBITA margin of 10.1 per cent (8.4). Scheduled amortisation of intangible non-current assets amounted to SEK 95 m (82). Operating profit was SEK 203 m (130), corresponding to an operating margin of 6.9 per cent (5.2). Profit for 2018 was affected by acquisition costs of SEK 2 m (7). Through business development and acquisitions, the share of proprietary software and applications increased in the IT solutions that the Group offers its customers. In 2018, investments of SEK 52 m (46) in proprietary software and applications were capitalised. Net financial items for the Group totalled SEK –6 m (–11). Tax on profit for the year was SEK –45 m (–29). Profit after tax was SEK 152 m (90).

DIVISIONAL PERFORMANCE

Design Management division

The Design Management division is one of northern Europe's leading providers of software and services for design, product data, project collaboration and property management, with operations in the Nordic countries, the UK, Canada and Australia. Through close customer relationships we deliver IT solutions that shorten lead times, lower costs and support operations. The division's IT solutions for property management and project collaboration are based on proprietary software and SaaS applications. The division is the Nordic region's largest supplier of Autodesk software and proprietary products and applications to the construction and real estate sectors, and

KEY FIGURES BY DIVISION

	Net sales		EBITA		Operating profit		Average number of employees	
SEK m	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Design Management	1,053	906	114	76	74	45	412	345
Product Lifecycle Management	1,132	920	104	72	78	54	555	508
Process Management	773	705	116	101	87	69	497	457
Central functions [1]	13	12	–36	–37	–36	–38	7	7
Eliminations	–29	–23	—	—	—	—	—	—
Addnode Group	**2,942**	**2,520**	**298**	**212**	**203**	**130**	**1,471**	**1,317**

[1] *EBITA and operating profit for central functions in 2018 were charged with SEK 2 m (7) in acquisition costs.*

to manufacturing industries. The division's operations are conducted via the subsidiaries Symetri, Symetri Collaboration, and Service Works Global.

Net sales for Design Management amounted to SEK 1,053 m (906). EBITA was SEK 114 m (76), corresponding to an EBITA margin of 10.8 per cent (8.4). Demand for Autodesk products remained favourable from the manufacturing industries as well as the real estate and construction sectors, but we saw falling demand from parts of the Swedish construction market at the end of the year. SaaS solutions for information and processes in construction projects had favourable performance during the year, with a greater number of users. Acquisitions carried out during the year made a strong contribution to earnings and sales growth, and further strengthened the division's position in the British market.

Product Lifecycle Management division

The Product Lifecycle Management division is one of northern Europe's leading suppliers of customised PLM systems, with operations in the Nordic countries, Germany, the UK, the Netherlands, Austria, South Africa and the USA. Solutions are based primarily on Dassault Systèmes software and proprietary products. The division's operations are conducted via the subsidiary TECHNIA.

Net sales for Product Lifecycle Management amounted to SEK 1,132 m (920). EBITA was SEK 104 m (72), corresponding to an EBITA margin of 9.2 per cent (7.8). The strong growth and improved earnings are largely attributable to acquisitions made during the year and a favourable market. Our broad PLM offering is making a steadily bigger impact in our markets, and we are continuously winning new business.

Process Management division

The Process Management division offers systems and services for document and case management, business planning and decision support, e-archives, digital solutions for citizen services and geographic IT systems. Solutions are based on proprietary systems and applications, with complementary products. The division's solutions are used primarily in the public sector in Sweden, with growing business in Norway, and the division also helps companies in private industry take advantage of the opportunities afforded by digitalisation of their processes. The division's operations are conducted in Sweden and Norway via the subsidiaries Adtollo, Arkiva, Canella, Decerno, EssVision, Evitbe, Forsler & Stjerna, Ida Infront, InPort, Kompanion, Landborgen, Mittbygge, Sokigo, Stamford and Voice Provider.

Net sales for Process Management amounted to SEK 773 m (705). EBITA was SEK 116 m (101), corresponding to an EBITA margin of 15.0 per cent (14.3). Completed acquisitions contributed to the division's growth and profitability. The division had continued favourable demand for information and case management systems and won several tenders in the Swedish public sector.

ACQUISITIONS IN 2018

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 combined with the Group company Symetri AB.

In December 2017 an agreement was signed to acquire all of the shares in the Swedish software company InPort Intelligent PORT Systems AB, with transfer of possession 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 in the Process Management division as from 2018, where several companies have already been working in the same system environment as InPort.

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.

In September 2018 all of the shares were acquired in the British companies Cadassist Ltd and d2m3 Ltd, 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.

On 30 November 2018 all of the shares were acquired in the British company Strategic Simulation & Analysis Limited 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.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

In early March 2019 an agreement was signed to acquire all of the shares in the software company IntraPhone Solutions AB, with transfer of possession on 1 April 2019 provided that certain conditions have been met. The business is focused on mobile IT solutions for planning and monitoring in home care, which are used by more than 45 Swedish municipalities. The acquisition strengthens the Group's offering in the Swedish primary care market. The company has annual net sales of approximately SEK 35 m, and provided that the acquisition is completed, it will be consolidated as from April 2019 in the Process Management division.

In other respects, no significant events have taken place after the balance sheet date.

LIQUIDITY, CASH FLOW AND FINANCIAL POSITION

The Group's cash and cash equivalents totalled SEK 387 m (173) on 31 December 2018. Cash flow from operating activities amounted to SEK 285 m (147) in 2018. Cash flow from investing activities in 2018 included SEK 11 m in payments for contracted and previously expensed consideration for company acquisitions carried out in previous years, and SEK 52 m (46) in payments for proprietary software. During the second quarter a directed new issue of SEK 254 m was carried out after deducting issue costs. The new issue was carried out to finance continued acquisitions and growth, strengthen the institutional ownership base and increase the liquidity of outstanding B-shares. In addition, share dividends of SEK 68 m were paid out during the second quarter.

Of the Parent Company's acquisition credit facility of SEK 750 m, SEK 498 m had been utilised up until the publication date of the 2018 year-end report. The respective bank loans have terms of either one, three, six or twelve months, however, the debt amount can thereafter be re-borrowed in its entirety within the framework of the credit facility's total amount. In addition, the Parent Company has an existing bank overdraft facility of SEK 100 m, of which SEK 0 m had been utilised as per 31 December 2018. The Group's interest-bearing liabilities as per 31 December 2018 amounted to SEK 545 m (621), and the net amount of interest-bearing assets and liabilities was SEK –158 m (–448). The equity/assets ratio was 44 per cent (37) as per 31 December 2018.

INVESTMENTS

Investments in intangible non-current assets and in property, plant and equipment amounted to SEK 71 m (65), of which SEK 52 m (46) pertains to proprietary software and SEK 14 m (16) to equipment.

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 2018, capital expenditures of SEK 52 m (46) 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 2018 was SEK 1,495 m (1,358). Goodwill increased by SEK 117 m in 2018 in connection with company acquisitions. Other intangible assets amounted to SEK 308 m (297) and pertain primarily to customer contracts and software.

DEFERRED TAX ASSETS

Total reported deferred tax assets amounted to SEK 10 m on 31 December 2018, of which SEK 6 m pertains to tax loss carryforwards. On 31 December 2018 the Group's accumulated tax loss carryforwards amounted to approximately SEK 65 m. Deferred tax assets attributable to loss carryforwards are reported as an asset 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 1,339 m (982) on 31 December 2018. During the second quarter a new issue was carried out, which increased shareholders' equity by SEK 254 m, and share dividends of SEK 68 m were paid out.

PROVISIONS

Provisions, which are reported among non-current and current liabilities on the consolidated balance sheet, amounted to SEK 121 m on 31 December 2018, of which SEK 108 m pertains to estimated contingent consideration for completed company acquisitions. During 2018, no payments were made for previously expensed contingent consideration (SEK 43 m).

EMPLOYEES

The average number of employees in the Group in 2018 was 1,471 (1,317). At year-end the number of employees was 1,583 (1,511).

SHARE REPURCHASES, AND TRANSFERS AND HOLDINGS OF TREASURY SHARES

Addnode Group had no holdings of treasury shares on 31 December 2017 nor 31 December 2018. During 2018 no shares were repurchased or transferred. The number of registered shares and shares outstanding increased by 3 million as a result of the new issue carried out during the year and was 33,427,256 (30,427,256) on 31 December 2018.

PARENT COMPANY

The Parent Company's operations consist of joint-Group functions for market communication, financial reporting and control, financing, tax issues, business development and company acquisitions. Net sales in 2018 amounted to SEK 15 m (10) and pertained mainly to invoicing to subsidiaries for rents of premises and performed services. Profit after financial items was SEK 106 m (106), including dividends of SEK 57 m (40) from subsidiaries, Group contributions of SEK 130 m (120) from subsidiaries, and impairment of shares in subsidiaries of SEK 33 m (19).

Cash and cash equivalents on 31 December 2018 amounted to SEK 187 m (0). During the second quarter a new issue was carried out, which increased shareholders' equity by SEK 254 m, and share dividends of SEK 68 m were paid out. The Parent Company has an existing bank overdraft facility of SEK 100 m, of which SEK 0 m (42) was utilised. In addition, the Parent Company has a credit facility of up to SEK 750 m for the financing of acquisitions, of which SEK 498 m had been utilised through the publication date of the 2018 year-end report. Investments in shares in subsidiaries amounted to SEK 272 m, and transfers of shares in subsidiaries to other Group companies amounted to SEK 10 m. No significant investments were made in intangible non-current assets or in property, plant and equipment. New bank loans, within the framework of existing credit facilities, were taken out in the amount of SEK 118 m, and repayment of bank loans totalled SEK 210 m in 2018.

ENVIRONMENTAL IMPACT

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

SENSITIVITY ANALYSIS

The table below shows the impact that various factors have on earnings.

Impact	Change	Earnings impact*
Net sales	+/– 1%	SEK 0.57
Gross margin	+/– 1%	SEK 0.92
Payroll costs	+/– 1%	SEK 0.37
Other operating expenses	+/– 1%	SEK 0.15

** All else equal, earnings per share before tax for the 2018 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 companies, and risks associated with individual customers and current assignments. The Group's financial risks are primarily related to changes in customers' ability to pay, exchange rates and interest rates. 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 rapidly changing technology 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 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. 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 bid at fixed prices may affect customer relationships and have negative effects on profitability and growth. Addnode Group continuously follows up projects that are bid at a fixed price to evaluate and limit their associated risk.

IT security

Addnode Group is dependent on its ability to offer customers reliable IT solutions. Operational disruptions, cyber attacks and theft of information undermine the market's trust in us and can cause substantial financial losses. Addnode Group works continuously to prevent and counter the negative effects of these.

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. Responsibility for the Group's financial transactions and risks is managed 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 39 on pages 112–115 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.

ANTICIPATED FUTURE DEVELOPMENT

The Board has not changed its assessment of the future outlook compared with the publication of the 2018 year-end report. The Board provided the following future outlook in the year-end report:

In the long-term, the areas in which Addnode Group is active are deemed to have strong underlying potential. Addnode Group's growth strategy is to grow organically and through acquisitions of new businesses in the aim of adding new, complementary offerings and additional expertise. The policy of not issuing a forecast stands firm.

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 31 December 2018 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 31 December 2018 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. Election of board members and any deputy members is to take place at the Annual General Meeting. 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 2018.

AUTHORISATIONS

The 2018 AGM authorised the Board, on one or more occasions during the period until the next AGM, to decide on purchases of a maximum number of own Class B shares so that the company's holding following such purchase does not exceed 10 per cent of all the shares in the company at any given time. The aim of any share repurchases is primarily to enable share transfers 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. The 2018 AGM also authorised the Board, on one or more occasions prior to the next AGM, to decide 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 on or outside of Nasdaq Stockholm, entailing a right to deviate from shareholders' preferential rights. The reason for permitting 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 treasury shares were transferred pursuant to this authorisation.

To finance potential company acquisitions using treasury shares, the Board received a mandate at the AGM in May 2018 for the period until the next AGM to make decisions about new share issues. Through decisions pursuant to this authorisation, the share capital may increase by a maximum of SEK 36 m through the issuance of a maximum of 3,000,000 new shares upon full subscription. A directed new issue of 3,000,000 Class B shares was carried out in June 2018, and Addnode Group received net proceeds of SEK 254 m, as the price per share was SEK 86. The share price was set through an accelerated book-building process.

GUIDELINES FOR REMUNERATION AND OTHER TERMS OF EMPLOYMENT FOR SENIOR EXECUTIVES

Guidelines for remuneration and other terms of employment for senior executives, which were adopted by the 2018 AGM, are described in Note 5 on pages 94–95.

The 2019 AGM will decide on guidelines for remuneration of senior executives. By senior executives pertain is meant the President of the Parent Company and other members of Group Management as described in the corporate governance report on pages 74–75. The Board of Directors' proposed guidelines ahead of the 2019 AGM are as follows:

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 pension. 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 targets. For the President of the Parent Company, the variable cash remuneration shall be based on 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 operation for which the individual is responsible. Share based incentive programmes shall ensure long-term commitment to the Group's development and promote personal shareholdings in the company. Cash remuneration coupled to a senior executive's purchase of shares or share-based instruments shall normally not exceed 15 per cent of the individual's fixed salary.

