ADDNODE GROUP

ANNUAL REPORT

2017

Addnode Group contributes to a digitalised society in which people, companies, authorities and organisations interact with the technology that surrounds us

Contents

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

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DISTRIBUTION POLICY

The 2017 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 2018
Annual General Meeting	26 April 2018
Interim report January–June	20 July 2018
Interim report January–September	25 October 2018

ADDNODE GROUP IN BRIEF

Addnode Group is a listed group that acquires, operates and develops entrepreneur-driven IT companies that help digitalise society. For more than 25 years Addnode Group has actively contributed to a more sustainable society in which people, companies, authorities and organisations interact with the technology that surrounds us.

Addnode Group has 1,500 employees in 17 countries, and consolidated sales in 2017 amounted to approximately SEK 2.5 billion. The company's shares are listed on Nasdaq Stockholm.

Addnode Group's business is conducted via subsidiaries that are organised in three divisions:

- Design Management develops and offers software and services for design, product data, project collaboration and property management to customers primarily in the Nordic countries, the UK, Australia and Canada.
- Product Lifecycle Management develops and offers software and services for design, simulation, IoT and product lifecycle management to customers primarily in the Nordic countries, Germany, the UK and the USA.
- Process Management develops and offers software and services for public administration, e-archives, information management and citizen dialogue to customers in Sweden and Norway.

Addnode Group has had average annual growth of 15 per cent since 2013. This has been achieved both organically and through acquisitions of complementary businesses. The business models entail a large share of recurring revenue, which in 2017 accounted for 53 per cent of net sales.

NET SALES 2017

2,520 SEK m

EBITA 2017

212 SEK m

AVERAGE GROWTH 2007–2017

12 %

This is a translated version of the original Swedish version. In the event of any discrepancies between the two versions, the original Swedish version shall take precedence.

SHARE OF NET SALES 2017

3% USA

7% Other

7% Finland

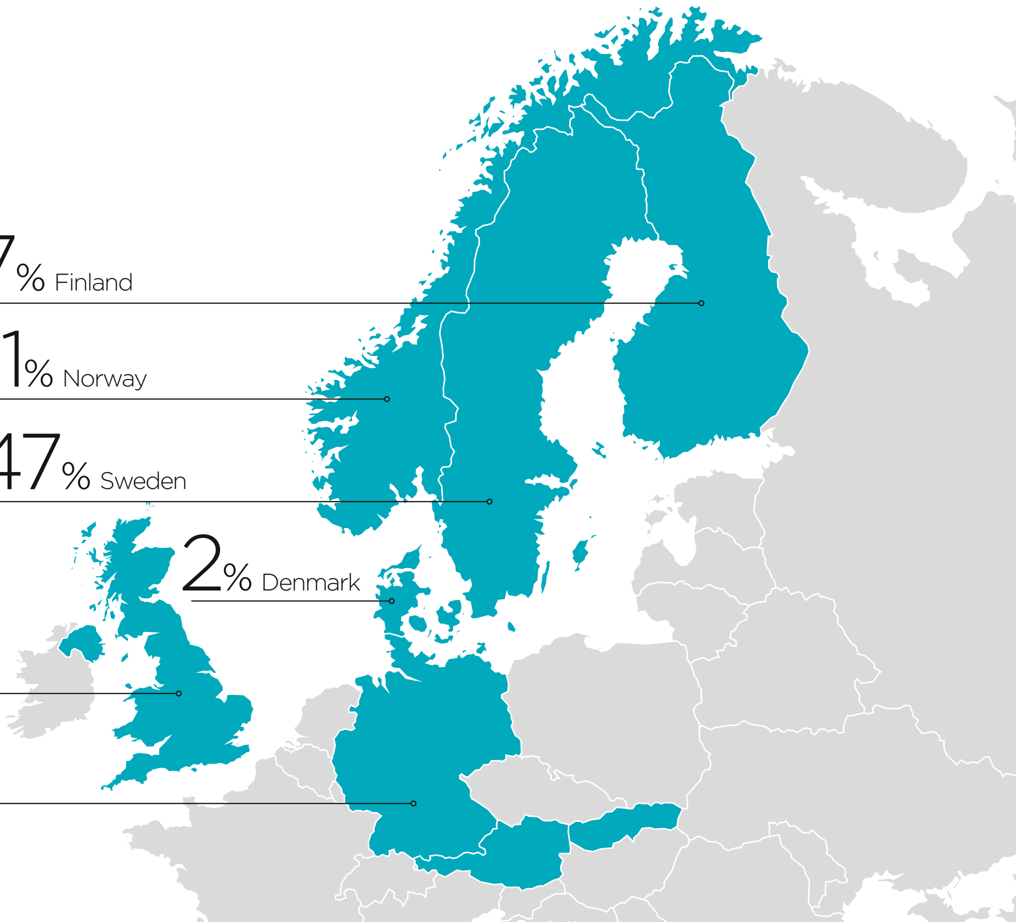
11% Norway

47% Sweden

2% Denmark

6% UK

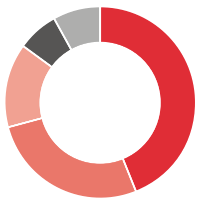
17% Germany



ADDNODE GROUP'S DIVISIONS

Design Management

NET SALES PER MARKET



44% Sweden
27% Norway
14% Finland
7% UK
8% Other

36%

SHARE OF NET SALES

Product Lifecycle Management

NET SALES PER MARKET

47% Germany
15% Sweden
9% UK
8% USA
21% Other

36%

SHARE OF NET SALES

Process Management

NET SALES PER MARKET

94% Sweden
2% Norway
2% Finland
1% UK
1% Other

28%

SHARE OF NET SALES

HIGHLIGHTS 2017

Net sales grew 15 per cent to SEK 2,520 m. EBITA, totalling SEK 212 m, was the highest ever achieved by Addnode Group, and earnings per share increased by 8 per cent.

KEY FINANCIAL DATA 2017	2017	2016	2015
Net sales, SEK m	2,519.8	2,195.0	1,900.8
EBITA, SEK m	211.8	170.6	168.0
EBITA margin,%	8.4	7.8	8.8
Operating profit, SEK m	129.9	113.7	126.0
Operating margin,%	5.2	5.2	6.6
Profit after tax, SEK m	89.6	82.3	95.5
Earnings per share, SEK	2.94	2.71	3.18
Cash flow per share, SEK	4.83	5.18	4.79
Dividend per share, SEK	2.25 [1]	2.25	2.25
Net debt, SEK m	447.6	65.8	23.2
Equity/assets ratio,%	37	49	48
Debt/equity multiple	0.46	0.07	0.03
Average number of employees	1,317	1,160	1,005
Total number of employees at year-end	1,511	1,277	1,202

1) Board of Directors' proposal to the Annual General Meeting.

NET SALES GROWTH

+15%

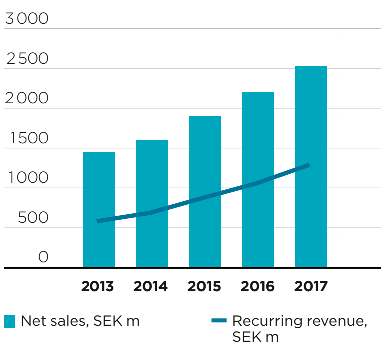
EBITA-GROWTH

+24%

RECURRING REVENUE

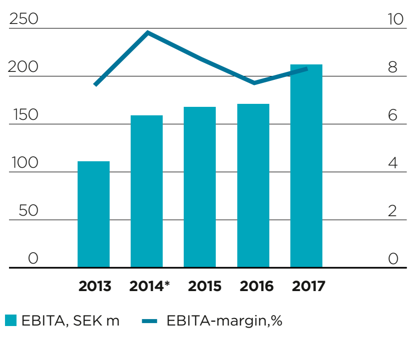
53%

NET SALES AND RECURRING REVENUE



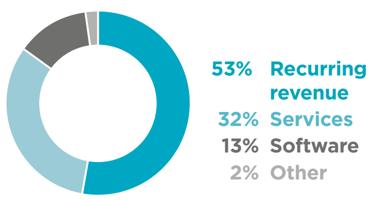
During the last five-year period the average rate of growth was 15 per cent.

EBITA



*Excluding revaluation of contingent consideration.

BREAKDOWN OF REVENUE BY TYPE



Important events

During 2017 Addnode Group continued to grow with new customers, new acquisitions, and with the UK as a new, important geographic market. The company can look back on an eventful year in which its offerings were strengthened and large steps were taken towards becoming a more international group.

FIVE PER CENT ORGANIC GROWTH

The company had favourable growth from customers in 2017. During the year Addnode Group renewed and expanded contracts with existing customers such as the Swedish Prosecution Authority, Lantmäteriet, SCA, Statoil, Volvo, Husqvarna and London Taxi.

ADDNODE GROUP INVESTING IN SOFTWARE

The company actively manages its software and is investing in new. Through recruitment and acquisitions, 300 of the Group's 1,500 employees in total work with development and management of software and SaaS solutions.

ADDNODE GROUP MOVED TO MID CAP LIST

As the company's market capitalisation has reached a new threshold, Addnode Group's shares were moved from the Small Cap to the Mid Cap segment on Nasdaq Stockholm.

NEW ROLES IN GROUP MANAGEMENT AND THE BOARD

Addnode Group's former CFO Johan Andersson took office as new President and CEO at the 2017 Annual General Meeting. He succeeded Staffan Hanstorp, who was appointed as new Chairman of the Board. Helena Nathhorst is the company's new CFO as from September 2017.