Pensions shall always be defined-contribution solutions in order to ensure 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 shall be on market terms and support the executive's ability to perform his/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 one 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 is entitled to depart from these guidelines only if specific reasons exist in individual cases.

PROPOSED DISTRIBUTION OF EARNINGS

Profit for the year of SEK 73,282,631 and other unrestricted shareholders' equity, totalling SEK 549,663,244, together totalling SEK 622,944,875, are at the disposal of the Annual General Meeting. The Board of Directors proposes that these earnings be disposed of as follows:

Dividend to the shareholders of SEK 2.50 per share	83,568,140
To be carried forward	539,376,735
Total	**622,944,875**

The Board's reasoned statement regarding the proposed distribution of earnings is available on the company's website: www.addnodegroup.com. It is also available from the company upon request.

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. In addition, the Board has adopted Group-wide guidelines and policies, Rules of Procedure, and the Board's instructions for the CEO.

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. In 2018 Addnode Group departed from point 2.4, which pertains to board members serving on the nomination committee. The Code prescribes that the Chairman of the Board shall not serve as chair of the nomination committee. Addnode Group does not adhere to this rule, as Staffan Hanstorp, Chairman of the Board, is chair of the Nomination Committee. The explanation for this departure is that the Nomination Committee has found that Staffan Hanstorp, as a major shareholder, is suitable to lead the Nomination Committee's work on achieving the best results for the company's shareholders.

THE ANNUAL GENERAL MEETING is Addnode Group's highest decision-making body and resolves on adoption of the income statement and balance sheet, discharging the members of the Board of Directors and the President and CEO from liability, election of board members and auditors, directors' and auditors' fees, guidelines for remuneration of Group Management and other senior executives, adoption of the annual report and dividends, and other important matters, such as the principles for appointing the Nomination Committee.

THE AUDITOR is appointed by the AGM and reports via an audit report on its review of the annual report, the bookkeeping and the consolidated financial statements, and for the Board of Directors' and President's administration of Addnode Group AB. The auditor also reviews the nine-month interim report.

THE NOMINATION COMMITTEE is tasked with safeguarding the interests of all shareholders and makes recommendations to the Annual General Meeting for appointment of a chairman to preside over the AGM, board members, the Chairman of the Board, and the auditor. The Nomination Committee is also tasked with making recommendations for directors' fees, fees for board members' work on committees, and auditors' fees.

THE BOARD OF DIRECTORS' main duty is to administer the Group's operations in a long-term and value-creating way and thereby promote the shareholders' interests in the best possible way. This work includes adopting written Rules of Procedure for its own work and for the company's conduct in society, overarching goals and strategies, and conducting a yearly evaluation of the President's performance.

THE AUDIT COMMITTEE is tasked primarily with monitoring the processes surrounding Addnode Group's financial reporting and internal control in order to ensure the quality of external reporting.

THE REMUNERATION COMMITTEE is tasked primarily with representing the Board on matters pertaining to remuneration and terms of employment for the President and other senior executives.

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 ahead of and between board meetings. The President has appointed a Group Management team to assist him in this work.

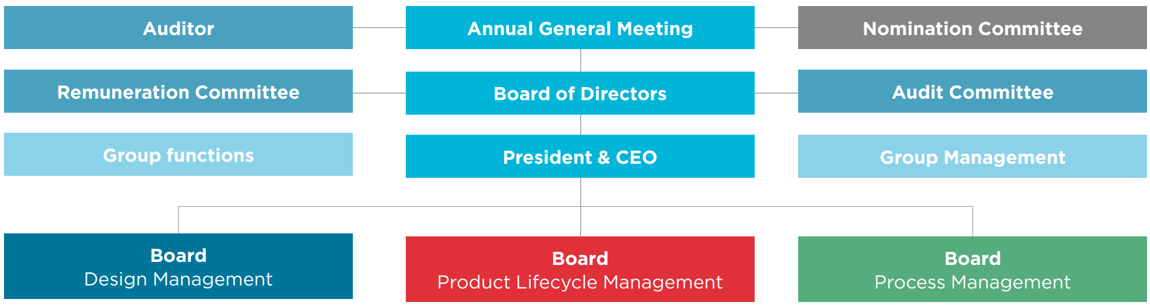
GROUP FUNCTIONS. Addnode Group AB has Group functions for accounting, communication and business development.

THE DIVISIONS' BOARDS. The division presidents are responsible for the operations of their respective divisions and report to Addnode Group's President and CEO. Overall governance of the divisions is conducted by the divisions' Boards of Directors.

IMPORTANT EVENTS

- Directed new issue of 3 million Class B shares, which raised liquid proceeds of SEK 254 m.
- Acquisition of five new companies with combined annual sales of approximately SEK 175 m. The acquisitions strengthen the company's offering, broaden its software portfolio and increase the company's international scope.

GOVERNANCE



FOR MORE INFORMATION

- Nasdaq Stockholm, www.nasdaqomxnordic.com
- Swedish Corporate Governance Code, www.bolagsstyrning.se
- Finansinspektionen, 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 31 December 2018 the number of shareholders was 5,333, and the proportion of foreign-owned shares was 20 per cent. The proportion of institutional owners including mutual funds was 68 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 2018 Annual General Committee 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 2018, 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 2019 Annual General Meeting. The Nomination Committee chair shall serve as the representative for the largest shareholder in terms of votes.

The Nomination Committee is tasked with submitting 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 2019 AGM

The composition of the Nomination Committee was announced on Addnode Group's website and via a press release published on 30 October 2018. The Nomination Committee was composed of the following members:

- Staffan Hanstorp (Chairman of the Board), appointed by Aretro Capital Group AB, committee chair
- Wilhelm Arnör, appointed by Vidinova AB, which has become part of Verg AB
- Vegard Søraunet, appointed by Odin Fonder
- Magnus Skåninger, appointed by Swedbank Robur Fonder

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 five meetings ahead of the 2019 AGM. The Nomination Committee represented approximately 43 per cent of the shareholders' votes as per 31 December 2018. As the basis for the Nomination Committee's work, company management 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. All board members, in addition to Staffan Hanstorp, are independent in relation to the company, company management and the company's largest shareholders.

ANNUAL GENERAL MEETING

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, which are Addnode Group's highest decision-making body. The AGM is normally held in April or May. The AGM passes resolutions regarding 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
- 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 2018

The 2018 AGM was held on 26 April 2018. The Chairman of the Board, Staffan Hanstorp, was elected as Chairman of the Annual General Meeting, in accordance with the Nomination Committee's recommendation. 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 2.25 per share for the 2017 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. Dick Hasselström declined re-election. 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.

Authorisations granted by the AGM

The 2018 AGM authorised the Board, on one or more occasions during the period until the next AGM, to decide on purchases of a maximum number of own Class B shares so that the company's holding following such purchases amounts to a combined maximum of 10 per cent of the total number of shares in the company at any given time. Furthermore, the 2018 AGM also authorised the Board, on one or more occasions prior to the next AGM, to decide 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. The reason for permitting 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.

To finance potential company acquisitions using treasury shares, the Board received a mandate at the AGM in April 2018 for the period until the next AGM to make decisions about new share issues. Through decisions supported by this authorisation, the share capital may increase by a maximum of SEK 36 m through the issuance of a maximum of 3,000,000 shares upon full subscription.

BOARD OF DIRECTORS

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

Composition of the Board

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 72–73.

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 in relation to Group Management. 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 judged as being independent in relation to the company's major owners.

The Board's duties

The Board of Directors' main duty is to promote 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.

MAIN ITEMS OF BUSINESS FOR THE BOARD IN 2018

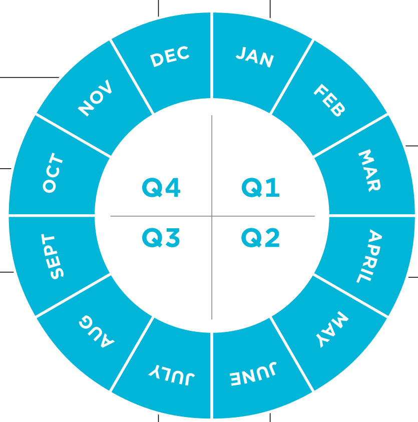
Discussions and adoption of 2019 budget. Evaluation of the Board's work.

Budget and business plan 2019 and risk review.

Review and adoption of interim report for the nine-month period January–September. Discussions on acquisitions of SSA and Simuleon.

Budget work 2019, various incentive programmes and acquisition discussions.

Review and adoption of interim report for the first half of the year.



Review and adoption of 2017 year-end report. Decision on proposed dividend.

Approval of the Annual Report.

Review and adoption of interim report for the period January-March. Statutory board meeting, at which the Board's Rules of Procedure were adopted and the company signatories were appointed. Appointment of board members to serve on the Board's committees. Adoption of the CEO's instructions.

The Board's annual strategy meeting. Discussions on acquisitions of Landborgen and Cadassist. Decision to carry out directed new issue.

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

- Short- and long-term targets
- Strategic direction
- 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
- Group-wide policies

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 2018

During the year, the Board held 11 meetings, 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 issues 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 2018, with special attention dedicated to the following:

- Strategy and acquisition issues
- 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 risks as well as market risks and corporate social responsibility
- Dividend proposal for the financial year

Ensuring the quality of financial reporting

The Rules of Procedure adopted each year by the Board include detailed instructions about which financial reports and financial information is 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 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 2018 and 2019 Annual General Meetings, a set fee of SEK 380 thousand (370) is payable to the Chairman of the Board, and SEK 190 thousand (185) 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 competency areas, provided that such initiatives are approved in advance by the Chairman of the Board or by two board members. A fee of SEK 45 thousand (35) is payable to each of the two regular members of the Board's Audit Committee, and a fee of SEK 75 thousand (55) is payable to the Audit Committee chair. A fee of SEK 15 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, since 26 April 2018, Chairman of the Board Staffan Hanstorp and board member Thord Wilkne.

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, since 26 April 2018, Jan Andersson (committee chair), Sigrun Hjelmquist and Kristofer Arwin.

THE BOARD'S COMPOSITION AND MEETING ATTENDANCE 2018

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	Yes/No	11/11	625,332	1,654,624
Jan Andersson	Director	Audit Committee chair	2012	Yes/Yes	11/11	—	15,000
Kristofer Arwin	Director	Member of Audit Committee	2012	Yes/Yes	10/11	—	2,180
Johanna Frelin	Director	—	2017	Yes/Yes	11/11	—	—
Dick Hasselström [2]	Director		2010	Yes/No	3/3	361,667	1,084,718
Sigrun Hjelmquist [3]	Director	Member of Audit Committee	2009	Yes/Yes	11/11	—	2,000
Thord Wilkne [4]	Director	Member of Remuneration Committee	2008	Yes/Yes	11/11	—	435,000
Total						**986,999**	**3,193,522**

[1] Via 50% ownership of Aretro Capital Group AB.
[2] Resigned at the AGM on 26 April 2018. Shares are held via the company Verg AB.
[3] Including spouse's holding of 1,000 shares.
[4] Including spouse's holding of 35,000 shares.

All board members' shareholdings are reported as per 31 December 2018. Fees paid to the Chairman of the Board and board members are shown in Note 5 of the Annual Report.

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
- Monitoring the audit and evaluating the work of the auditors
- Evaluating the auditors' objectivity and independence
- Assisting the Nomination Committee

Auditors

At the 2018 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 auditors report to the Audit Committee on a regular basis about all material accounting issues, as well as about any errors or irregularities. In addition, the auditors are invited at least once per year, and when necessary, to participate and report at board meetings. PwC submits an audit report for Addnode Group AB, for the consolidated financial statements and for the Board of Directors' and President's administration of Addnode Group AB. The auditors also review Addnode Group's nine-month interim report. The fees paid by Addnode Group to the auditors, for both audit-related and other non-audit-related assignments, are specified in Note 6 of the Annual Report, Auditors' fees.

GROUP MANAGEMENT

President

The President is responsible for the day-to-day administration of the Group's operations in accordance with the Board's guidelines and instructions.

Group Management

The President has appointed a Group Management team as assistance, which in addition to the President comprises the CFO 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 long-term and strategic matters, such as the Group's organisation, acquisitions, trademarks, investments and financing. Every other month a full-day meeting is held in which the agenda consists of discussions and decisions about the month's results, Group-wide projects and updates of forecasts and the business situation, development projects, acquisition candidates and other Group-wide strategic matters. Every other month a shorter meeting is held at which the agenda consists of discussions on the preceding month's earnings and other matters. In addition to these set meetings, Group Management also regularly reviews matters as necessary. The President and other members of Group Management are presented on page 74–75.

Divisional management

The three divisions – Design Management, Product Lifecycle Management and Process Management – make up Addnode Group's operational structure. In accordance with adopted strategies, the divisional presidents are responsible for the operations of their respective divisions and report to Addnode Group's President and CEO. The boards of the respective divisions constitute the overarching management of the Design Management, Product Lifecycle Management and Process Management divisions, and meet each quarter. The divisions' boards are made up of Addnode Group's President and CEO, who serves as Chairman, the CFO, and the respective divisions' presidents. The respective divisions' controllers are permanently co-opted to the respective divisions' boards at board meetings, and other members of the division's management participate when necessary.

Remuneration of Group Management and other senior executives

Guidelines for remuneration of Group Management and other senior executives are decided by the AGM based on a recommendation by the Board of Directors. Remuneration of the President and CEO is addressed and set by the Board's Remuneration Committee. Remuneration of other senior executives in the Group is addressed and set by the President and CEO after consultation with the Board's Remuneration Committee. Remuneration of the President and other senior executives is detailed in Note 5 of the 2018 Annual Report.

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, decision-making channels, authorisations and responsibilities, 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. The divisional presidents and controllers regularly monitor compliance with the governance and control systems established by the company.

Responsibilities and authorisations are defined in instructions for authorisation rights, manuals, policies, routines and codes. 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, the financial manual including its accompanying accounting manual.

These guidelines, together with laws and external rules and regulations, make up the control environment. All employees are required to follow these guidelines. 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 assessments of all fixed-price assignments in excess of SEK 100,000

- Monthly risk assessments of past-due accounts receivable
- 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

Monitoring and testing of control activities are performed 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 as well as the financial reporting processes and 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, formal and informal channels are in place for employees to communicate important information with relevant recipients – ultimately the Board of Directors where necessary. For communication with external parties, an information policy lays out guidelines for how this communication may take place. The aim of the policy 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 on a regular basis with relevant, reliable 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 receive updates 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 governing the division of duties between the President and the Board, instructions for financial reporting to the Board, and through the information policy. 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 30 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 Byggnadsfirman Viktor Hansson AB and 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 of Readsoft 1991–2011.

Current assignments: Chairman of DH Anticounterfeit, Fast2 AB and Mildef Group AB, director of Olivetree AB and TimeZynk AB, among other companies.

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

KRISTOFER ARWIN

Born 1970. Director, 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 of Pricerunner 1999–2005. Director of Trade-Doubler 2007–2013 and director of Alertsec 2007–2017.

Current assignments: Director of Kindred Group plc, 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 experience in management, of which 12 years in group management with SVT, Hyper Island and Tengbom. CEO since 2011, first for Hyper Island and later for Tengbom.

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

Shareholding in Addnode Group:
No shareholding.

SIGRUN HJELMQUIST

Born 1956. Director, 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 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, 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, among other companies.

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

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 the Group since 2006 as head of IR and M&As, and as CFO. Previous experience as adviser at investment bank for tech companies in connection with acquisitions and IPOs.

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.

HELENA NATHHORST

Born 1967. CFO of Addnode Group AB.

Education and experience: M.Sc. Econ., Uppsala University. Active in the Group since 2017. Previous experience as transaction adviser for company acquisitions, auditor, CFO in media and telecom industry, and in the banking industry.

Current assignments outside the Group: None.

Shareholding in Addnode Group: No shareholding.

JONAS GEJER

Born 1963, President of Product Lifecycle Management division.

Education and experience: Secondary school degree in engineering, Market Economics 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 the company 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% 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.

ROLF KJÆRNSLI

Born 1958. President of Design Management division.

Education and experience:
Civil engineer, Norwegian Institute of Technology. Active in the 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 the 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.

AUDITORS

At the 2018 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.

CONSOLIDATED INCOME STATEMENTS

SEK m 1 January–31 December	Note	2018	2017
Net sales	2, 3, 41	2,942	2,520
Operating expenses			
Purchases of goods and services	41	–1,112	–968
Other external costs	6, 9	–339	–312
Personnel costs	4, 5	–1,229	–1,058
Capitalised work performed by the company for its own use	16	52	46
Depreciation/amortisation and impairment of intangible non-current assets and property, plant and equipment	16, 17	–111	–98
Operating profit		**203**	**130**
Financial income	10	5	2
Financial expenses	11	–17	–13
Remeasurement of contingent consideration		6	0
Profit after financial items		**197**	**119**
Tax	12, 13	–45	–29
Profit for the year		**152**	**90**
Attributable to:			
Owners of the Parent Company		152	90
Non-controlling interests		—	0
Share data			
Earnings per share before and after dilution, SEK	14	4.75	2.96
Shareholders' equity per share outstanding, SEK		40.06	32.30
Average number of shares outstanding before and after dilution		32,018,923	30 427 256
Number of shares outstanding at year-end		33,427,256	30,427,256
Number of registered shares at year-end		33,427,256	30,427,256

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK m 1 January–31 December	Note	2018	2017
Net profit for the year		152	90
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 difference upon translation of foreign operations		25	13
Hedge of net investments in foreign operations		–6	–16
Total comprehensive income for the year, net after tax	12	**19**	**–3**
Comprehensive income for the year		**171**	**87**
Attributable to:			
Owners of the Parent Company		171	87
Non-controlling interests		—	0

CONSOLIDATED BALANCE SHEETS

SEK m per 31 December	Note	2018	2017
ASSETS			
Non-current assets			
Intangible non-current assets	16	1,803	1,654
Property, plant and equipment	17, 18	37	40
Deferred tax assets	13	10	13
Long-term securities holdings	21	11	8
Non-current receivables	22	7	7
Total non-current assets		**1,868**	**1,722**
Current assets			
Inventories		1	1
Trade receivables		600	538
Tax assets		18	17
Other receivables		9	9
Prepaid expenses and accrued income	23	192	165
Cash and cash equivalents	37	387	173
Total non-current assets		**1,207**	**903**
TOTAL ASSETS		**3,075**	**2,625**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	25		
Share capital	25	401	365
Other capital contributions		433	214
Reserves		6	–13
Profit brought forward		499	416
Total shareholders' equity		**1,339**	**982**
Non-current liabilities			
Non-current interest-bearing liabilities	27	1	15
Deferred tax liabilities	13	79	76
Provisions	29	13	101
Total non-current liabilities		**93**	**192**
Current liabilities			
Current interest-bearing liabilities	27	545	606
Trade payables		158	133
Taxes payable		22	23
Advances from customers		17	17
Other liabilities		137	119
Accrued expenses and deferred income	31	655	544
Provisions	29	109	9
Total current liabilities		**1,643**	**1,451**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,075**	**2,625**

Pledged assets and contingent liabilities are reported in Note 32 and Note 33, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SEK m 1 January–31 December	Note	2018	2017
Operating activities			
Profit after financial items	34	197	119
Adjustments for non-cash items	35	103	108
Income tax paid		–56	–29
Cash flow from operating activities before changes in working capital		**244**	**198**
Changes in working capital:			
– Increase/decrease in inventories		0	0
– Increase/decrease in receivables		–28	16
– Increase/decrease in current liabilities		69	–67
Total changes in working capital		**41**	**–51**
Cash flow from operating activities		**285**	**147**
Investing activities			
Acquisitions of:			
– intangible non-current assets		–56	–49
– property, plant and equipment		–15	–16
– financial assets		–3	–2
– subsidiaries and businesses	36	–97	–375
Sales of:			
– intangible non-current assets		1	—
– property, plant and equipment		4	3
Repayment of receivables		0	0
Cash flow from investing activities		**–166**	**–439**
Financing activities			
Dividend paid		–68	–68
New issue		254	—
Loans raised	38	118	423
Repayment of loans	38	–214	–3
Cash flow from financing activities		**90**	**352**
Change in cash and cash equivalents		**209**	**60**
Cash and cash equivalents at start of year		173	111
Exchange rate difference in cash and cash equivalents		5	2
Cash and cash equivalents at year-end	37	**387**	**173**

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	Non-controlling interests	Total sharehold-ers' equity
Shareholders' equity according to adopted balance sheet per 31/12/2016	**365**	**214**	**–9**	**395**	**0**	**965**
Changed accounting policy, IFRS 15				–1		–1
Adjusted shareholders' equity, 1/1/2017	**365**	**214**	**–9**	**394**	**0**	**964**
Comprehensive income						
Net profit for the year				90		90
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			12			12
Hedge of net investments in foreign operations			–16			–16
Total other comprehensive income			**–4**	**0**		**–4**
Total comprehensive income			**–4**	**90**		**86**
Transactions with shareholders						
Dividend				–68		–68
Acquisition from non-controlling interest				0	0	0
Total transactions with shareholders				**–68**	**0**	**–68**
SHAREHOLDERS' EQUITY, 31/12/2017	**365**	**214**	**–13**	**416**	**0**	**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 of issue costs		1				1
Dividend				–69		–69
Total transactions with shareholders	**36**	**219**		**–69**		**186**
SHAREHOLDERS' EQUITY, 31/12/2018	**401**	**433**	**6**	**499**	**0**	**1,339**

[1] *Pertains to exchange rate differences upon translation of foreign opeations, 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	2018	2017
Net sales	41	15	10
Operating expenses			
Other external costs	6, 41	–26	–15
Personnel costs	4	–22	–22
Depreciation of property, plant and equipment	16, 17	0	0
Operating profit		**–33**	**–27**
Net financial items			
Profit from participations in Group companies	10	154	141
Profit from other securities that are non-current assets	10	1	1
Interest income and similar profit/loss items	10	2	1
Interest expense and similar profit/loss items	11	–18	–10
Profit after financial items		**106**	**106**
Appropriations			
Provision to tax allocation reserve		–19	–21
Profit before tax		**87**	**85**
Tax	12, 13	–14	–14
Net profit for the year		**73**	**71**

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

SEK m 1 January–31 December	Note	2018	2017
Net profit for the year		73	71
Total other comprehensive income for the year, net after tax		**0**	**0**
Comprehensive income for the year		**73**	**71**

PARENT COMPANY BALANCE SHEETS

SEK m per 31 December	Note	2018	2017
ASSETS			
Non-current assets			
Intangible assets			
Software	16	1	1
Total intangible non-current assets		**1**	**1**
Property, plant and equipment			
Equipment and installations	17	0	0
Total property, plant and equipment		**0**	**0**
Financial assets			
Participations in Group companies	19	1,992	1,769
Other long-term securities holdings	21	2	2
Deferred tax assets	13	0	0
Receivables from Group companies		—	1
Other non-current receivables	22	—	0
Total financial assets		**1,994**	**1,772**
Total non-current assets		**1,995**	**1,773**
Current assets			
Current receivables			
Receivables from Group companies	24	69	124
Taxes receivable		0	—
Other receivables		1	0
Prepaid expenses and accrued income	23	4	4
Total current receivables		**74**	**128**
Cash and bank balances	24	187	—
Total current assets		**261**	**128**
TOTAL ASSETS		**2,256**	**1,901**

PARENT COMPANY BALANCE SHEETS

SEK m per 31 December	Note	2018	2017
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	25		
Restricted shareholders' equity			
Share capital	25	401	365
Statutory reserve		89	89
Unrestricted shareholders' equity	15		
Share premium reserve		344	126
Profit brought forward		206	203
Net profit for the year		73	71
Total shareholders' equity		**1,113**	**854**
Untaxed reserves	26	**50**	**31**
Provisions			
Other provisions	29	102	91
Total provisions		**102**	**91**
Non-current liabilities			
Other non-current liabilities	28	–	11
Total non-current liabilities		**–**	**11**
Current liabilities			
Liabilities to credit institutions	27, 30	488	620
Trade payables		2	1
Liabilities to Group companies	24	446	263
Taxes payable		–	7
Other liabilities		42	11
Accrued expenses and deferred income	31	13	12
Total current liabilities		**991**	**914**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,256**	**1,901**

Pledged assets and contingent liabilities are reported in Note 32 and Note 33, respectively.

PARENT COMPANY CASH FLOW STATEMENTS

SEK m 1 Januari–31 December	Note	2018	2017
Operating activities			
Profit after financial items	34	106	106
Adjustments for non-cash items	35	–95	–97
Income tax paid		–20	–12
Cash flow from operating activities before changes in working capital		**–9**	**–3**
Changes in working capital:			
– Change in current receivables		0	–3
–Change in current liabilities		2	–1
Total changes in working capital		**2**	**–4**
Cash flow from operating activities		**–7**	**–7**
Investing activities			
Acquisitions of and investments in participations in Group companies		–241	–567
Sale of participations in Group companies		9	9
Repayment of capital from Group companies		—	19
Cash flow from investing activities		**–232**	**–539**
Financing activities			
Paid dividend		–68	–68
New issue		253	—
Loans raised		118	423
Utilisation of bank overdraft		–42	41
Repayment of loans		–210	—
Change in intra-Group receivables and liabilities		257	–14
Group contributions received		120	68
Cash flow from financing activities		**428**	**450**
Change in cash and cash equivalents		**189**	**–96**
Cash and cash equivalents at start of year		0	97
Exchange rate differences in cash and cash equivalents		–2	–1
Cash and cash equivalents at year-end	24	**187**	**0**

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, 1/1/2017	**365**	**89**	**397**	**851**
Comprehensive income				
Net profit for the year			71	71
Total other comprehensive income			**0**	**0**
Total comprehensive income			**71**	**71**
Transactions with shareholders				
Dividend			–68	–68
Total transactions with shareholders			**–68**	**–68**
SHAREHOLDERS' EQUITY, 31/12/2017	**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 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**

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 40.