TEN ACQUISITIONS

During the year Addnode Group acquired ten new companies with combined annual sales of approximately SEK 450 m. The acquisitions strengthen the Group's offerings, broaden the software portfolio and have made the Group more international.

THREE DIVISIONS CREATE VALUE

All three divisions posted favourable sales growth in 2017 with improved EBITA compared with the preceding year, entailing an increase in earnings per share.

UK becomes important market

ACQUISITION OF INTRINSYS

In August Addnode Group announced the acquisition of Intrinsys, a British provider of PLM software and services. Intrinsys had net sales of SEK 164 m in 2016 and EBITDA of SEK 27 m. The company is the UK's largest provider of PLM software and support services.

ACQUISITION OF SERVICE WORKS GLOBAL

In August Service Works Global (SWG) was acquired, an international provider of software for facilities, property and workplace management. SWG was established in London and has operations in the UK, Australia and Canada. For its 2015/2016 financial year the company had net sales of SEK 68 m and EBITDA of SEK 14 m.

A FANTASTIC JOURNEY, AND WE HAVE ONLY JUST BEGUN

2017 was yet another good year for Addnode Group, with continued favourable growth, many new customers and several acquisitions that both strengthen our offerings and make us more international. Major business opportunities are emerging in pace with global trends such as urbanisation, digitalisation and automation. We are well-positioned to continue growing and improve our margins.

STRONG GROWTH AND IMPROVED EARNINGS

There are many reasons to be pleased with Addnode Group's performance in 2017. We had favourable performance in all of our divisions and are also growing geographically, mainly through acquisitions. I am extra happy to note that we also increased our organic growth, from 1 per cent in 2016 to 5 per cent in 2017. We have achieved this through close dialogue with our customers and through investments in new software and services. Net sales increased by 15 per cent to SEK 2,520 m, and EBITA grew 24 per cent to SEK 212 m.

THREE DIVISIONS

In the Design Management division we made major, international software acquisitions that strengthen our offerings to the real estate sector. Favourable demand primarily from the construction and real estate sectors, but also from manufacturing industries, led to organic growth of 5 per cent and improved earnings. This growth and the division's profit for the year strengthened in tandem with a major shift that we carried out from licence-based sales of design software to a subscription-based model.

The Product Lifecycle Management (PLM) division also carried out a major international acquisition. The division's strong growth in recent years has affected its margins, and during 2017 we took steps to improve profitability. Parallel with this we have seen positive effects from the division's larger size and wider international reach. We have won several contracts in which our PLM expertise and global delivery organisation were decisive in customers' choices to work with us.

The Process Management division has a distinct position in Sweden's public sector. Successful investments in product development and a strong service offering resulted in organic growth of 6 per cent. During the year we carried out several complementary acquisitions and had strong growth especially for case management systems and e-archive services for government authorities and municipalities.

ACQUISITIONS A PART OF OUR GROWTH STRATEGY

During 2017 we announced ten acquisitions with combined annual sales of approximately SEK 450 m. The largest acquired companies, SWG and Intrinsys, are both based in the UK, but their operations span from Canada and South Africa to the Gulf states and Australia. For the Design Management and Product Lifecycle Management divisions we see great opportunities for continued acquisitions both in the Nordic region and the rest of Europe. In Process Management we are focusing on acquisitions in Sweden and the other Nordic countries, mainly software companies with customers in the public sector. We are engaged in an ongoing dialogue with complementary acquisition candidates as well as with larger companies that could expand the Group.

DIGITALISATION GENERATING GROWTH

The drivers of customers' investments and our growth lie primarily in the major trends and challenges that we see in the world around us. These range from urbanisation – with the emergence of smart cities – to automation of industry and public administration. Demographic changes, including an ageing population and increased demands for sustainable development, are also important societal challenges where we are helping our customers find solutions through the opportunities afforded by digitalisation.

DIGITAL SOLUTIONS FOR A SUSTAINABLE SOCIETY

Our software and services are creating opportunities around the globe to create and manage products, properties and infrastructure in a digital world. Our systems are used in manufacturing industries, in the construction and real estate sectors, and in the public sector, where they contribute to automation of processes to the benefit of customers and citizens alike. Through innovation and continuous development in close collaboration with our customers we are innovating digital solutions that are creating opportunities to build a more sustainable society.

A NEW PHASE TAKING ROOT

I took office as CEO in spring 2017 after three years as CFO and seven years in charge of the Group's acquisition processes and investor relations. We have grown from sales of SEK 795 m

in 2017 to SEK 2.5 billion in 2017. We have developed from being a local Swedish company with operations in the Nordic countries to a European group with global reach, and we have become a Mid Cap company on the Stockholm Stock Exchange. During the last ten years we have had average annual growth of 12 per cent. It has been a fantastic journey, and I look forward to continuing to lead the company in accordance with our set strategy. We have laid a solid foundation to build further upon and are well-positioned to continue growing and improve our margins.

Johan Andersson
President and CEO

DIGITALISATION AND GLOBALISATION DRIVING DEMAND

Digitalisation is contributing to more far-reaching changes than ever before. With our software and services we can offer companies and organisations greater opportunities and efficiency in the way they create, share and use information. The service content is increasing in digital solutions, and the trend toward more multifunctional and intelligent systems is creating new business opportunities.

Demographics

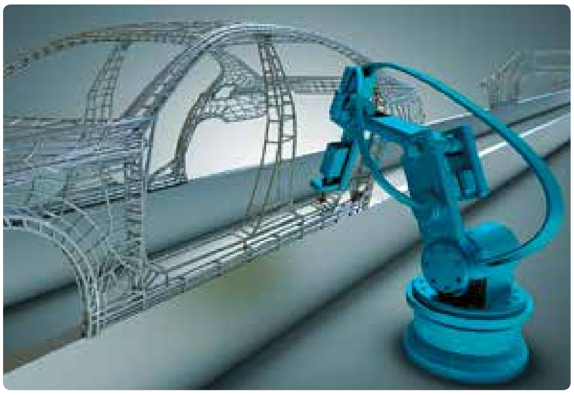
POPULATION GROWTH

The world's population is growing by the minute. By 2025 the world's population will be 8 billion, and according to the UN it is expected to increase to 9.6 billion by 2050, which is increasing the need for sustainable, innovative and digital solutions for community building, nursing, healthcare and public administration, which Addnode Group can help customers with.

URBANISATION

According to estimates, a billion people will become new urban dwellers by 2025. This means that roughly 60 per cent of the world's population will live in cities. This is fuelling the need for innovative solutions for design, production and management of properties, infrastructure and systems for local administration, which is something Addnode Group can deliver.

Market



AUTOMATION AND ROBOTISATION

Demands for greater productivity in both the private and public sectors has led to a higher degree of automation of time- and labour-intensive tasks. The higher the degree of digitalisation and automation, the more intelligent machines and systems can learn, adapt, make decisions and act without human control. While industry has been at the forefront in this area, the public sector has taken large leaps in automating decision processes via decision making robots for various tasks.

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 is contributing to growth for Addnode Group. The company 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

Our products enable relevant digital data to be visualised in a format that is adapted to customers' processes and work flows. 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.

SIMULATION

Through access to digital data, the simulation opportunities created by our software are boundless. Examples of application areas include crash tests of cars, the strength of steel beams, and verification of regulatory requirements. Another example – in the public sector – is simulation of local school bus routes based on central requirements.

IOT – THE INTERNET OF THINGS

It is estimated that some 34 billion devices will be connected to the internet by 2020, of which IoT devices will account for 24 billion. Addnode Group has developed smart software that ensures that machine maintenance is performed in the right way and that developing problems can be discovered before they cause damage to equipment or buildings.

COLLABORATION

Digitalisation is creating opportunities to gain control over all product-related information throughout an entire life cycle. 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 PLM systems. We help our customers in the construction and real estate sectors to utilise all the potential that exists in BIM modelling. In addition, Addnode Group's 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.

VALUE-CREATING STRATEGIES

Addnode Group's strategies for value creation build upon leadership in our areas of operation, innovative product and service offerings, efficiency in everything we do, decentralised management and acquisitions.

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 entrepreneur driven IT companies that help digitalise society. The company has identified five strategic pillars for fulfilling its assignment to achieve long-term, profitable and sustainable growth: leadership in our areas of operation, innovative product and service offerings, efficiency in everything we do, decentralised management, and acquisitions.

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

LEADERSHIP IN OUR AREAS OF OPERATION

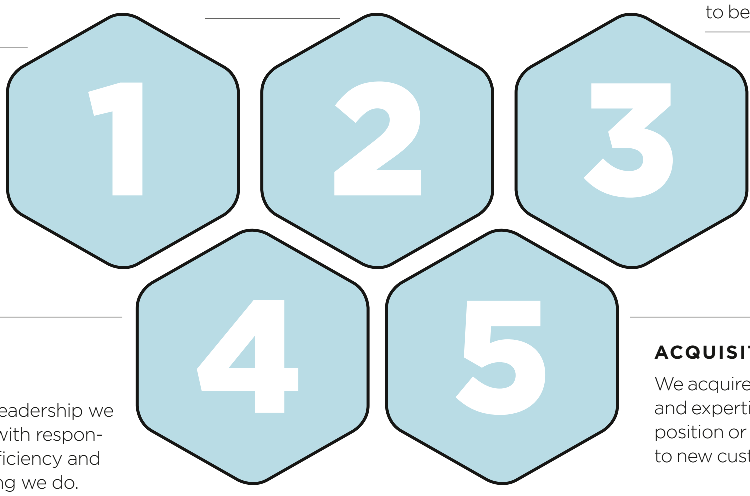
We will be leaders in selected markets.