New standards that came into force in 2018

IFRS 9 Financial instruments

IFRS 9 Financial Instruments (effective as from 1 January 2018, endorsed by the EU) addresses classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014 and replaces the parts of IAS 39 that pertain to classification and measurement of financial instruments. The standard retains, but simplifies, the measurement models and specifies three measurement categories for financial assets: amortised cost, fair value through other comprehensive income, and fair value through profit or loss. Classification depends on the company's business model and the characteristics of the instrument. Investments in equity instruments are to be measured at fair value through profit or loss, but there is the option to recognise the instrument's changes in value in other comprehensive income on initial recognition. No reclassification to profit or loss will then take place when the instrument is divested. IFRS 9 also introduces a new model for calculation of a credit loss reserve based on expected credit losses.

The classification and measurement of financial liabilities is not changed, except for liabilities measured at fair value through profit or loss based on the fair value option. Changes in value attributable to changes in own credit risk are to be recognised in other comprehensive income.

IFRS 9 reduces the requirements for the application of hedge accounting by replacing the 80-125 criterion with a requirement for the economic relationship between the hedge instrument and the hedged item, and for the hedge ratio to be the same as that actually used in risk management. Hedge disclosures have also been changed slightly compared with those provided under IAS 39.

IFRS 9 is applied as from 2018, but its implementation has not had any significant effect on the Group's classification and measurement of financial instruments or on the Group's hedge accounting. The new model for calculating the credit loss reserve is based on expected credit losses instead of confirmed losses, which entails earlier recognition of credit losses, but the effect has been minimal, since the Group has historically had an insignificant level of credit losses. The new standard has not given rise to any recalculation effects in connection with its adoption, and there has been no need to adjust shareholders' equity in connection with implementation of the new standard.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 (effective as from 1 January 2018, endorsed by the EU) is the new standard for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts and all associated interpretations (IFRIC and SIC). Revenue is to be recognised when control of the sold goods or service is transferred to the customer; this replaces the previous policy of recognising revenue when the risks and benefits have been transferred to the buyer. A customer has control of a good or service when it can direct the use of the asset and obtain benefits from it. The core principle of IFRS 15 is that a company recognises revenue that best depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. A five-step model framework provides guidance for recognition:

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

IFRS 15 contains expanded disclosure requirements which aim to provide useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 is applied starting in 2018, however, its implementation has not had any material effect on the Group's earnings and financial position. Sales of licences for proprietary software are included in some cases as a part of major implementation projects. After the adoption of IFRS 15, such licence revenue is being recognised gradually in pace with the implementation, since these performance obligations have been determined to be so integrated that they do not constitute distinct obligations. This means that licence revenues for proprietary software are in certain cases recognised at another point in time – usually somewhat later – compared with the previous reporting. The Group applies this standard retrospectively, which means that comparison amounts for 2017 have been recalculated and that periods before 2017 have been recalculated through an adjustment of the opening balance as per 1 January 2017. The changeover to IFRS 15 has affected previously presented financial statements in the following ways:

- In the Group's opening balance as per 1 January 2017, deferred income has increased by SEK 0.9 m, deferred tax assets have increased by SEK 0.2 m, and shareholders' equity has decreased by SEK 0.7 m.
- In the consolidated income statement for 2017, net sales have increased by SEK 0.4 m and the tax expense has increased by SEK 0.1 m.
- In the Group's closing balance as per 31 December 2017, deferred income has increased by SEK 0.5 m, deferred tax assets have increased by SEK 0.1 m, and shareholders' equity have decreased by SEK 0.4 m.

Note 1, cont.

Other new and amended standards

Other new and amended standards and interpretations of existing standards that have come into effect in 2018 have not had any material effect on the Group's financial position or financial statements.

New standards that had not come into force in 2018

The following standards and amendments of existing standards have been published, but had not yet begun to be applied in 2018.

IFRS 16 Leases

IFRS 16 Leases (effective as from 1 January 2019, endorsed by the EU) was published in January 2016 and replaces IAS 17 Leases and related interpretations. The greatest effect for lessees is that there will no longer be any difference between operating and finance leases. All lease contracts, including rents of premises, are to be recognised on the balance sheet with the exception of short-term leases and leases of low value. Recognition is based on the view that the lessee has a right to use an asset during 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 a cost for depreciating the leased assets and an interest expense for the financial liability. Before IFRS 16 is applied, lessees do not recognise operating leases on the balance sheet.

Addnode Group applies IFRS 16 prospectively as from 2019, i.e., comparison figures are not recalculated. The Group's leases pertain mainly to rents of office premises and company car leases. The right-of-use assets are assigned the same value as the estimated lease liability as per 1 January 2019. At the transition date, property, plant and equipment increase by approximately SEK 140 m, and interest-bearing liabilities increase by approximately SEK 130 m. Shareholders' equity in the Group is not affected by the transition to IFRS 16.

Other new and amended standards

Other published new and amended standards and interpretations of existing standards that have not yet come into effect in 2018 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). Swedish kronor (SEK), which is the Parent Company's functional currency and presentation currency, is used in the consolidated financial statements. 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 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 all non-controlling interests are to be measured at either fair value or at the proportionate 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 comprises the basis of future reporting of the remaining holding as an associated company, joint venture or financial asset.

REVENUE RECOGNITION

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 in 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 on 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

Note 1, cont.

will be covered by the customer, revenue is recognised on the balance sheet date at 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 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

Note 1, cont.

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.

FINANCE LEASES

When a lease entails that the Group, in its capacity as lessee, essentially enjoys the economic benefits and bears the financial risks attributable to the leased asset, then the asset is reported as a non-current asset on the consolidated balance sheet. A corresponding obligation to make future lease payments is reported as a liability. Each lease payment is divided into amortisation of the principal and financial expenses to determine a fixed interest rate for the liability recognised in each respective period.

OPERATING LEASES

Leases where a significant portion of the risks and benefits associated with ownership are retained by the lessor are classified as operating leases. Lease payments for operating leases are 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, 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 minimum lease payments under finance leases are recognised at fair value.

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 (IAS 39 in the preceding year) 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 31/12/2018 or 31/12/2017.

The accounting policies described above for financial instruments are based on IFRS 9, which applies as from 2018. Through 2017 IAS 39 was applied, under which securities intended to be held in the long term were attributed to the measurement categories of either available-for-sale financial assets, which were measured at fair value, or financial assets at fair value through profit or loss. The measurement category was determined separately for each holding of securities based on the nature and purpose of the holding. Changes in fair value for the available-for-sale financial assets category were recognised in the consolidated statement of comprehensive income over the holding period, and accumulated changes in value in conjunction with sales were recognised as financial income and financial expenses, respectively, in profit or loss.

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.

Note 1, cont.

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 cancelled 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 operations 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 2018 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 7 m (6) in 2018 and are expected to be roughly the same in 2019. Alecta's surplus can be distributed to the policyholders and/or insureds. At year-end 2018 Alecta's surplus in the form of its collective funding ratio was 142 per cent (154). 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 31/12/2018 amounted to SEK 8 m (7) (see Note 29). 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.

Note 1, cont.

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.

All leases, irrespective of whether they are operating or finance leases, are recognised in the Parent Company as rental agreements (operating leases).

NOTE 2

OPERATING SEGMENTS

The 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. No changes were made in the segment breakdown or in the calculation of the various segments' earnings in 2018. The segment breakdown is based on the Group's products and services.

Company management uses revenue, EBITA and operating profit to make decisions on the allocation of resources, performance analyses and assessments of the performance of the segments. Financial income, financial expenses and income tax are handled at the Group level. Segments are reported according to the same accounting policies as the Group. The difference between the amount of the segment's operating profit and consolidated profit before tax pertains to financial income of SEK 5 m (2), financial expenses of SEK –17 m (–13), and remeasurement of contingent consideration, totalling SEK 6 m (0).

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	***2018***	***2017***	***2018***	***2017***	***2018***	***2017***	***2018***	***2017***	***2018***	***2017***	***2018***	***2017***
Revenue and earnings												
Revenue from external customers	1,048	903	1,130	917	763	700	1	0	–	–	2,942	2,520
Transactions between segments	5	3	2	3	10	5	12	12	–29	–23	0	0
Total revenue	**1,053**	**906**	**1,132**	**920**	**773**	**705**	**13**	**12**	**–29**	**–23**	**2,942**	**2,520**
EBITA	**114**	**76**	**104**	**72**	**116**	**101**	**–36**	**–37**	**–**	**–**	**298**	**212**
Operating profit/loss	**74**	**45**	**78**	**54**	**87**	**69**	**–36**	**–38**	**–**	**–**	**203**	**130**
Other disclosures												
Total assets	1,178	1,018	1,120	949	1,105	1,019	404	183	–732	–544	3,075	2,625
Investments in intangible assets and in property, plant and equipment	26	23	19	16	26	26	–	–	–	–	71	65
Depreciation/amortisation and impairment of intangible assets and of property, plant and equipment	–45	–36	–32	–24	–34	–38	0	0	–	–	–111	–98
Average number of employees	412	345	555	508	497	457	7	7	–	–	1,471	1,317

Note 2, cont.

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	2018	2017	2018	2017
Sweden	1,357	1,256	850	780
Norway	272	256	189	190
Finland	168	169	50	48
Denmark	56	50	21	20
Germany	539	512	222	220
UK	337	146	473	409
USA	82	56	0	0
Other countries	131	75	35	27
Group	**2,942**	**2,520**	**1,840**	**1,694**

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	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Licences	62	45	154	237	36	34	–	–	0	0	252	316
Recurring revenue	771	678	624	389	311	279	–	–	–7	–5	1,699	1,341
Services	204	163	340	279	407	364	–	–	–4	–1	947	805
Other	16	20	14	15	19	28	13	12	–18	–17	44	58
Total revenue	**1,053**	**906**	**1,132**	**920**	**773**	**705**	**13**	**12**	**–29**	**–23**	**2,942**	**2,520**

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

Product and service	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. Since autumn 2016, 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 agreements** Revenue for 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 period 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 for 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 for 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 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 period. 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 for 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

Product and service	***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. 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 agreements** Revenue for 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 for 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 agreements 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

Product and service	***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 for 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 for 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 been fulfilled. 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 for 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.

Note 3, cont.

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 38 m, SEK 33 m has been re-classifed as trade receivables in 2018. No significant impairment has been recognised for accrued income at the start of the year. Revenue recognised in 2018 is included in accrued income at year-end in the amount of SEK 34 m.

Deferred income
Of the year's opening balance of SEK 355 m, SEK 346 m has been recognised as revenue in 2018. Companies acquired in 2018 contributed SEK 37 m to deferred income in 2018. Contracts invoiced in advance in 2018 are included in deferred income at year-end in the amount of SEK 388 m.

Customer advances
Of the year's opening balance of SEK 18 m, SEK 11 m has been recognised as revenue in 2018. 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 10 m.

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 31/12/2018 was SEK 4 m (2), which corresponds to 0.7 per cent (0.5) of total trade receivables. Profit for 2018 was negatively affected in the amount of SEK 5 m (2) 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).

Within one year after the balance sheet date	98
Later than one year but within five years from after the balance sheet date	139
Later than five years after the balance sheet date	29
Total	**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	***2018***	***2017***	***2018***	***2017***
Salaries and other remuneration for:				
– boards of directors, presidents and senior executives	116	99	11	10
– other employees	777	665	5	6
Pension costs for:				
– boards of directors, presidents and senior executives	17	14	2	2
– other employees	65	52	1	1
Other social security costs	209	188	5	5
Total	**1,184**	**1,018**	**24**	**24**
Salaries and other remuneration for boards of directors, presidents and senior executives above include bonuses and similar, totalling	20	16	3	3
Number of persons included in the category of boards of directors, presidents and senior executives above	108	96	9	10

NOTE 5

REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

REMUNERATION AND OTHER BENEFITS IN 2018

SEK thousands	*Base salary/fee*	*Variable remuneration*	*Other benefits*	*Pension costs*	*Total 2018*
Staffan Hanstorp, Chairman of the Board	392	–	–	–	392[1]
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**

[1] 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.

REMUNERATION AND OTHER BENEFITS IN 2017

SEK thousands	*Base salary/fee*	*Variable remuneration*	*Other benefits*	*Pension costs*	*Total 2017*
Staffan Hanstorp, Chairman of the Board	257	–	–	–	257[2]
Sigrun Hjelmquist, former Chairman of the Board	137	–	–	–	137
Jan Andersson, director	238	–	–	–	238
Kristofer Arwin, director	219	–	–	–	219
Johanna Frelin, director	123	–	–	–	123
Sigrun Hjelmquist, director	147	–	–	–	147
Thord Wilkne, director	183	–	–	–	183
Dick Hasselström, former director	198	–	–	–	198
Annika Viklund, former director	60	–	–	–	60
Johan Andersson, President	1,713	1,039	75	514	3,341
Staffan Hanstorp, former President	750	680	37	225	1,692
Other senior executives (4 persons)	6,824	2,331	173	1,312	10,640
Total	**10,849**	**4,050**	**285**	**2,051**	**17,235**

[2] During the period May-December 2017 the Chairman of the Board, Staffan Hanstorp, invoiced the Parent Company SEK 1,674 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.

Note 5, cont.