INNOVATIVE PRODUCT AND SERVICE OFFERINGS

We continuously develop innovative solutions that offer enhanced customer value and lower production costs.

EFFICIENCY IN EVERYTHING WE DO

Addnode Group is distinguished by entrepreneurship; we are convinced that there are always improvements to be made.



DECENTRALISED MANAGEMENT

Through supportive leadership we encourage freedom with responsibility to enhance efficiency and simplicity in everything we do.

ACQUISITIONS

We acquire businesses, technology and expertise that strengthen our position or enable faster expansion to new customers and markets.

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 and 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.

Financial targets and achievement

	GROWTH	EARNINGS	DIVIDEND
TARGETS SET BY THE BOARD OF DIRECTORS	**10%** Annual growth in net sales of at least 10 per cent.	**10%** Operating margin before amortisation and impairment of intangible assets (EBITA margin) of at least 10 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 2017	**15%** Growth in 2017 was 15 per cent. The increase is mainly attributable to acquisitions made in 2016 and 2017. Organic growth was 5 per cent.	**8.4%** The EBITA margin was 8.4 per cent (7.8) of net sales. This represents an improvement in the EBITA margin by 0.6 percentage points compared with 2016.	**76%** The Board of Directors has proposed a dividend of SEK 2.25 per share for 2017, which corresponds to 76 per cent of consolidated profit after tax.

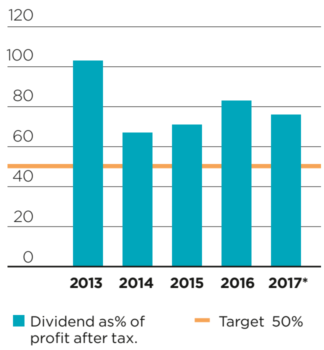
ACHIEVEMENT OVER FIVE YEARS

SALES GROWTH

EBITA MARGIN*

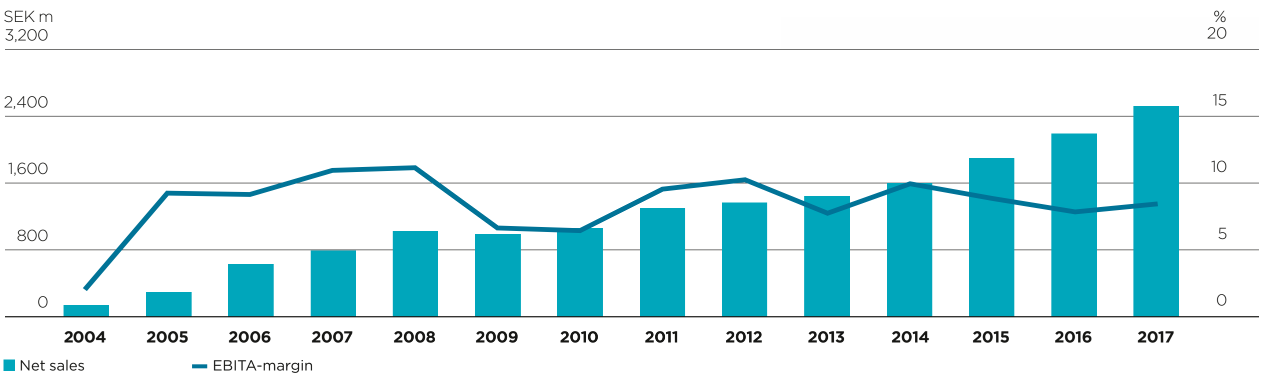
* Excluding revaluation of contingent consideration.

DIVIDEND PAYOUT RATIO



* Proposed by the Board of Directors.

NET SALES AND EBITA MARGIN*



* Excluding capital gains and revaluation of contingent consideration.

1 Leadership in our areas of operation

In Addnode Group's core businesses we focus on a few carefully selected areas in which we have, or can achieve, a leading position and thereby contribute both to our customers' and society's development.

For Addnode Group, being a leader entails being the company that customers and other stakeholders think of first and then also choose. This means that we must be the one with the highest sales or the most employees.

DESIGN, SIMULATION AND PRODUCT LIFECYCLE MANAGEMENT

Addnode Group is an international provider of software and services to customers with a need for smart IT support to create products, properties and infrastructure, and to maintain related information during a product's entire life cycle. The company has a wide portfolio of products and services, and works in close collaboration with world-leading platform suppliers, which together with global delivery capacity gives the company key competitive advantages. The Group's operations in this area are conducted in the Design Management and Product Lifecycle Management (PLM) divisions, see pages 20–21.

ADMINISTRATION AND MAINTENANCE OF PROPERTIES, AND FACILITIES MANAGEMENT

Addnode Group is a leading provider in the Nordic countries and the UK of products and services to customers in need of smart IT support for administration and maintenance of properties and facilities management. The company's product and service portfolio, together with the organisation's knowledge about design, production and administration of properties, are key competitive advantages. The Group's operations in this area are conducted in the Design Management division, see pages 22–23.

PUBLIC ADMINISTRATION

The company is a leading provider of software and services to public sector customers in Sweden and Norway in the areas of case management, e-archives, e-services and digital administrative support for municipalities' permitting departments and infrastructure administration. Customers include a wide range of Swedish state agencies and authorities, county councils, and most Swedish municipalities. The company's product portfolio, together with the organisation's knowledge about public sector work processes, are key competitive advantages. The Group's operations in this area are conducted by the Process Management division, see pages 26–27.

Leadership	
	DESIGN AND PRODUCT LIFECYCLE MANAGEMENT
	PROPERTY MANAGEMENT AND MAINTENANCE
	SYSTEMS AND DIGITAL ADMINISTRATIVE SUPPORT FOR PUBLIC ADMINISTRATION

2 Innovative product and service offerings

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

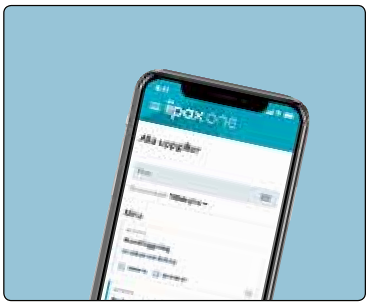
INCREASED INVESTMENT IN INNOVATION AND PRODUCTS

To meet customers' growing needs Addnode Group continues to invest in product development, both by developing new products and services, but also by acquiring product companies. Three hundred of our employees work with continuous development and administration of our products. By continuously investing in new products, services and business models – both organically and through acquisitions – the share of recurring revenue has grown from 30 per cent in 2007 to 53 per cent in 2017.

PARTNERSHIPS A KEY PART OF PRODUCT STRATEGY

Addnode Group has solid history of collaborating with globally leading platform providers such as Autodesk and Dassault Systèmes. Collaboration will continue to be an important part of the product strategy and offering to the company's customers.

A SAMPLING OF OUR PRODUCTS

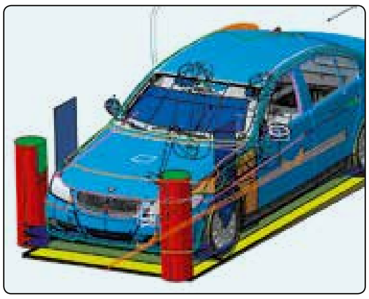


iipax one – A user-friendly system that makes daily work digital-smart for authorities in the modern age.

Interaxo – Cloud-based solutions tailor-made to streamline information and processes in construction projects.

QFM – Powerful, flexible facility management software for total control of assets, resources and service.

Ecos – Efficient digital case management for a better environment and society.



CAVA – Ensures conformity with international laws, norms and standards in vehicle design.

SOVELIA – Easy-to-use and efficient solution for product development and Product Lifecycle Management.

3 Efficiency in everything we do

Addnode Group promotes decentralised responsibility and strives in every unit to continuously improve efficiency by using smarter processes and managing both human and financial capital.

DECENTRALISED RESPONSIBILITY WITH SYNERGIES
Addnode Group's decentralised organisation enables transparency and operational follow-up with clear earnings responsibility. Where motivated from a business standpoint, cost-savings, synergies and collaborations are pursued within and between divisions. Examples of this are tendering processes for insurance, data- and telecommunications, premises and auditors. Addnode Group shares premises where possible and has centralised control of banking services and financing as well as of implementation of new laws and rules that affect the entire Group, such as the 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, 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 called into question.

COLLABORATION IN 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 a total of 150 employees.

THE FIRST EMPLOYEE IN INDIA WAS HIRED IN 2012. TODAY WE ARE 114 PEOPLE WHO WORK WITH PROJECTS AND PRODUCT DEVELOPMENT WITH OUR SISTER COMPANIES IN THE ADDNODE GROUP.

4 Decentralised management

The company's divisions and subsidiaries operate with freedom under responsibility. Every unit conducts and develops its business activities in accordance with Addnode Group's strategies, policies and joint-Group principles. This results in short decision paths in which business-critical decisions are made close to the customers and the market.

STRATEGIC CHOICE

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

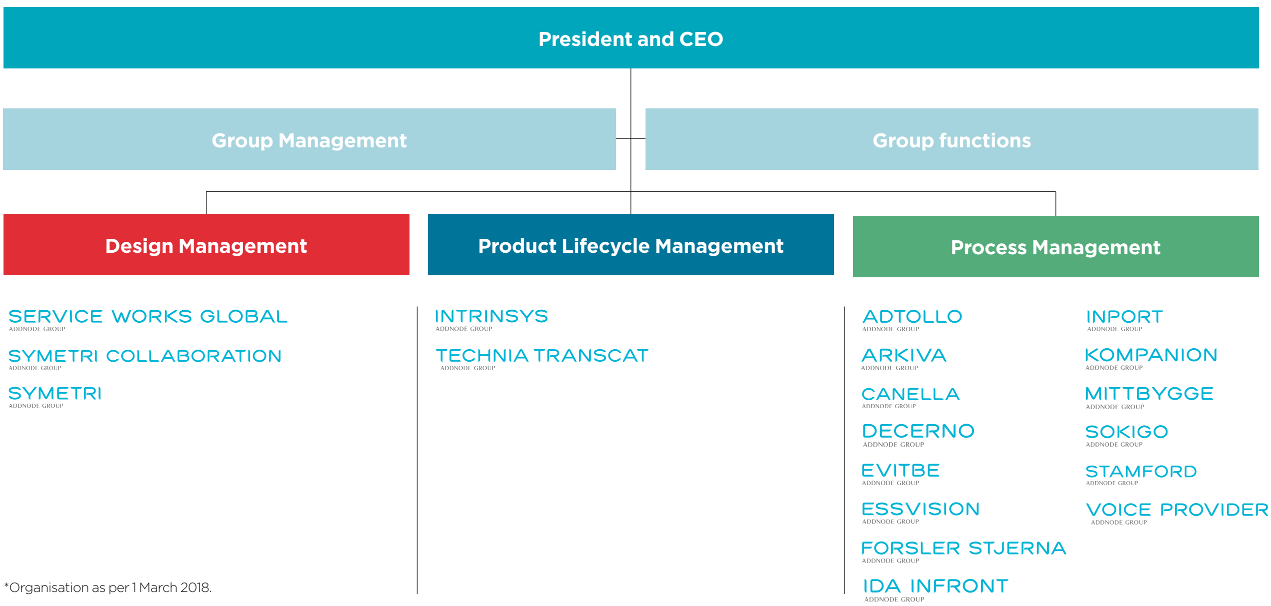
MANAGEMENT AND GOVERNANCE

Addnode Group's operations are managed and governed in three divisions: Design Management, Product Lifecycle Management, and Process Management. In accordance with set strategies and goals, the divisional heads 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, trademarks, acquisitions and communication. The three divisions comprise a number of subsidiaries that are organised in market and development units.

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*



*Organisation as per 1 March 2018.

5 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 routines, Addnode Group has favourable conditions to integrate new companies in its operations in a secure and smooth manner.

Since its start in 2003 Addnode Group has carried out more than 60 acquisitions. The majority have been companies with annual sales of SEK 20–50 m, and the largest acquisition was of a company with sales of SEK 450 m. In 2017 alone we welcomed ten new companies into the Group.

ACQUISITION CRITERIA

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

- They complement or strengthen 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 have technologies that further develop our offering.

ACQUIRED COMPANIES CONTINUE TO GROW

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

60
Acquisitions since 2004

450 SEK m
Net sales for companies acquired during the year

10
Acquisitions in 2017

Intrinsys an important part of our PLM portfolio

In July 2017 Addnode Group carried out yet another strategic acquisition when the British company Intrinsys became part of the Product Lifecycle Management (PLM) division. Together with its sister company Technia Transcat, Intrinsys is forming the first truly global systems integrator with specialist expertise in product data information.

Darren Cairns, Director of Intrinsys, and Jonas Gejer, Head of the PLM division.

Established somewhat by chance 18 years ago, Intrinsys has since then grown from only four employees to become the UK's leading expert in product data information. Backed by Addnode Group's resources, the company is now extending its reach to the rest of the world.

"Our challenge is to continue growing in the future, and this would be hard to do on our own as we already dominate our home market," says Darren Cairns, Intrinsys' Director. "We needed a larger global presence and wider knowledge base. We have now grown from 60 employees to being part of a division with 600 employees. This gives us a much better ability to support our customers around the world."

Intrinsys started out as a spin-off of the consulting firm Integral Powertrain, whose employees were experts at using Dassault Systèmes' product portfolio for product data and 3D design.

"We became so adept that Dassault Systèmes asked us to become a business partner. Since we used the same software ourselves in our engineering firm, we could understand other customers' needs better, and this gave us unique value," says Cairns.

Following a modest start, in 2006 business began to pick up steam for Intrinsys, which delivers mission-critical projects to companies in industrial sectors such as automotive, aerospace, oil and gas. In 2012 Intrinsys became the UK's largest provider of PLM services.

"Our growth just came on its own," says Cairns. "I don't think we understood how successful we were until we were invited to Dassault Systèmes' own awards ceremony. We won the first award, then the second, and by the end of the evening we had won 12 of the 15 awards."

According to the director himself, the key to the company's success was an ability to think differently than the already established giants in the field.

"We have always taken a different approach than the others," he says. "This is due, perhaps, to the fact that we were rather naïve in the beginning. We didn't try to cherry-pick employees from our competitors, as others were doing. Instead we recruited new graduates or people from other sectors who were motivated and showed great drive."

Together with Technia Transcat, Intrinsys is now part of Addnode Group's PLM division, which after the acquisition has more than 600 employees in Finland, India, Norway, Slovakia, the UK, Sweden, South Africa, Germany, the USA and Austria.

Addnode Group welcomes ten new companies

In 2017 Addnode Group carried out a number of acquisitions, thereby strengthening our offerings and making us more international through expansion in the UK, Australia, South Africa and Canada.

During the year all of the divisions were reinforced as we welcomed the following companies to the Group:

COMPANY	DESCRIPTION	DIVISION	ANNUAL SALES
Service Works Global (SWG)	International software company with base in the UK; delivers systems for facilities, property and workplace management.	Design Management	SEK 68 m
Intrinsys	A partner to Dassault Systèmes and the UK's largest provider of PLM software and support services.	Product Lifecycle Management	SEK 164 m
Infostrait	Dutch PLM and BIM specialist that is now part of the subsidiary TechniaTranscat.	Product Lifecycle Management	SEK 25 m
Canella	Develops solutions for the Nordic pharmacy and social services market.	Process Management	SEK 20 m
Forsler & Stjerna	Provides solutions in public administration and public transport planning.	Process Management	SEK 20 m
Adtollo	Develops solutions that streamline construction processes for public service buildings.	Process Management	SEK 24 m
Apricon	Cloud-based project communication and document management tool for the construction and real estate sectors.	Design Management	SEK 10 m
Kompanion	Planning tool that helps home care providers organise and monitor their work.	Process Management	SEK 20 m
MCAD	Services and products for design and manufacturing processes.	Design Management	SEK 31 m
Inport	Logistics solutions for ports, terminals and shipping companies.	Process Management	SEK 25 m

Voices from acquired companies

"At SWG we are very happy we joined Addnode Group, which enables us to deliver a broader technology and service platform for property management. Together we will be able to deliver a more extensive and relevant offering to the global market and continue our strong growth."

Gary Watkins, CEO of Service Works Global

"At Adtollo we have been working with several companies in the Addnode Group for some time, and this was a natural step for us to take. Together we can offer our customers even better and more comprehensive alternatives for building communities."

Stefan Andersson, CEO of Adtollo

"We are very happy to be part of the leading PLM provider in Europe. This gives us an opportunity to offer our customers the full capacity of TechniaTranscat and continue our journey of growth in Benelux"

Jaap Holweg, founder of Infostrait

THREE DIVISIONS

In Addnode Group's three divisions – Design Management, Product Lifecycle Management and Process Management – the Group delivers software and services to industries such as construction, real estate, manufacturing, automotive and life sciences as well as to the public sector. Our solutions help companies and authorities improve their efficiency in everything from case management and citizen dialogues to design, construction and management of product data throughout a product's entire life cycle.

DESIGN MANAGEMENT

Design Management is one of the Nordic region's leading providers of software and services for simulation, design and product data management to engineers and architects in the infrastructure, construction and real estate sectors, and to the manufacturing and marine industries. The division also develops software and services for project collaboration, and administration and maintenance of property and assets to customers in the Nordic countries, the UK, Australia and Canada. The division had sales of SEK 906 m in 2017.

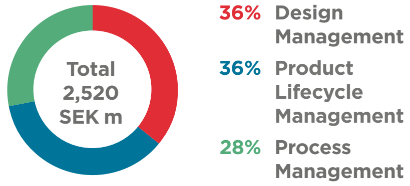
PRODUCT LIFECYCLE MANAGEMENT

Product Lifecycle Management (PLM) is a leading European provider of software and services for developing products throughout their lifecycles – from idea, design, simulation and construction to sales, aftermarket and recycling. PLM systems enable companies to optimise processes in both global organisations and individual teams. Customers are in such industries as telecom, manufacturing, automotive, construction and civil engineering, energy production and medical technology, as well as in service and retail. The division had sales of SEK 920 m in 2017.