GUIDELINES APPROVED BY THE ANNUAL GENERAL MEETING IN APRIL 2018

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 74–75. The following guidelines for remuneration and other terms of employment for senior executives were approved by the AGM in April 2018:

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 per 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 targets. 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 nine months' salary. For other members of Group Management and other senior executives, variable cash remuneration is capped at six months' salary and shall be based primarily on the operation for which the individual is responsible. Share-based incentive programmes shall ensure long-term commitment to the Group's development and promote personal shareholdings in the company.

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 deviate from these guidelines only if specific reasons exist in individual cases.

REMUNERATION AND BENEFITS FOR THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES IN 2018

Parent Company Board of Directors

For the time between the 2018 and 2019 Annual General Meetings, a fixed fee of SEK 380 thousand is payable to the Chairman of the Board and SEK 190 thousand to each of the other board members. A fee of SEK 75 thousand is payable to the Audit Committee chair, and a fee of SEK 45 thousand is payable to each of the two other members of the Audit Committee. A fee of SEK 15 thousand is payable to each of the two members of the Board's Remuneration Committee. During 2018 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 2018 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 220 thousand per month, variable remuneration, other benefits and occupational pension premiums. Variable remuneration pertains to the expensed bonus for 2018, which will be paid out in 2019. Variable remuneration is based on the Group's earnings after amortisation of intangible assets and is capped at nine months' fixed salary. 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 2018 includes Group Management, except for the President of the Parent Company, according to the description in the corporate governance report on pages 74-75. Remuneration of other senior executives consists of a base salary, variable remuneration, other benefits and occupational pension premiums. Variable remuneration for the 2018 financial year pertains to expensed bonuses that will be paid out in 2019. For the divisional presidents, variable remuneration is largely based on operating profit for the year for the division before amortisation of intangible assets. For the CFO, variable remuneration is based on consolidated operating profit after amortisation of intangible assets and on earnings per share. Variable remuneration is capped at an amount that corresponds to six 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 twelve 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	*2018*	*2017*	*2018*	*2017*
Audit assignment				
PricewaterhouseCoopers	2,566	1,989	613	452
of which, Pricewater-houseCoopers AB[1]	2,043	1,618		
Other auditors	1,681	1,208	–	–
Auditing activities in addition to the audit assignment				
PricewaterhouseCoopers	261	242	241	100
of which, Pricewater-houseCoopers AB[1]	261	242		
Other auditors	72	306	–	–
Tax consulting				
PricewaterhouseCoopers	68	298	18	5
of which, Pricewater-houseCoopers AB[1]	68	298		
Other auditors	358	431	–	–
Other services				
PricewaterhouseCoopers	147	37	102	30
of which, Pricewater-houseCoopers AB[1]	102	30		
Other auditors	87	197	–	–
Total	**5,240**	**4,708**	**974**	**587**

[1] *Starting with the 2017 financial year, disclosure is provided of how much of the Group's total fees paid to auditors pertain to the AGM-elected accounting firm in Sweden.*

Fees for auditing activities in addition to the audit assignment include reviews of the interim reports for both 2018 and 2017.

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 –1 m (–3). 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 31/12/2018 or 31/12/2017.

Further information on the company's currency hedging policy is provided in Note 39, Financial risks and risk management.

NOTE 8

RESEARCH AND DEVELOPMENT

Research and development costs for the year amounted to SEK 31 m (29). Cost for investments in proprietary software and applications were capitalised in 2018 in the amount of SEK 52 m (46) (see Note 16). Amortisation in 2018 of capitalised amounts for proprietary software and applications for the year and previous years amounted to SEK 41 m (40).

NOTE 9

OPERATING LEASES

The nominal value of future, minimum lease payments for non-cancellable leases is broken down by maturities as follows:

	Group	
SEK m	*2018*	*2017*
Due for payment within one year	63	59
Due for payment after more than one year but within five years	80	78
Due for payment after more than five years	0	0
Total	**143**	**137**

Leasing costs for operating leases amounted to the following during the year:

	Group	
SEK m	*2018*	*2017*
Rental and leasing costs	70	60
Total	**70**	**60**

The operating leases pertain primarily to rents of premises.

NOTE 10

FINANCIAL INCOME

SEK m	Group 2018	Group 2017
Interest income	1	1
Share dividends	1	1
Exchange rate differences	3	–
Other financial income	0	0
Total	**5**	**2**

SEK m	Parent Company 2018	Parent Company 2017
Result from participations in Group companies		
Share dividends	57	40
Group contributions received	130	120
Impairment losses	–33	–19
Total	**154**	**141**
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	0
Interest income from Group companies	1	1
Total	**2**	**1**

NOTE 11

FINANCIAL EXPENSES

SEK m	Group 2018	Group 2017
Interest expense	–15	–7
Exchange rate differences	–	–4
Other financial expenses	–2	–2
Total	**–17**	**–13**

SEK m	Parent Company 2018	Parent Company 2017
Interest expense and similar profit/loss items		
External interest expense	–14	–6
Interest expense to Group companies	–1	0
Exchange rate differences	–1	–2
Other financial expenses	–2	–2
Total	**–18**	**–10**

NOTE 12

TAX

SEK m	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Current tax on profit for the year	–49	–31	–14	–14
Adjustments pertaining to previous years	–1	1	–	–
Deferred tax (see Note 13)	5	1	–	–
Total	**–45**	**–29**	**–14**	**–14**

Tax attributable to the subcomponents of other comprehensive income for the Group in 2018 totalled SEK –39 thousand (–42) 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:

SEK m	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Profit before financial items/ profit before tax	**197**	**119**	**87**	**85**
Tax calculated according to nominal Swedish tax rate of 22% (22)	–43	–26	–19	–19
Non-deductible expenses	–3	–4	–7	–4
Dividends from Group companies	–	–	12	9
Other tax-exempt income	2	1	0	0
Utilisation of loss carry-forwards and temporary differences for which deferred tax assets were previously capitalised	1	1	–	–
Increase in deferred tax assets for loss carryforwards and temporary differences	–	0	–	–
Increase in loss carryforwards and temporary differences for which no deferred tax assets were capitalised	0	–2	–	–
Revaluation of deferred tax assets and deferred tax liabilities due to changes in foreign tax rates	0	1	–	–
Effect of foreign tax rates	–1	–1	–	–
Adjustments pertaining to previous years	–1	1	–	–
Tax according to income statement	**–45**	**–29**	**–14**	**–14**

Non-deductible expenses for the Parent Company include impairment of the value of participations in Group companies for both 2018 and 2017.

NOTE 13

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	***2018***	***2017***	***2018***	***2017***
Deferred tax assets				
Intangible non-current assets	0	0	–	–
Property, plant and equipment	2	1	–	–
Temporary differences in receivables and liabilities	2	2	0	0
Loss carryforwards	6	10	–	–
Total deferred tax assets	**10**	**13**	**0**	**0**
Deferred tax liabilities				
Capitalised costs for development work	6	8	–	–
Customer agreements, software and similar rights	53	52	–	–
Untaxed reserves	20	16	–	–
Total deferred tax liabilities	**79**	**76**	**–**	**–**
Deferred tax assets and deferred tax liabilities, net	**-69**	**-63**	**0**	**0**

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

	Group		Parent Company	
SEK m	***2018***	***2017***	***2018***	***2017***
Opening balance	-63	-46	0	0
Changed accounting policy IFRS 15	–	0	–	–
Acquired Group companies	-10	-18	–	–
Recognised through profit or loss (see Note 12)	5	1	–	–
Recognised through other comprehensive income (see Note 12)	0	0	–	–
Translation difference	-1	0	–	–
Closing balance	**-69**	**-63**	**0**	**0**

The amounts reported on the balance sheet include the following:

	Group	
SEK m	***2018***	***2017***
Deferred tax assets that can be utilised after 12 months at the earliest	4	3
Deferred tax liability that must be paid after 12 months at the earliest	-65	-54

Deferred tax assets not reported as assets

The Group's total tax loss carryforwards amounted to approximately SEK 65 m on 31/12/2018. 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 reported 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 in the countries in which these loss carryforwards exist. Deferred tax assets that have not been reported as assets amounted to approximately SEK 8 m (7) on 31/12/2018. There are no established maturity dates for the tax loss carryforwards that the Group had on 31/12/2018.

NOTE 14

EARNINGS PER SHARE

	Group	
	2018	***2017***
Earnings per share before and after dilution		
Reported profit attributable to owners of the Parent Company, SEK m	152	90
Profit for calculation of earnings per share, SEK m	152	90
Average number of shares outstanding before and after dilution	32,018,923	30,427,256
Earnings per share before and after dilution, SEK	**4.75**	**2.96**

NOTE 15

PROPOSED DISTRIBUTION OF EARNINGS

Profit for the year, totalling SEK 73 m, and other unrestricted shareholders' equity, totalling SEK 550 m, for a total of SEK 623 m, are at the disposal of the Annual General Meeting. The Board of Directors proposes that these earnings be disposed of as follows:

Dividend to the shareholders of SEK 2.50 per share	84
To be carried forward	539
Total	**623**

During 2018 a dividend of SEK 2.25 per share was paid, for a total dividend payout of SEK 68 m.

NOTE 16

INTANGIBLE NON-CURRENT ASSETS

SEK m	*Goodwill*	*Customer agreements and similar rights*	*Acquired software*	*Costs for software development*	*Group*
As per 1 January 2017					
Cost	1,002	178	105	168	1,453
Accumulated amortisation and impairment losses	–30	–118	–61	–78	–287
Carrying amount	**972**	**60**	**44**	**90**	**1,166**
1 January–31 December 2017					
Opening carrying amount	972	60	44	90	1,166
Additions from acquired companies	2	0	5	—	7
Acquisitions for the year[1]	374	68	63	46	551
Amortisation during the year	—	–22	–20	–40	–82
Translation difference	10	3	0	–1	12
Closing carrying amount	**1,358**	**109**	**92**	**95**	**1,654**
As per 31 December 2017					
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 for 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] 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 2018, costs for investments in proprietary software and applications that meet the criteria for capitalisation amounted to SEK 52 m (46).

Note 16, cont.

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 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**

SEK m	*Design Mgt*	*PLM*	*Process Mgt*	*Group*
As per 31 December 2017				
Sweden	118	70	437	625
Norway	155	–	–	155
Finland	21	26	–	47
Denmark	20	–	–	20
Germany	–	180	–	180
UK	155	159	–	314
Netherlands	–	12	–	12
Serbia	–	–	5	5
Total	**469**	**447**	**442**	**1,358**

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 (4) 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 31/12/2018. 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 31/12/2018.

	Parent Company	
SEK m	*2018*	*2017*
Computer software		
Opening cost	1	1
Closing accumulated cost	**1**	**1**
Opening amortisation	0	–
Amortisation for the year	0	0
Closing accumulated amortisation	**0**	**0**
Closing planned residual value	**1**	**1**

NOTE 17

PROPERTY, PLANT AND EQUIPMENT

	Group		Parent Company	
SEK m	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*
Equipment and installations				
Opening cost	108	101	0	0
Addition from acquired companies	1	5	–	–
Purchases during the year	15	16	–	–
Sales/disposals	–10	–15	–	–
Translation difference	2	1	–	–
Closing accumulated cost	**116**	**108**	**0**	**0**
Opening depreciation	–68	–65	0	0
Sales/disposals	8	13	–	–
Translation difference	–2	0	–	–
Depreciation for the year	–17	–16	0	0
Closing accumulated depreciation	**–79**	**–68**	**0**	**0**
Closing planned residual value	**37**	**40**	**0**	**0**

	Group	
SEK m	*31/12/2018*	*31/12/2017*
Land and buildings		
Opening cost	1	1
Closing accumulated cost	**1**	**1**
Opening depreciation	–1	–1
Depreciation for the year	–	0
Closing accumulated depreciation	**–1**	**–1**
Closing planned residual value	**0**	**0**

Land and buildings pertain to assets in Sweden.

NOTE 18

FINANCE LEASES

Property, plant and equipment in the Group include assets leased under finance leases with a consolidated cost of SEK 2 m (2), accumulated depreciation of SEK 0 m (0), and a carrying amount of SEK 2 m (2). Liabilities pertaining to future minimum lease payments amount the following:

	Group	
SEK m	*31/12/2018*	*31/12/2017*
Due for payment within one year	1	1
Due for payment later than one year but within five years	1	1
Total future minimum lease payments	**2**	**2**
Future financial expenses for finance leases	0	0
Present value of future minimum lease payments	**2**	**2**
The present value of future, minimum lease payments is broken down into the following due dates:		
Due for payment within one year	1	1
Due for payment later than one year but within five years	1	1
Total	**2**	**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	*31/12/2018*	*31/12/2017*
Opening cost	1,911	1,318
Investments in subsidiaries during the year[1]	266	614
Capital contributions to subsidiaries	6	17
Sales of subsidiaries[2]	–10	–24
Remeasurement of contingent consideration	–6	0
Repayment of capital from subsidiaries	–	–19
Reclassification from long-term securities holdings	–	5
Closing accumulated cost	**2,167**	**1,911**
Opening impairment	–142	–138
Impairment losses recognised during the year	–33	–19
Sales of subsidiaries[2]	–	15
Closing accumulated impairment losses	**–175**	**–142**
Closing carrying amount	**1,992**	**1,769**

[1] The year's investments in subsidiaries include estimated contingent consideration totalling SEK 18 m. The outcome is dependent on the revenue and earnings performance of the acquired companies.
[2] The sales in 2018 and 2017 were made to other Group companies.