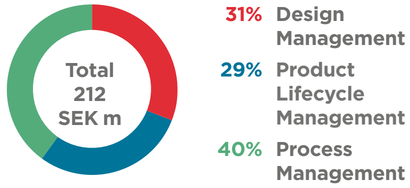
PROCESS MANAGEMENT

Process Management is a leading supplier of document and case management software and services to the public sector in Sweden, with growing business in Norway. The division offers reliable and secure software and services for public administration, e-archiving, information management and citizen dialogues. Customers consist of municipal administrations and authorities as well as a large number of private companies in the industrial and financial sectors. The division had sales of SEK 704 m in 2017.

SHARE OF NET SALES

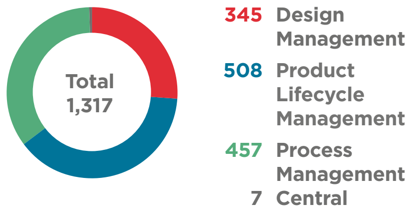


SHARE OF EBITA*



*Before central costs.

EMPLOYEES, AVERAGE NUMBER



DESIGN MANAGEMENT

Design Management is one of the Nordic region's leading providers of software and services for design and construction. The division also has a strong offering for project collaboration, property management and workplace service in the Nordic countries and the UK. The division's IT solutions digitalise companies' and authorities' processes, providing opportunities for better and more effective design.

Operations of the Design Management division are conducted by the subsidiaries Symetri, Symetri Collaboration and Service Works Global (SWG). Acquired in 2017 and based in the UK, SWG is an international software company that provides facilities, property and workplace management systems. SWG and Symetri will work together to provide software and services to a growing global market.

The division's home markets are the Nordic countries and the UK, and we are growing in Australia, Canada and the Gulf states.

OFFERING

Design Management is the Nordic region's largest supplier of Autodesk products and related services to construction and property companies, manufacturing industries and their suppliers. Customers use the division's software for product, infrastructure, plant and building simulations. We have also developed peripheral products for product data management and to be able to accommodate local standards and norms in digital models. The division also has a strong position in the Nordic countries and the UK as a supplier of products and services to customers with a need for software and services for digitalisation, administration and maintenance of properties and workplace management. The division's cloud-based project communication and document management tools had more than 70,000 users in 2017.

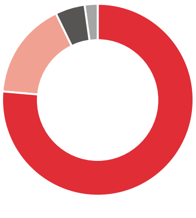
CUSTOMERS

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 customer include Deep Ocean, EkoVent, Penny Hydraulics, Siemens, Storstockholms Lokaltrafik, Tengbom Arkitekter, Tema Arkitekter, Urbanium and Veidekke.

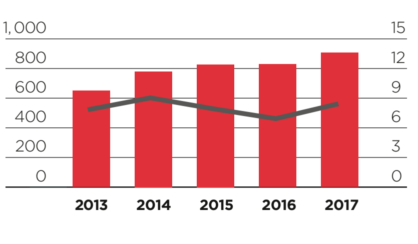
COMPETITIVE SCENARIO

For the Autodesk-based offering, the main competitors are global software companies, such as PTC and Siemens, and other local Autodesk partners. For the real estate offering the competition is mainly local. Our proprietary software and related services combined with Nordic and UK organisations are key competitive advantages.

NET SALES BY REVENUE STREAM 2017

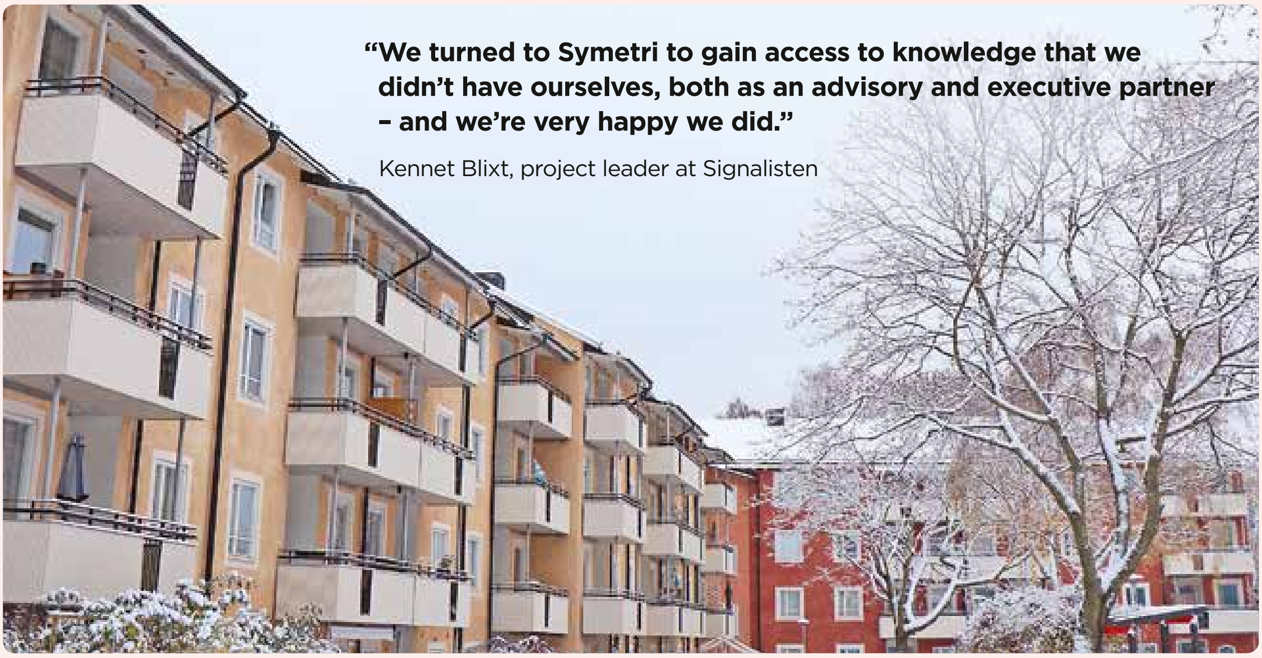


NET SALES AND EBITA MARGIN



KEY RATIOS

SEK m	2017	2016	2015
Net sales	905.9	828.9	827.7
EBITA	76.2	57.1	65.8
EBITA margin,%	8.4	6.9	7.9
Operating profit	45.0	32.8	47.0
Operating margin,%	5.0	4.0	5.7
Average number of employees	345	319	317



More efficient property management with highly organised blueprint archives

To keep better track of areas and space in a sprawling property portfolio, the City of Solna's public housing association Signalisten needed to modernise its support systems for everything from project management to operations and administration. After seeking help from Addnode Group's subsidiary Symetri, Signalisten has implemented more reliable routines and a uniform, digital blueprint archive that makes information easily accessible and searchable.

Solna is one of the Stockholm area's fastest growing municipalities. Extensive maintenance projects together with a mandate to build 1,000 residential units by 2025 are presenting major challenges for the municipal property owner Signalisten. The association currently has some 3,900 apartments and 200 premises in its portfolio – the blueprints and related building information of which it now has a firm command over as result of a systematic process that was begun a couple of years ago.

"With our growing property portfolio we needed a better overview of our areas and space, to know exactly how many square metres we have and how they are disposed," says Kennet Blixt, project leader in charge of purchasing at Signalisten.

As an example, he points to the documentation that is needed to renovate properties. Previously architects and consultants typically delivered blueprints in both paper and digital format.

"Once delivered, the paper blueprints were put in binders, and the thumb drives with the digital copies usually ended up in someone's desk drawer," says Blixt. "We wanted to make it easier to find the correct information and always know which was the most recent version."

In consultation with Symetri's specialists in blueprint IT solutions, a comprehensive process was begun to make the management of property data both more reliable and efficient. The first step involved transferring all blueprints to Symetri's digital archive, where they are not just filed, but are also searchable and accessible in a uniform manner. All paper blueprints were digitised via scanning and were improved in terms of quality before they were modelled and filed in the new archive. In addition, a manual was created for how, where and in which format architects and consultants are to deliver their blueprints and 3D models.

"Symetri also helped us objectify the information in the models, making it easier to produce relevant documentation for procurement of services," Blixt explains. "For example, prior to starting renovation work in a residential area we can gain a fast and clear overview of the number of bathrooms and their combined area. In the past we had to sit and measure this on paper – with a high level of inaccuracy. Now we just generate a report from the system."

Having convenient access to building information facilitates work for operations technicians as well as for property managers and tenant administrators. The system also benefits customers and prospective tenants, who can obtain a detailed graphic presentation of an apartment's floor plan and room layout before moving in.

Kennet Blixt sees great opportunities to continue developing Signalisten's operations by making smart use of property data – and through support from its systems vendor:

"We turned to Symetri to gain access to knowledge that we didn't have ourselves, both as an advisory and executive partner – and we're very happy we did."

PRODUCT LIFECYCLE MANAGEMENT

The Product Lifecycle Management division is a leading European supplier of software and services for design and product data information. The division's system solutions help companies design products and streamline their processes by compiling and managing data throughout as product's entire life cycle, from development to recycling.

The division's operations are conducted via the subsidiaries TechniaTranscat and Intrinsys, which was acquired in 2017. Like TechniaTranscat, Intrinsys is a Dassault Systèmes partner and also the UK's largest supplier of PLM software and support services. The division's major markets are the Nordic countries, the German-speaking areas of Europe and the UK, with growth also in the rest of Europe and the USA.

OFFERING

The Product Lifecycle Management division is a global provider of software and services to customers with a need to innovate products and maintain related information throughout a product's entire lifecycle, from research, development and design to production, sales, training, aftermarket and recycling. With such information compiled and conveniently accessible in a PLM system, lead times can be shortened and resource management can be optimised at the same time that it is easier to follow up environmental, quality and safety requirements, for example.