Note 19, cont.

Company	***Corporate identity number***	***Registered office***	***No. shares***	***Share of capital/ votes, %***	***Carrying amount 31/12/2018***	***Carrying amount 31/12/2017***
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	177	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	230	248
Strategic Simulation and Analysis Ltd	06433279	Charlbury, UK	1,000	100	36	–
Simuleon B.V.	55204982	Bruchem, Netherlands	18,000	100	10	–
Symetri AB	556359-5429	Borlänge	10,000	100	157	128
Symetri AS	957 168 868	Oslo, Norway	200	100	71	71
Symetri Oy	1058681-8	Helsinki, Finland	3,000	100	37	37
Symetri A/S	13 737 436	Copenhagen, Denmark	60	100	1	1
Symetri Collaboration AS	983 443 117	Oslo, Norway	3,644	100	155	155
Symetri Collaboration AB	556657-7176	Stockholm	1,001	100	14	14
Cadassist Ltd	01994562	Bramhall, Stockport, UK	12,105	100	95	–
d2m3 Ltd	04309261	Bramhall, Stockport, UK	105	100	21	–
Service Works Global Ltd	04915250	London, UK	33,094,051	100	208	223
Service Works International Ltd	04915227	London, UK	1	100	–	–
Service Works Global Pty. Ltd	11 108 665 818	Camberwell, 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 Nordic AB	556535-3918	Eskilstuna	4,586,000	100	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	19
InPort Intelligent PORT Systems AB	556270-4451	Karlstad	5,000	100	31	–
Decerno AB	556498-5025	Stockholm	10,000	100	43	43
Decerno Väst AB	556564-9885	Gothenburg	28,000,000	100	16	16
Sokigo AB	556550-6309	Köping	5,000	100	125	120
Arkiva AB	556313-5952	Västerås	1,000	100	7	–
EssVision AB	556373-9225	Stockholm	1,000	100	26	26
Adtollo AB	556476-6813	Stockholm	2,400	100	31	31

Note 19, cont.

Company	**Corporate identity number**	**Registered office**	**No. shares**	**Share of capital/ votes, %**	**Carrying amount 31/12/2018**	**Carrying amount 31/12/2017**
Forsler & Stjerna Konsult AB	556412-4849	Lund	1,000	100	28	28
Svenska ITKompanion AB	556710-4244	Gothenburg	185,795	100	18	18
Canella IT Products AB	556818-6927	Stockholm	500	100	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	—
Canella AS	998 653 886	Oslo, Norway	100	100	0	0
Cartesia Oy	1617126-9	Helsinki, Finland	500	100	0	0
Merged direct holdings in 2018:						
Canella IT Solutions AB[4]	556784-8071	Stockholm	1,204	100	—	40
MCAD Sverige AB[5]	556639-4432	Lund	1,660	100	—	—
Total carrying amount					**1,992**	**1,769**

[3] *The company is 99 per cent-owned by TECHNIA AB and 1 per cent-owned by TECHNIA Oy.*
[4] *During 2018 Canella IT Solutions AB was merged with Canella IT Products AB.*
[5] *MCAD Sverige AB was acquired on 2 January and was subsequently merged with 2 Symetri AB.*

Subsidiaries acquired during the year are described in Note 36 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 (IAS 39 in preceding year), 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 instructions below. Financial risks and risk management are described in Note 39.

		Group	
SEK m	***Note***	***31/12/2018***	***31/12/2017***
ASSETS			
Financial assets measured at amortised cost[1]			
Non-current receivables	22	7	7
Trade receivables		600	538
Other receivables		9	9
Financial assets measured at fair value through other comprehensive income[2]			
Long-term securities holdings[3]	21	11	8
Cash and cash equivalents	37	387	173
LIABILITIES			
Financial assets at fair value through profit or loss			
Provisions for estimated contingent consideration[4]	29	108	94
Other financial liabilities			
Non-current and current interest-bearing liabilities	27	546	621
Trade payables		158	133

[1] *The measurement category according to IAS 39 on 31/12/2017 was "loan receivables and trade receivables".*

[2] *The measurement category according to IAS 39 on 31/12/2017 was "available-for-sale financial assets".*

[3] *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 8 m (11), the year's investments amounted to SEK 3 m (2), the year's reclassifications amounted to SEK – m (–5), and the year's closing carrying amount amounted to SEK 11 m (8) (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. Other than that, no result has been recognised in the income statements for 2018 or 2017 from unlisted shares and participations. For shareholdings and participations remaining at 31/12/2018, no gains or losses have been recognised through profit or loss or through other comprehensive income for 2018 or prior years. The carrying amounts of the unlisted shareholdings and participations as per 31/12/2018 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.*

[4] *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 94 m (42), additional provisions during the year for acquisitions amounted to SEK 18 m (90), contingent consideration paid during the year amounted to SEK – m (–42), revaluations during the year amounted to SEK –6 (0), exchange rate differences for the year amounted to SEK 2 (4), and the closing carrying amount for the year was SEK 108 m (94). The result of remeasurement of contingent consideration in 2018, totalling SEK 6 m (0), is recognised through profit or loss. An exchange rate loss of SEK – m (–2) was recognised through profit or loss, of which no portion was unrealised. An unrealised exchange rate loss of SEK –2 m (–2) pertaining to contingent consideration, which constitutes a hedge of a net investment in foreign operations, was recognised through other comprehensive income. Further information about contingent consideration and its measurement is provided in Notes 29 and 36.*

Note 20, cont.

During 2018 and 2017 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 (IAS 39 in preceding year).

SEK m	Group 2018 Gain/loss	Group 2018 Interest income	Group 2018 Interest expense	Group 2017 Gain/loss	Group 2017 Interest income	Group 2017 Interest expense
Financial assets measured at amortised cost[5]						
Non-current receivables and other current receivables	–	0	–	–	1	–
Financial assets measured at fair value through other comprehensive income[6]						
Long-term securities holdings[7]	1	–	–	1	–	–
Cash and cash equivalents	–	**1**	–	–	**0**	–
Other financial liabilities						
Interest expense on liabilities to credit institutions	–	–	-14	–	–	-6
Interest expense on finance leases	–	–	0	–	–	0
Other interest expense	–	–	-1	–	–	-1
Earnings effect	**1**	**1**	**-15**	**1**	**1**	**-7**

[5] The measurement category according to IAS 39 on 31/12/2017 was "loan receivables and trade receivables".
[6] The measurement category according to IAS 39 on 31/12/2017 was "available-for-sale financial assets".
[7] The gain/loss amount for 2018 pertains to a dividend of SEK 1 m (1).

NOTE 21
LONG-TERM SECURITIES HOLDINGS

SEK m	Group 31/12/2018	Group 31/12/2017	Parent Company 31/12/2018	Parent Company 31/12/2017
Opening cost	8	11	2	7
Investments during the year	3	2	–	–
Reclassification to participations in Group companies	–	-5	–	-5
Closing accumulated cost	**11**	**8**	**2**	**2**
Closing carrying amount	**11**	**8**	**2**	**2**

Company	Corporate identity number	Registered office	Number of shares	Share of capital/ votes, %	Carrying amount 31/12/2018	Carrying amount 31/12/2017
Walter d.o.o	65-01-0103-11	Sarajevo, Bosnia-Herzegovina		30.00	2	2
Total holding in Parent Company					**2**	**2**
Additions in the Group:						
HSB's Ingeborg tenant-owner association in Borlänge	716456-4408	Borlänge			0	0
Optimdata SAS	809 999 188	Bois-Colombes, France	480,000	37.13	6	6
Others					3	0
Closing carrying amount					**11**	**8**

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

	Group		Parent Company	
SEK m	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*
Opening cost	7	7	0	0
Loans provided	0	0	–	–
Endowment insurance	–	0	–	0
Amortisation and repayments	0	0	–	–
Reclassifications	0	–	0	–
Exchange rate difference	0	0	–	–
Closing accumulated cost	**7**	**7**	**–**	**0**
Closing carrying amount	**7**	**7**	**–**	**0**

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 31/12/2018.

NOTE 23

PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
SEK m	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*
Prepaid rents and lease payments	10	10	2	2
Prepaid licences and service agreements	71	73	0	0
Other prepaid expenses	72	44	2	2
Accrued income	39	38	–	–
Closing balance	**192**	**165**	**4**	**4**

NOTE 24

CASH AND CASH EQUIVALENTS IN GROUP ACCOUNT

	Parent Company	
	31/12/2018	*31/12/2017*
Cash and cash equivalents in Group account	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 31/12/2017, utilised credit in the Group account system amounted to SEK 42 m, which is reported as a current liability to credit institutions on the Parent Company's balance sheet (see also Note 30).

Current receivables in Group companies include SEK 62 m (60) 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 559 m (339) attributable to the Group account, of which SEK 118 m (86) 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 79 and 84). 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 31/12/2016	**1,053,247**	**29,374,009**	**–**	**30,427,256**
Conversion of A-shares to B-shares	–66,073	66,073	–	0
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**

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.

	Group	
SEK m	*31/12/2018*	*31/12/2017*
Exchange rate differences in shareholders' equity		
Opening balance	4	–8
Change in the year's translation of foreign subsidiaries	25	12
Closing balance	**29**	**4**
Hedge of net investments in foreign operations recognised in shareholders' equity		
Opening balance	–17	–1
Remeasurement at fair value	–6	–16
Closing balance	**–23**	**–17**

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 (37) on 31/12/2018. The Group's dividend policy is described on page 50.

New issue

In June 2019 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 31/12/2017 or 31/12/2018. No own shares were acquired or transferred in 2017 or 2018. The number of shares outstanding was 30,427,256 on 31/12/2017 and 33,427,256 on 31/12/2018.

Transactions with non-controlling interests

In 2017 the Parent Company acquired an additional 9,566 shares in the subsidiary Decerno Väst AB, after which the company is a wholly owned subsidiary of Addnode Group AB (publ). During 2018 no transactions were made with non-controlling interests.

NOTE 26

UNTAXED RESERVES

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

NOTE 27

INTEREST-BEARING LIABILITIES

	Group		Parent Company	
SEK m	**31/12/2018**	**31/12/2017**	**31/12/2018**	**31/12/2017**
Non-current interest-bearing liabilities				
Due to credit institutions	–	3	–	–
Liabilities pertaining to finance leases	1	1	–	–
Other non-current interest-bearing liabilities	–	11	–	11
Total non-current interest-bearing liabilities	**1**	**15**	**–**	**11**
Current interest-bearing liabilities				
Due to credit institutions	510	594	488	578
Liabilities pertaining to finance leases	1	1	–	–
Bank overdraft facility (see Note 30)	–	–	–	42
Other current interest-bearing liabilities	34	11	35	11
Total current interest-bearing liabilities	**545**	**606**	**523**	**631**
Total interest-bearing liabilities	**546**	**621**	**523**	**642**

Due 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 (previously SEK 400 m) to finance acquisitions. The agreement has a term of four years, and the credit can be drawn successively. In 2018 a total of SEK 118 m was drawn, and SEK 210 m in previously drawn bank loans was repaid. The respective bank loans have terms of either one, three, six or twelve months, however, the debt amount can thereafter be re-borrowed in its entirety within the framework of the credit facility's total amount.

Of the Group's amounts due to credit institutions on 31/12/2018, SEK 60 m (189) was denominated in SEK, SEK 447 m (403) was denominated in GBP, and SEK 3 m (5) 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 2.5 per cent with an interest rate adjustment that is conducted monthly, quarterly or yearly in connection with the reset dates of the respective loans. The loan in USD carries fixed interest at a rate of 4.5 per cent.

Other interest-bearing liabilities

The other non-current and current interest-bearing liabilities pertain to liabilities for consideration for company acquisitions. Of the Group's liabilities as per 31/12/2018, SEK 1 m carries 2 per cent interest, SEK 20 m carries 1.5 per cent interest, and SEK 13 m carries 1 per cent interest. Of the total liability of SEK 34 m, SEK 14 m is denominated in SEK, SEK 18 m is denominated in GBP, and SEK 2 m is denominated in EUR. Of the liabilities as per 31/12/2017, SEK 5 m carried 2 per cent interest, SEK 4 m carried 1.5 per cent interest, and SEK 13 m carried 1 per cent interest. Of the total liability of SEK 22 m, SEK 18 m was denominated in SEK and SEK 4 m was denominated in EUR.

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

	Group		Parent Company	
SEK m	**31/12/2018**	**31/12/2017**	**31/12/2018**	**31/12/2017**
Between 1 and 2 years after the balance sheet date	1	14	–	11
Between 2 and 5 years after the balance sheet date	0	1	–	–
Total	**1**	**15**	**–**	**11**

Fair value

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

NOTE 28

OTHER NON-CURRENT LIABILITIES

Other non-current liabilities as per 31/12/2017 pertained to liabilities for consideration for company acquisitions. The liability as per 31/12/2017 is payable in 2019 has therefore been reclassified to current liabilities as per 31/12/2018. This liability carries 1.0–2.0 per cent interest. Of the total liability of SEK 11 m, SEK 9 m is denominated in EUR. The carrying amount represents a good approximation of the fair value of the liabilities.

NOTE 29

PROVISIONS

	Group		Parent Company	
SEK m	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*
Estimated contingent consideration for acquisitions	108	94	102	91
Decided restructuring measures	6	8	–	–
Pension obligations (see below)	8	8	–	0
Total	**122**	**110**	**102**	**91**
Of which, to be settled within 12 months	**109**	**9**	**97**	**41**
Of which, expected to be settled after more than 12 months	**13**	**101**	**5**	**50**

	Group		Parent Company	
SEK m	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*
Opening provisions	110	52	91	41
Provisions during the period for restructuring measures	5	10	–	–
Utilised during the period	-7	-4	–	–
Estimated contingent consideration for acquisitions	18	90	18	90
Remeasurement of contingent consideration	-6	0	-6	0
Contingent consideration paid	–	-42	–	-42
Change in provisions for pension obligations	0	0	-1	0
Exchange rate differences	2	4	–	2
Total	**122**	**110**	**102**	**91**

Estimated contingent consideration for acquisitions

The provisions for estimated contingent consideration pertain mainly to the acquisitions of Service Works Global Ltd and TECHNIA Ltd (formerly Intrinsys Ltd) (see Note 36). The final earn-out that corresponds to the provisions as per 31/12/2018 is mainly dependent on the earnings performance of the acquired companies. The payments are expected to be made in 2019 and to some extent in 2020.

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 acquired German company TECHNIA GmbH (formerly TechniaTranscat GmbH) has pension obligations under defined benefit pension plans for five employees. The provision for these pension obligations amounted to SEK 8 m (7) as per 31/12/2018 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 1.75 per cent (1.75).

NOTE 30

BANK OVERDRAFT FACILITIES

At 31/12/2018 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 31/12/2018 (previous year: utilised in the amount of SEK 42 m).

NOTE 31

ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
SEK m	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*
Personnel-related costs	172	142	6	5
Other accrued expenses	57	47	7	7
Deferred income	426	355	–	–
Closing balance	**655**	**544**	**13**	**12**

NOTE 32

PLEDGED ASSETS

	Group		Parent Company	
SEK m	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*
For rental contracts				
Non-current receivables	5	5	–	–
Current receivables	1	1	–	–
Total	**6**	**6**	**–**	**–**

Financial obligations

According to the credit facility agreements 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 31/12/2018 this key ratio was 0.98.
- Interest-coverage ratio (EBITDA plus financial income in relation to financial expenses) shall not fall below a multiple of 5. At 31/12/2018 this key ratio was 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 33

CONTINGENT LIABILITIES

	Group		Parent Company	
SEK m	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*
Payment guarantees for leases	1	1	1	1
Sureties for bank guarantees	0	0	0	0
Total	**1**	**1**	**1**	**1**

NOTE 34

INTEREST AND DIVIDENDS RECEIVED, AND INTEREST PAID

	Group		Parent Company	
SEK m	*2018*	*2017*	*2018*	*2017*
Interest received	1	1	2	1
Dividends received	1	1	58	41
Interest paid	–15	–5	–14	–4
Total	**–13**	**–3**	**46**	**38**

NOTE 35

ADJUSTMENTS FOR NON-CASH ITEMS

	Group		Parent Company	
SEK m	*2018*	*2017*	*2018*	*2017*
Depreciation/amortisation and impairment	111	98	33	19
Capital gains/losses	–1	–1	—	—
Unrealised exchange rate differences	–1	2	1	2
Remeasurement of contingent consideration	–6	0	—	—
Changes in provisions	–2	6	—	—
Provision for bad debts	2	0	—	—
Accrued interest expenses	0	3	1	2
Recognised Group contributions	—	—	–130	–120
Total	**103**	**108**	**–95**	**–97**

NOTE 36

ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES

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 for municipal 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 simulation	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 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 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.

Note 36, cont.

At the end of November 2017 an agreement was signed to acquire all of the shares in MCAD Sverige AB, with possession transferring on 2 January 2018. MCAD provides CAD and PDM solutions to 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 starting in 2018. During 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 amount to approximately SEK 37 m, entailing a deferred tax liability of SEK 2 m. Other acquired assets and liabilities pertain 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 discounted amount of SEK 13 m may be payable, of which SEK 8 m is recognised as a provision in the purchase price allocation analysis. The outcome of the earn-out payment is mainly dependent on growth in net profit in 2018. In connection with the book-closing on 31 December 2018, the provision for the contingent earn-out was remeasured at SEK 2 m.

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 amount to SEK 28 m, entailing a deferred tax liability of SEK 2 m. Other acquired assets and liabilities pertain 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 amount to approximately SEK 22 m, entailing a deferred tax liability of approximately SEK 2 m. Other acquired assets and liabilities pertain 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, discounted amount of SEK 10 m may be made. In the purchase price allocation analysis, the provision is reported in the maximum amount.

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 amount to SEK 44 m, entailing a deferred tax liability of SEK 3 m. Other acquired assets and liabilities pertain 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 amount to SEK 33 m, entailing a deferred tax liability of SEK 2 m. Other acquired assets and liabilities pertain 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.

ACQUISITIONS IN 2017

Company/operation	**Business**	**Acquisition date**	**Share of capital/ votes, %**
Projektstyrning Prima AB	IT-based planning and monitoring systems	2/1/2017	100
Infostrait Holding B.V. with subsidiaries	IT solutions for product information (PLM solutions)	3/4/2017	100
Canella IT Solutions AB with subsidiaries	IT solutions for the pharmacy and care markets	1/6/2017	100
Forsler & Stjerna Konsult AB	IT solutions primarily for public transport planning	1/7/2017	100
Service Works Group Ltd with subsidiaries	IT solutions for operation, maintenance and management of properties	31/7/2017	100
Intrinsys Ltd	IT systems for design and PLM solutions	1/8/2017	100
Adtollo AB	IT systems for the map and contracting industries	2/10/2017	100
Apricon AB	IT solutions for project communication and document handling	2/10/2017	100

Note 36, cont.

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

SEK m	*Service Works Group*	*Intrinsys*	*Other acquisitions*	*Total acquisitions in 2017*
Purchase price				
cash paid in 2017	177	202	118	497
cash paid in earlier years	—	—	6	6
non-current and current liabilities to sellers	—	—	18	18
estimated contingent consideration[1]	42	43	5	90
Total purchase price	**219**	**245**	**147**	**611**
Identifiable net assets (see below)	–93	–91	–53	–237
Goodwill	**126**	**154**	**94**	**374**

[1] Provisions for contingent consideration that is expected to be paid in cash in 2019. The outcome is dependent on the 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 acquisition was as follows:

SEK m	*Service Works Group*	*Intrinsys*	*Other acquisitions*	*Total acquisitions in 2017*
Customer agreements and software	52	36	40	128
Other intangible non-current assets	2	1	3	6
Property, plant and equipment	1	1	3	5
Receivables[2]	26	50	22	98
Cash and cash equivalents	51	94	30	175
Non-current liabilities	—	—	–1	–1
Current liabilities	–36	–84	–36	–156
Deferred tax, net	–3	–7	–8	–18
Identifiable net assets	**93**	**91**	**53**	**237**

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

In December 2016 an agreement was signed to acquire all of the shares outstanding in Projektstyrning Prima AB (name subsequently changed to Svenska ITKompanion AB), which is the legal entity behind the planning tool Kompanion, with transfer of possession on 2 January 2017. Prior to this Addnode Group owned 37 per cent of the shares in this company, and the acquisition was carried out in accordance with an existing shareholder agreement. The business is focused on IT-based planning and monitoring systems that are used by a large number of municipalities and private companies for business support processes in the social services sector, such as home care. The acquisition strengthens the Group's offerings in this area. The company has annual net sales of approximately SEK 20 m and is consolidated as from 2017 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 amount to SEK 24 m, giving rise to a deferred tax liability of SEK 1 m. Other acquired assets and liabilities pertain primarily to software and deferred income.

On 24 March 2017 an agreement was signed to acquire all of the shares in the company infostrait (name subsequently changed to TECHNIA B.V.), with transfer of possession on 3 April 2017. The company is a Dutch PLM and BIM specialist with annual net sales of approximately SEK 25 m. The company has 18 employees and is included from the date of possession in the Product Lifecycle Management division, which since previously has a strong offering to customers in the PLM segment. The acquisition also entails establishment of operations for the Group in the Benelux area. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to SEK 15 m, giving rise to a deferred tax liability of SEK 1 m. Other acquired assets and liabilities pertain primarily to accrued income, cash and cash equivalents, and deferred income.

On 1 June 2017 all of the shares outstanding were acquired in the Swedish software company Canella IT Solutions AB, which develops IT solutions for the Nordic pharmacy and care market. The business is based on the company's proprietary Candos software, which is used by pharmacy operators and county councils. The acquisition strengthens the Group's offering in the social services sector. The company has annual net sales of approximately SEK 20 m and is included in the Process Management division since the date of possession. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to SEK 29 m, giving rise to a deferred tax liability of SEK 3 m. Other acquired assets and liabilities pertain primarily to trade receivables and cash and cash equivalents. Depending on the actual outcome of the acquired company's operating profit for the period 2016–2018, a contingent cash earn-out payment ranging from zero to a maximum, undiscounted amount of SEK 21 m may be payable, for which no provision has been reported on the consolidated balance sheet as per 31/12/2017 and 31/12/2018.

On 29 June 2017 an agreement was signed to acquire all of the shares in the Swedish software company Forsler & Stjerna Konsult AB, with transfer of possession on 1 July 2017. The company has annual net sales of approximately SEK 20 m and 13 employees. The company is a leading provider of IT solutions for public administrations and public transport planning, and is included in the Process Management division from the date of possession. The acquisition complements and strengthens the Group's offering in this area. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to SEK 26 m, giving rise to a deferred tax liability of SEK 2 m. Other acquired assets and liabilities pertain primarily to trade receivables, cash and cash equivalents, and deferred income.

On 31 July 2017 an agreement was signed to acquire all of the shares in the international company Service Works Group Ltd (name subsequently changed to Service Works Global Ltd), with subsidiaries in Australia and Canada. Possession was transferred on the same day. The company designs, develops and delivers support for its proprietary QFM software, which is used for property maintenance and management, and P3rform software, which is used in operations, maintenance and services in Public Private Partnership (PPP) contracts. The company had sales of approximately SEK 68 m and EBITDA of SEK 14 m for the financial year ended in October 2016. The company has 71 employees and

Note 36, cont.

operations in the UK, Australia, Canada and the Gulf states. The company is part of the Design Management division since the date of possession, adding to the division's already strong offerings of systems for the construction and real estate sectors. The acquisition further complements and strengthens these offerings. In addition, the acquisition enables the expansion of operations to new markets in which the company has a strong position.

Cash consideration paid amounted to SEK 177 m, of which SEK 51 m pertains to net cash paid on the date of possession. Depending on the actual outcome for the acquired companies' earnings during the period 1 November 2016–31 October 2018, a contingent cash earn-out payment ranging from zero up to a maximum, undiscounted amount of GBP 5.7 m may be payable, corresponding to approximately SEK 61 m based on the exchange rate on the date of possession. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to SEK 52 m, giving rise to a deferred tax liability of SEK 10 m. Goodwill amounts to SEK 126 m, and a provision of GBP 4.0 m has been made for estimated, contingent consideration, corresponding to approximately SEK 42 m based on the exchange rate on the date of possession. In connection with the book-closing on 31 December 2018, the provision for the contingent earn-out was remeasured at GBP 5.7 m. Other acquired assets and liabilities pertain primarily to trade receivables, accrued income, cash and cash equivalents, and deferred income.

On 1 August 2017 an agreement was signed to acquire all of the shares in the British company Intrinsys Ltd (name subsequently changed to TECHNIA Ltd), with transfer of possession the same day. The company is the UK's largest provider of PLM software from Dassault Systèmes and related support services. The company delivers projects to leading companies in the automotive, aerospace, marine, oil and gas industries. Net sales in 2016 amounted to SEK 164 m, with EBITDA of SEK 27 m. The company has 60 employees and is represented in the UK and South Africa. From the date of possession the company is part of Addnode Group's Product Lifecycle Management division, which even prior to the acquisition has been a leading supplier in the European PLM market. The acquisition further strengthens this position.

Cash consideration paid amounted to SEK 202 m, of which SEK 94 m pertains to net cash paid on the date of possession. Depending on the actual outcome for the acquired company's earnings during the period 2017-2018, a contingent cash earn-out payment ranging from zero up to a maximum, undiscounted amount of GBP 4.0 m may be payable, corresponding to approximately SEK 43 m based on the exchange rate on the date of possession. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to SEK 36 m, giving rise to a deferred tax liability of SEK 7 m. Goodwill amounts to SEK 154 m, and a provision of GBP 4.0 m has been made for estimated, contingent consideration, corresponding to approximately SEK 43 m based on the exchange rate on the date of possession. In connection with the book-closing on 31 December 2018, the provision for the contingent earn-out was remeasured at GBP 2 m. Other acquired assets and liabilities pertain primarily to trade receivables, prepaid expenses, cash and cash equivalents, and deferred income.