The software provided by the division is based on its partner Dassault Systèmes' platform for design, simulation, production and product data management complemented by a wide range of proprietary peripheral products and services.

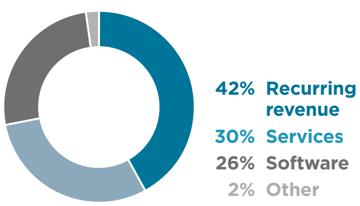
CUSTOMERS

Customers are in industries such as telecom, manufacturing, automotive, construction, civil engineering, pharmaceuticals, medical technology and energy production. In pace with rising demands for rapid innovation and customer-unique product development, a growing number of apparel, retail and service companies have been turning to the PLM concept. Examples of customers include Dräxlmaier, EDAG, Edwards, European Spallation Source ESS, Geberit, Honeywell, Husqvarna, Jula, Kongsberg Defence & Aerospace, London Taxi, Parker Hannifin Corporation, Rail, Seco Tools and Stadler.

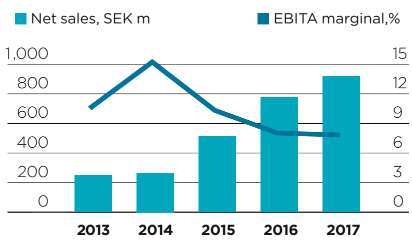
COMPETITIVE SCENARIO

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 knowledge about Product Lifecycle Management and close collaboration with customers combined with a regional presence in several countries.

NET SALES BY REVENUE STREAM 2017

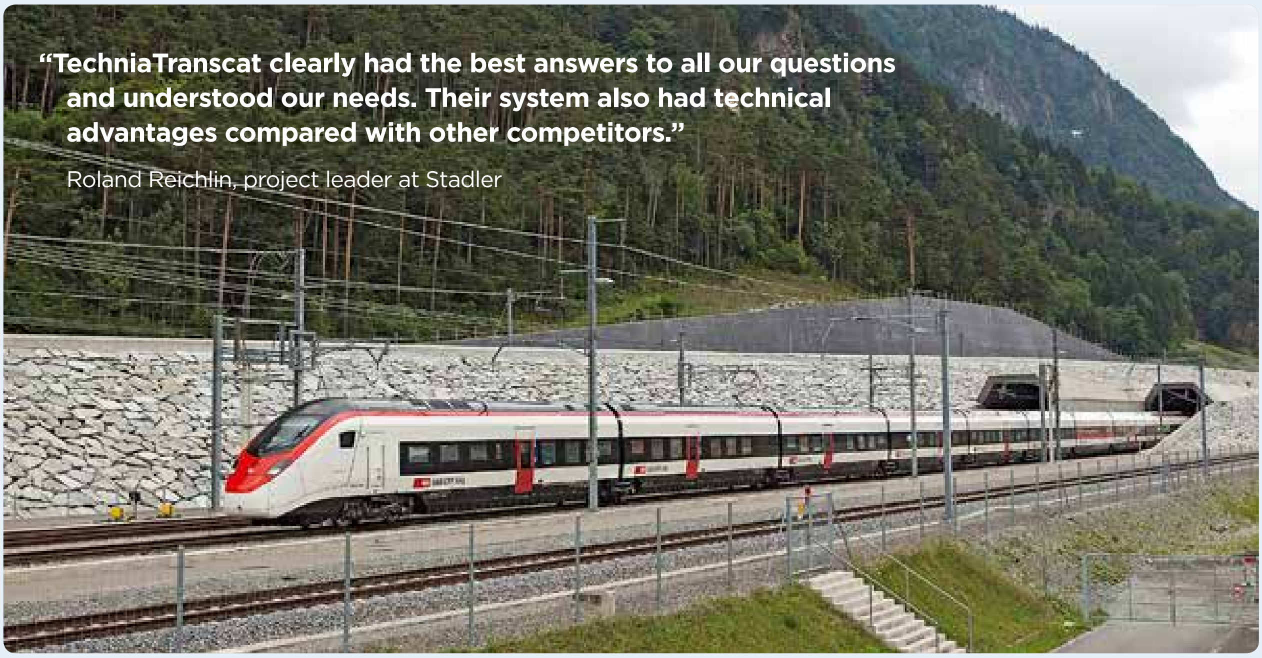


NET SALES AND EBITA MARGIN



KEY RATIOS

SEK m	2017	2016	2015
Net sales	919.8	779.0	512.6
EBITA	71.8	62.1	52.7
EBITA marginal,%	7.8	8.0	10.3
Operating profit	53.9	50.5	46.3
Operating margin,%	5.9	6.5	9.0
Average number of employees	508	428	281



Full speed ahead for Stadler with new PLM strategy

World-leading train manufacturer Stadler is powering forward like a trains it makes. In 20 years' time the Swiss company has grown from 70 employees to more than 7,000, and its trains are now in use worldwide. To maintain this same tempo, Stadler has embraced a new PLM strategy designed to increase efficiency and the pace of work throughout the company.

Following a lengthy evaluation process, Stadler chose to work with Addnode Group's subsidiary TechniaTranscat to implement a PLM strategy based on Dassault Systèmes' 3DExperience platform.

"Our trains are becoming more and more complex. We needed a tool to support our work processes in a smarter way and help us meet ever-growing requirements without putting a greater strain on us," says Roland Reichlin, project leader at Stadler.

With the new system, engineers from all departments can use one and the same platform for their creative work. This makes it possible to communicate more effectively than previously, such as when mechanical and electrical parts were produced in different systems and then combined in a time-consuming process.

The overall goal of Stadler's PLM 2.0 strategy is to increase efficiency by 10 per cent throughout the company while at the same time making some processes up to 80 per cent faster.

"A modern train carriage has more than 50,000 parts and is like a giant puzzle," says Reichlin. "We wanted to have a joint database in which information about all parts is accessible whenever and for everyone. Otherwise it can happen that one part is changed without everyone involved finding out about it."

Stadler has worked with TechniaTranscat for several years as a previous user of CATIA, a 3D design program, and chose to broaden its partnership after inviting in several vendors for a final presentation in 2016.

"TechniaTranscat clearly had the best answers to all our questions and understood our needs. Their system also had technical advantages compared with other competitors," says Reichlin.

Stadler also uses the 3DExperience platform to integrate new employees in its geographically spread project groups, as the company continues to grow both organically and through acquisitions.

"When we acquire a company we have to be able to share our knowledge with their employees," Reichlin explains. "This is another area in which we save a lot by using a uniform platform that ensures that we do not do things individually in different ways at different locations."

PROCESS MANAGEMENT

The Process Management division is a leading provider of software and services to the public sector. 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 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 several acquisitions were made within the division, and operations today are conducted via the subsidiaries Adtollo, Arkiva, Canella, Decerno, EssVision, Evitbe, Forsler & Stjerna, Ida Infront, InPort, Kompanion, Mittbygge, Sokigo, Stamford and Voice Provider.

OFFERING

Product Management's product portfolio is the answer to the demand we have seen in the market for quite some time. The division develops 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 covers software and services in areas such as:

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

CUSTOMERS

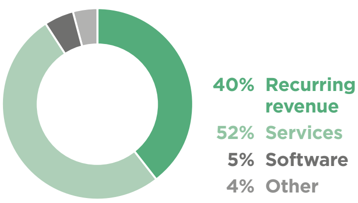
Customers include a large number of Swedish and Norwegian government authorities and operations, covering 285 of Sweden's 290 municipalities and private companies in the financial sector as well as in the energy, engineering and forest products industries.

Examples of the division's customers include: Coop, the Swedish Export Credits Board, Fastighetsbyrån, the Swedish Social Insurance Agency, the City of Gothenburg, the City of Malmö, Norrköping Municipality, Norsk Reiselivsforum, Swedish Police and the Swedish National Heritage Board.

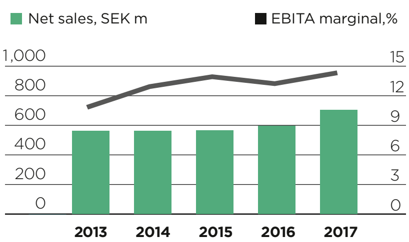
COMPETITIVE SCENARIO

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 delivery experience with system solutions for the public sector.

NET SALES BY REVENUE STREAM 2017



NET SALES AND EBITA MARGIN



KEY RATIOS

SEK m	2017	2016	2015
Net sales	704.1	594.8	566.4
EBITA	101.0	78.3	78.6
EBITA margin,%	14.3	13.2	13.9
Operating profit	68.3	57.3	61.8
Operating margin,%	9.7	9.6	10.9
Average number of employees	457	405	400

Smart building permit robot cuts municipality's processing times

With thousands of building permits to process every year, it is easy for applications to gather in a pile, forcing citizens to wait. Halmstad Municipality saw a need to streamline its building permit routines and turned to Addnode Group's subsidiary Sokigo for help in implementing automated services and digital administrative support.

The building permit process contains many steps, from registration of documents to reviews and departmental circulation to site visits and final decision. Well-working IT support is instrumental in quality assuring every step in the process.

"Here in Halmstad we have worked hard with digitalisation since 2012, when we began scanning all paper records and working with PDF files," says Ingegerd Persson, head of building permits for Halmstad Municipality. "We then continued by implementing an e-application process and direct filing, but we felt that we needed to take a step further in automation."