On 22 September 2017 an agreement was signed to acquire all of the shares in the Swedish software company Adtollo AB, with transfer of possession on 2 October 2017. Adtollo provides systems for the map and construction industries based on its proprietary Topocad and Chaos Desktop software, among other things. The CAD system Topocad is provided to more than ten Swedish municipalities and several of the Nordic region's leading construction companies. The company had sales of SEK 24 m in 2016 and is part of the Process Management division from the date of possession. The acquisition entails a complementing and strengthening of the Group's offering of solutions for public service buildings. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to SEK 28 m, giving rise to a deferred tax liability of SEK 2 m. Other acquired assets and liabilities pertain primarily to trade receivables and deferred income. Depending on the actual outcome for the acquired company's earnings during the period 2017-2018, a contingent cash earn-out payment ranging from zero up to a maximum, undiscounted amount of SEK 10 m may be payable, of which SEK 5 m has been reported as a provision on the consolidated balance sheet as per 31/12/2017 and 31/12/2018.

On 2 October 2017 an agreement was signed to acquire all of the shares in the Swedish software company Apricon AB (name subsequently changed to Symetri Collaboration AB), with transfer of possession the same day. The company has developed a cloud-based tool for project communication and document management that is used by leading construction and property companies. The company had sales of approximately SEK 10 m in 2016, with nine employees and is part of the Addnode Group's Process Management division from the date of possession. The acquisition represents a continued strengthening of Addnode Group's offering to construction and property companies. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to SEK 11 m. Other acquired assets and liabilities pertain primarily to trade receivables, cash and cash equivalents, and deferred income.

In 2017 the acquisitions contributed approximately SEK 184 m to consolidated net sales and had a positive effect on consolidated profit after tax of approximately SEK 20 m. If the acquisitions had been carried out as per 1 January 2017, consolidated net sales in 2017 would have amounted to approximately SEK 2,720 m, and profit after tax would have been approximately SEK 112 m. Costs of approximately SEK 7 m for carrying out the acquisitions are included in the Group's other external expenses in 2017.

CASH FLOW FROM ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES

	Group	
SEK m	***2018***	***2017***
Cash consideration paid	–212	–550
Cash and cash equivalents in acquired subsidiaries	115	175
Change in the Group's cash and cash equivalents upon acquisition	**–97**	**–375**

Cash consideration paid in 2018 included payments of contracted and previously expensed contingent consideration totalling SEK 11 m (53) for company acquisitions carried out in previous years.

NOTE 37

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 31/12/2018 or 31/12/2017.

Neither the Group nor the Parent Company had any cash and cash equivalents in blocked bank accounts at 31/12/2018 or 31/12/2017.

NOTE 38

CHANGES IN LIABILITIES ATTRIBUTABLE TO FINANCING ACTIVITIES

SEK m	*Due to credit institutions*	*Liabilities pertaining to finance leases*	*Group*
Opening balance, 1 January 2017	163	–	163
Cash flow for the year, 2017			
Loans raised	423	–	423
Amortisation of debt	–3	0	–3
Non-cash items 2017			
Acquisitions of subsidiaries	–	2	2
Exchange rate differences	14	–	14
Closing balance, 31 December 2017	**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 concluded finance leases	–	1	1
Exchange rate differences	8	–	8
Closing balance, 31 December 2018	**510**	**2**	**512**

NOTE 39

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 earnings and net investments in foreign subsidiaries
- Credit risks associated with financial and commercial activities
- Other price risks

Addnode Group's Board of Directors adopts 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 risk positions and to be able to achieve cost efficiency, economies of scale, build up expertise 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. The Board assesses the Group's targets, policies and methods for managing financial risks on a regular basis. situation as well as of its targets, policies and methods for risk management.

INTEREST RATE RISK

Interest rate 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 is 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 2018 was 0.8 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 on the balance sheet date, an unfavourable change in interest rates of 1 per cent would have an earnings impact of SEK –2 m (–4).

	Group	
SEK m	*31/12/2018*	*31/12/2017*
Interest-bearing net debt		
Cash and cash equivalents	–387	–173
Interest-bearing receivables	0	0
Interest-bearing liabilities	546	621
Net debt (+)/receivable (–)	**159**	**448**

LIQUIDITY RISK

Liquidity risk is defined as the risk that the Group not having sufficient liquid assets or ability to pay on a given occasion 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 liabilities. 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 2018.

	Group	
SEK m	*31/12/2018*	*31/12/2017*
Cash and cash equivalents	387	173
Committed bank overdraft facilities	100	100
Utilised portion of bank overdraft facilities	0	–42
Available liquidity	**487**	**232**

Note 39, 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.

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 517 m had been utilised as per 31/12/2018. 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 2018 the Group was in compliance with the terms of the loans and expects to be remain so in 2019.

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 31/12/2018				
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**

	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 31/12/2017				
Provisions for contingent consideration	–	94	–	–
Provisions for decided restructuring measures	8	–	–	–
Other provisions	0	–	–	7
Interest-bearing liabilities	615	14	1	–
Trade payables and other financial liabilities	133	1	–	–
Total	**757**	**109**	**1**	**7**

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 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).

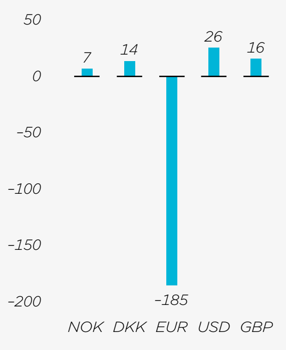
Transaction exposure

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.

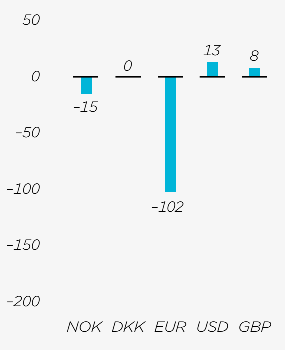
The Group's subsidiaries work mainly in their respective local markets, with income and expenses in local currency, which reduces transaction exposure. Decisions on possible hedges of transaction exposure through currency derivatives are made centrally by the Parent Company.

The following chart shows net transaction exposure (income less expenses) in the most significant surplus and deficit currencies.

TRANSACTION EXPOSURE 2018, SEK M



TRANSACTION EXPOSURE 2017, SEK M



Note 39, cont.

Based on net flows in 2018, 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 2018, no transaction flows in foreign currency were hedged through forward exchange contracts.

SEK –10% compared with	*SEK m*
EUR	–14
USD	2
GBP	1
DKK	1
NOK	1

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, after a board decision, 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 31/12/2018, SEK 628 m were attributable to pounds sterling (GBP), SEK 328 m were attributable to euros (EUR), and SEK 246 m were attributable to Norwegian kronor (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 25 m. At present, net assets in GBP in the foreign subsidiaries TECHNIA Ltd, Service Works Global Ltd, Cadassist Ltd and d2m3 Ltd are hedged through loans.

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**

Currency	*Net assets*	*Currency hedges*	*2017*
DKK	20	–	20
EUR	293	–	293
GBP	467	-389	78
NOK	236	–	236
USD	10	–	10
Other currencies	26	–	26
Total	**1,052**	**-389**	**663**

OTHER PRICE RISKS

As per 31/12/2018 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.

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 31/12/2018, 69 per cent (57) 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 backgrounds. Historically the Group has had very low costs for bad debts. The provision for bad debts amounted to SEK 4 m (2) on the balance sheet date of 31/12/2018, corresponding to 0.7 per cent (0.5) of total trade receivables. Earnings for 2018 were negatively affected by SEK 5 m (2) through provisions for bad debts.

	Group			
	31/12/2018		*31/12/2017*	
SEK m	*Amount*	*Share, %*	*Amount*	*Share, %*
Concentration of trade receivables				
Trade receivables < SEK 1 m per customer	412	69	309	57
Trade receivables SEK 1–5 m per customer	114	19	148	28
Trade receivables > SEK 5 m per customer	73	12	81	15
Total	**600**	**100**	**538**	**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	
SEK m	*31/12/2018*	*31/12/2017*
Past due trade receivables		
Trade receivables past due 1–29 days	112	96
Trade receivables past due 30–59 days	15	16
Trade receivables past due 60–89 days	4	2
Trade receivables past due 90 days or more	9	3
Total	**140**	**118**

Note 39, cont.

DERIVATIVE INSTRUMENTS

The Group had no outstanding forward exchange contracts or other held or issued derivative instruments on 31/12/2018 or 31/12/2017.

MEASUREMENT OF FAIR VALUE

No financial assets or liabilities are stated at a value that considerably deviates from their fair value.

NOTE 40

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 16). 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 29 and 36). 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 41

RELATED PARTY DISCLOSURES

On 31 December 2018, Aretro Capital Group AB's ownership amounted to 6.8 per cent (7.5) of the share capital and 18.7 per cent (20.1) 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 has been Chairman of the Board of Addnode Group since 4 May 2017, and prior to this he was President and CEO. Jonas Gejer is President of TECHNIA AB and president 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.

SEK thousands	Group *2018*	*2017*
Remuneration of the Board of Directors and senior executives:		
Salaries and other short-term employment benefits (see also description in Note 5)	18,487	17,235
Total	**18,487**	**17,235**

In 2018 the Chairman of the Board, Staffan Hanstorp, invoiced via a company the Parent Company SEK 2,688 thousand 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 19 per cent (18) 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 42

AVERAGE NUMBER OF EMPLOYEES, ETC.

Average number of employees	*2018* Average number of employees	*2018* Of whom, men	*2017* Average number of employees	*2017* Of whom, men
Parent Company	7	5	7	5
Subsidiaries				
Sweden	747	568	672	512
Denmark	14	10	17	14
Finland	61	51	66	56
Norway	93	72	97	73
UK	119	83	58	41
Germany	203	154	224	168
Netherlands	15	15	12	12
Serbia	18	11	21	13
Slovakia	25	24	24	23
Austria	4	4	4	4
USA	18	13	15	11
Australia	16	7	6	3
Canada	4	3	1	1
South Africa	10	5	4	2
India	117	84	89	68
Total, subsidiaries	**1,464**	**1,104**	**1,310**	**1,001**
Group total	**1,471**	**1,109**	**1,317**	**1,006**

Board members and senior executives	*2018* Number on balance sheet date	*2018* Of whom, men	*2017* Number on balance sheet date	*2017* Of whom, men
Group				
Board members	184	140	152	130
Presidents and other senior executives	167	138	126	104
Parent Company				
Board members	6	4	7	5
Presidents and other senior executives	2	1	2	1

NOTE 43

EVENTS AFTER THE BALANCE SHEET DATE

In early March 2019 an agreement was signed to acquire all of the shares in the software company IntraPhone Solutions AB, with transfer of possession on 1 April 2019 provided that certain conditions have been met. The business is focused on mobile IT solutions for planning and monitoring in home care, which are used by more than 45 Swedish municipalities. The acquisition strengthens the Group's offering in the Swedish primary care market. The company has annual net sales of approximately SEK 35 m, and provided that the acquisition is completed, it will be consolidated as from April 2019 in the Process Management division.

In other respects, no significant events have taken place after the balance sheet date.

NOTE 44

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 28 March 2019.

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 2019.

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, 28 March 2019

Staffan Hanstorp
Chairman of the Board

Jan Andersson
Director

Kristofer Arwin
Director

Johanna Frelin
Director

Sigrun Hjelmquist
Director

Thord Wilkne
Director

Johan Andersson
President and CEO

Our audit report was submitted on 28 March 2019
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 2018 except for the corporate governance statement on pages 64–75. The annual accounts and consolidated accounts of the company are included on pages 59–117 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 64–75. 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 my (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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall [group] materiality for the [consolidated] 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 16. On Addnode Group's balance sheet, SEK 1,495 million is reported in the form of goodwill linked to acquisitions. This amount represents just over 49% 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 analyses and conducted our own sensitivity analyses 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 analyses to analyse 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.

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 1-58, and 122–125. 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.

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 2018 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 fulfil 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 64–75 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 26th April 2018 and has been the company's auditor since the 9th of April 2003.

Stockholm March 28, 2019

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 123.

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	***2018***	***2017***
Operating profit	203	130
Depreciation, amortisation and impairment of intangible non-current assets	95	82
EBITA	**298**	**212**

Reconciliation of net debt, SEK m	***31/12/2018***	***31/12/2017***
Non-current liabilities	93	193
Current liabilities	1,643	1,451
Noninterest-bearing non-current and current liabilities	–1,191	–1,022
Total interest-bearing liabilities	**545**	**621**
Cash and cash equivalents	–387	–173
Other interest-bearing receivables	0	0
Net debt (+)/receivable (–)	**158**	**448**

DEFINITIONS

Acid test ratio
Current assets excluding inventories as a percentage of current liabilities.

Average number of employees
Average number of full-time employees during the period.

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

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

Debt/equity ratio
Net debt in relation to shareholders' equity (including equity attributable to non-controlling interests).

Earnings per share
Net profit for the period attributable to owners of the Parent Company 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 units 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 subscriptions, rental contracts and SaaS solutions.

Return on capital employed
Profit before tax plus financial expenses as a percentage of the average capital employed.

Return on equity
Net profit for the period attributable to owners of the Parent Company as a percentage of average shareholders' equity attributable to owners of the Parent Company.

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

Shareholders' equity per share
Shareholders' equity attributable to owners of the Parent Company 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, 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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