The system supplier Sokigo, an Addnode Group company, has been involved in this process for several years, lending support to Halmstad Municipality in its digital journey. In summer 2017 this collaboration was intensified when the new Atom solution began to be implemented as a complement to the existing ByggR building permit administrative system.

"This has revolutionised all our routines coupled to building projects," says Persson. "We are saving lots of time on strictly administrative matters since we are minimising the number of steps we must perform manually. Atom keeps track of our caseload and where in the process they are. With the help of predefined process rules, which we feed in ourselves, the next step in the process flow is automatically generated."

She explains, for example, that Atom generates automatic reminders and messages when a municipal resident has applied for a building permit and a certain amount of time has passed without the necessary complementary documentation coming in.

"This frees up our administrators from time consuming routine tasks at the same time that citizens get better feedback on their projects. The time that is freed up when we automate certain processes can be used to provide more service to customers and improve our employees' competence," explains Persson, adding that the new system has attracted a positive response from users:

"It is saving them time, plus many are impressed that we as a municipality have been among the first to introduce this type of new technology that simplifies things both for us and for municipal inhabitants."

The collaboration with Sokigo has also been appreciated by the pertinent employees of Halmstad Municipality.

"We conducted thorough test runs together with Sokigo before the product was entirely ready," Persson says. "They listen carefully to our views and take our needs into consideration. In this way we can participate and influence how new functions are set up in the administrative system for building permits."

SYSTEMS AND EMPLOYEES CONTRIBUTE TO LONG-TERM SUSTAINABLE SOCIETIES

Through innovation and continuous development in close collaboration with the company's customers we are innovating digital solutions that create opportunities to build a more sustainable society. 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.

ADDNODE GROUP'S PLACE IN SOCIETY

Building a long-term sustainable society in a fast-changing world undergoing urbanisation 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. The company is also helping to 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 services 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 developing 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 improve efficiency in 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 supplier of software and services to companies that need to keep track of all their product-related information throughout a product's entire life cycle. 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 community 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 TechniaTranscat, Intrinsys and Service Works Group are ISO 9001 certified. The subsidiary Services Works Group is ISO 27001 certified, and parts of TechniaTranscat 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 are:

- 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.

Work on new employee surveys was begun in 2017. The goal is that all subsidiaries will regularly conduct such surveys as a way to take the pulse of their organisations. One challenge that we share with other companies in the industry entails achieving a more even balance between men and women among our employees. The share of women in Addnode Group is 24 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 work is 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 TechniaTranscat 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. Several of our companies, such as TechniaTranscat, Symetri and Decerno, have formulated their own policy documents for this area, and in 2017 work was begun on drafting a Group Code of Conduct. 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 their respective companies top this off with their own contributions. In 2017 Addnode Group's companies made donations to such organisations as the Swedish Cancer Fund, the Swedish Child Cancer Fund, Save the Children, Children's Rights in Society (BRIS), Doctors Without Borders, Musikhjälpen and Akansha.

Employees 2017

1,317

AVERAGE NUMBER OF EMPLOYEES

52% Sweden
17% Germany
8% Other
7% Norway
7% India
5% Finland
4% UK

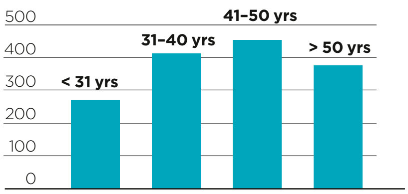
EMPLOYEES PER COUNTRY

72% Development, project administration and consulting
15% Sales
13% Management and administration

EMPLOYEES PER FUNCTION

76% Men
24% Women

GENDER BREAKDOWN



AGE DISTRIBUTION, NUMBER OF EMPLOYEES

JOHAN EKELUND
Applications consultant at Addnode Group's subsidiary EssVision

"I am responsible for making sure that projects are planned, have the necessary resources and are conducted on schedule. I monitor our customers' journey from initial tender to implementation and administration. The greatest challenge is striking a balance between IT and operations – understanding the need and implementing it in a user-friendly system solution. The best part of my job is seeing how our product makes a difference for customers and hearing how their everyday work is more fun and efficient."

NATANJA FRIEDRICH
Global Digital Marketing Manager at Addnode Group's subsidiary TechniaTranscat

"My job is never boring. There are always new initiatives, new markets and new segments – and thus new ways to reach our target groups. As the person responsible for developing the company's digital communication and marketing, I put great focus on achieving a global consensus and a stronger inbound marketing culture by forging closer collaborations between marketing and sales. Using statistics and analysis we measure the results of what we have planned and carried out. This gives us a clear account of our success or potential for improvement."

FRIDA VESTMAN
Business consultant at Addnode Group's subsidiary Ida Infront

"In my role as a business consultant I serve as the link between the customer's operations and our product. I come up with solution specifications that our developers then implement. Being able to communicate and make oneself understood among many different groups of people is a challenge and at the same time part of what is most rewarding with my job. It is enjoyable being a part and developing systems and solutions for important public sector operations that benefit society."

RICKARD ERLANDSSON
Application developer at Addnode Group's subsidiary TechniaTranscat

"I program and configure technical solutions, where the goal is to meet customers' wishes to get the most out of their products. Sooner or later you always encounter problems. Solving them is part of the job's more enjoyable challenges. As a developer my goal is to deliver flexible code, since I know that what I do may be used in larger, complex systems. I enjoy customer contact and learn new things every day."

AUDITOR'S STATEMENT

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

Statement on the statutory sustainability report

Engagement and responsibility

It is the Board of Directors who are responsible for the statutory sustainability report for 2017 on pages 26–28 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 – 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, 22 March 2018

PricewaterhouseCoopers AB

Magnus Brändström
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 what risks must be managed based on documentation provided by the President and Group Management. Evaluation is performed at least once 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 each area 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, technology and partners
- C Competition
- D Customer structure
- E Revenue structure
- F Organisation, competence succession and managing growth

Financial risks

- G Credit risk
- H Exchange rate risk
- I Interest rate risk
- J Liquidity and financing risk

*The year's acquisitions have increased the level of borrowing and have thereby affected the Group's financial risk.

Risk areas		Description of potential risks	Probability of occurrence (1–5) 1. Improbable • 2. Not likely • 3. Possible • 4. Likely • 5. Probable	Impact on business of occurrence (1–5) 1. Improbable • 2. Not likely • 3. Possible • 4. Likely • 5. Probable	
Operational risks					
A	Business cycle and macro risks	The macro perspective and economic climate 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 numerous different markets. We continuously adapt our offerings and organisation to the prevailing market conditions.
B	Products, technology and partners	New ways of working, behaviours, and rapidly changing technologies may lead to changes in customers' requirements. Our partners may change business models and terms, which affects our earnings capacity.	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. 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.
C	Competition	Demand for and sales of our software and services may decline as a result of tougher 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.
D	Customer structure	Having a customer structure with one or a few sectors/customers could affect sales and earnings should an individual customer or sector encounter problems and dramatically reduce its investments.	2	3	Owing to its business model, Addnode Group's sales are not dependent on individual customers or sectors. The Group has approximately 5,000 customers, and the 20 largest customers account for 15 per cent of net sales. While individual subsidiaries may be affected by the loss of a customer, by virtue of the Group's size we have resources to drive the business further and focus on sales to new customers.
E	Revenue structure	A revenue structure with a large proportion of hourly-based sales and/or short durations of customer contracts offers few opportunities to compensate for sudden losses and changes.	2	2	The Group has a balanced portfolio of assignments that provides stable earnings over time. Addnode Group's recurring revenue in the form of support and maintenance contracts accounts for 53 per cent of net sales.
F	Organisation, competence succession and managing growth	Not having the ability to attract and retain employees in key positions.	2	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. Acquisitions are a central part of Addnode Group's strategy. Miscalculations of synergies and market potential in acquisitions may affect their outcome.
Financial risks					
G	Credit risk	The main credit risk is of customers failing to pay for provided products or services.	1	4	Overall, Addnode Group's credit risk associated with unpaid receivables is considered to be low. The Group has established guidelines for ensuring that sales are made to customers with solid credit backgrounds. Trade receivables are spread across a large number of industries, markets and types of customers. Historically, bad debt losses have been very low. In 2017 earnings were negatively affected by SEK 2.4 m (0.1).
H	Exchange rate risk	A negative financial impact on the Group's earnings and shareholders' equity caused by changes in exchange rates.	3	3	The Group's exchange rate risk is generally low, since subsidiaries operate primarily in their respective local markets and thereby have both revenues and expenses in the same currency. Translation exposure of net assets and foreign currency has been partly hedged.
I	Interest rate risk	Sharply higher interest rates leading to higher financial liabilities.	2	3	As a result of acquisitions carried out in 2017, Addnode Group has increased its level of debt, and thus the financial risk associated with higher interest rates has increased. As per 31 December 2017 the Group's net debt, i.e., the net sum of interest-bearing assets and liabilities, was SEK 448 m (66).
J	Liquidity and financing risk	A shortage of available liquidity to pay obligations.	1	4	As per 31 December 2017 Addnode Group had SEK 173 m (111) in cash and cash equivalents, plus a bank overdraft facility of SEK 100 m. In 2017 the Group secured an acquisition credit facility of SEK 750 m. As per 31 December 2017 a total of SEK 583 m (156) of the acquisition credit facility was utilised. The Group is financed primarily through bank borrowing, and the refinancing risk is limited through long-term credit promises and good relationships with banks that have good credit ratings.

FOCUS ON ACQUISITIONS AND FINANCIAL GOVERNANCE

2017 was a year of strong growth highlighted by a series of acquisitions and international expansion. The Group has a good financial position with strong cash flow, and during the financial year the share of recurring revenue continued to grow.

HOW WOULD YOU SUMMARISE 2017?

Addnode Group has grown in recent years from a Nordic to an international group, where operations in the UK and Germany have become an increasingly important part. Consolidated net sales grew 15 per cent compared with 2016, and we thereby exceeded our 10 per cent growth target thanks to intensive work with acquisitions combined with organic growth of 5 per cent. During 2017 we welcomed ten new companies to the Group, and we have positive profitability development which is nearing our target of a 10 per cent EBITA margin.

During the year we increased our credit facilities to SEK 750 m to enable acquisitions in accordance with our set strategy.

STRONG CASH FLOW AND CHANGED REVENUE STREAM

We have a good financial position that is affected by seasonal variations, as a significant share of cash flow is generated early in the year, when a large share of maintenance agreements are renewed.

Over several years' time we have gradually increased our recurring revenue from support and maintenance contracts and subscription-based cloud services. During the 2017 financial year, recurring revenue grew to 53 per cent of net sales. The shift from licence-based sales to a subscription-based model in the Design Management division will contribute to greater predictability over time.

During the past year we experienced a positive trend in organic growth, with a higher share of sales of proprietary products. This shows that we have listened to our customers' needs and invested in development of products that are in demand in the market.

PRIORITIES AS CFO

I took office as the new CFO of Addnode Group in September 2017 and am happy to be here and contribute to a professional and creative organisation which through innovative products creates great value in society.

With the fast pace of growth we have, it is important that the companies we acquire are quickly integrated into our decision-making structure at the same time that they are allowed to retain their entrepreneurial strength and energy. Our business model is built upon entrepreneurship and long-term focus combined with coordination and efficiency.

As a result of our acquisitions, our focus on operating cash flow has also increased. To reduce tied-up working capital and administrative costs we are working continuously with capital efficiency and streamlining. We are looking at all opportunities to find new and smarter work processes by leveraging the potential provided by digitalisation.

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 workplace management, and is a leader in administrative systems for the public sector in Sweden.

2.94 SEK

EARNINGS PER SHARE 2017

2 HISTORICALLY FAVOURABLE TOTAL RETURN

During the years 2013–2017 Addnode Group's Class B shares increased in value from SEK 36.50 to SEK 75.75 per share, corresponding to average annual growth in value of 16 per cent. In addition to this value growth, the shareholders have received yearly dividends of SEK 2.25 per share. The dividend policy is to distribute a minimum of 50 per cent of net profit to the shareholders, and for 2017 the Board of Directors has proposed a dividend of 2.25 per share.

2.25 SEK

DIVIDEND PER SHARE FOR 2017 PROPOSED BY THE BOARD OF DIRECTORS

3 ACQUISITION-DRIVEN GROWTH STRATEGY

The Group has extensive experience with acquisitions. Since 2005 we carried out more than 60 acquisitions, contributing average annual growth of 12 per cent between the years 2007 and 2017. 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.

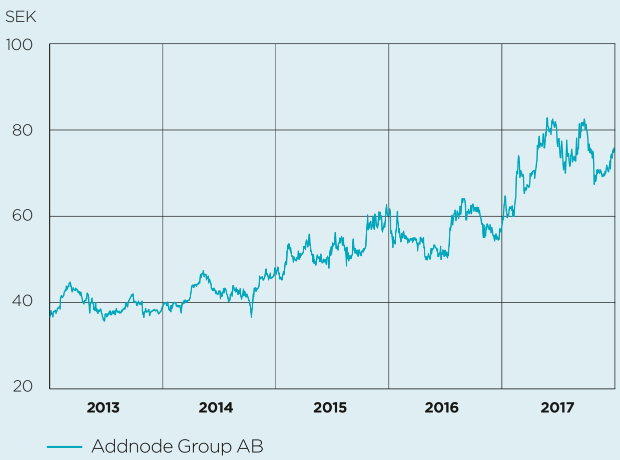
34 %

CHANGE IN PRICE FOR ADDNODE GROUP'S CLASS B SHARES 2017

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.

FAVOURABLE TREND IN SHARE PRICE



ADDNODE GROUP SHARES

Addnode Group's Class B shares are listed on Nasdaq Stockholm, where they are traded under the symbol ANOD B. On 30 December 2017 the company had 5,359 shareholders, and foreign ownership in the company was 18 per cent. The share of institutional ownership was 67 per cent.

SHARE PRICE DEVELOPMENT

At year-end 2017 Addnode Group's shares were quoted at a price of SEK 75.75 per share (56.50). The highest price paid in 2017 was SEK 83.00 (26 September), and the lowest price paid was SEK 57.75 (2 January). At year-end the company's market capitalisation was SEK 2,305 m (1,719). Trading volume in Addnode Group shares on Nasdaq Stockholm in 2017 was 12,336,859 shares, corresponding to average daily turnover of 49,151 shares (8,813) per trading day.

SHARE DATA

The number of registered shares in Addnode Group was 30,427,256 on 30 December 2017, including 987,174 Class A shares and 29,440,082 Class B shares. A-shares carry entitlement to ten votes each, and B- and C-shares carry entitlement to one vote each. Addnode Group's shares are denominated in Swedish kronor (SEK), and the share quota value is SEK 12. Class A and B shares carry entitlement to dividends. Class C shares do not carry entitlement to dividends. No Class C shares were in issue as per 30 December 2017.

OWNERSHIP STRUCTURE

The largest shareholders in Addnode Group AB as per 30 December 2017 are shown in the table on page 35. The number of shareholders as per 30 December 2017 was 5,359.

SHARE-SAVINGS PROGRAMME, OPTIONS AND CONVERTIBLE PROGRAMMES

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

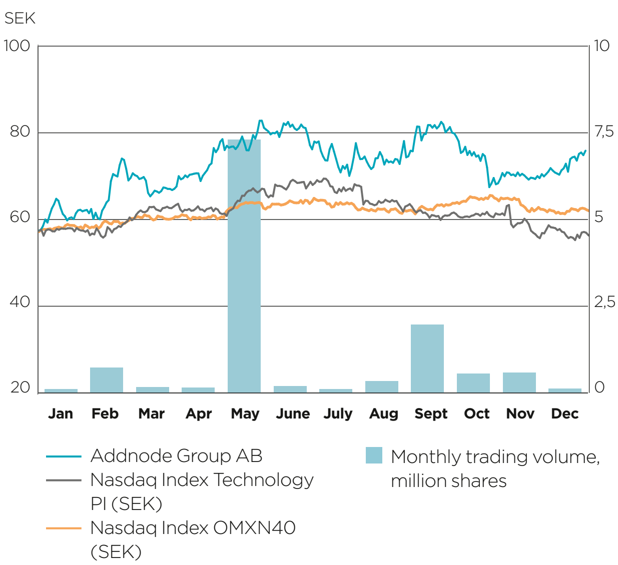
DIVIDEND POLICY

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.

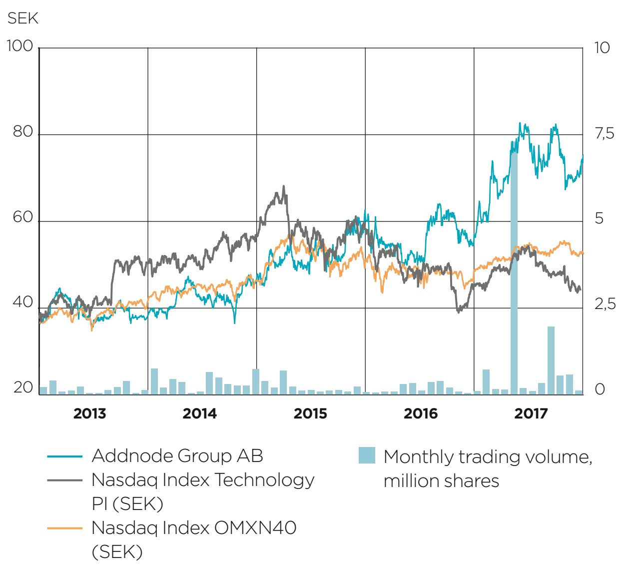
DIVIDEND PROPOSAL

The Board of Directors proposes that the Annual General Meeting vote in favour of an unchanged dividend of SEK 2.25 per share. The proposed dividend amounts to approximately SEK 68 m. Based on an average share price of SEK 72.00 in 2017, the proposed dividend represents a dividend yield of 3 per cent.

SHARE PERFORMANCE AND TRADING VOLUME 2017



SHARE PERFORMANCE AND TRADING VOLUME 2013–2017



SHARE CAPITAL DEVELOPMENT – ADDNODE GROUP

Year	Transaction	Number of shares after transaction	Total share capital after transaction, SEK
2000	New share issue – in connection with redemption of employee warrant programme	2,752,184	1,376,092
2000	Non-cash 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

SHAREHOLDERS – 29 DECEMBER 2017

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	7.5	7,907,944	20.1
Vidinova AB[2]	361,667	1,084,718	1,446,385	4.8	4,701,388	12.0
Swedbank Robur funds	0	2,922,807	2,922,807	9.6	2,922,807	7.4
Odin funds	0	2,900,000	2,900,000	9.5	2,900,000	7.4
Lannebo Fonder	0	2,490,279	2,490,279	8.2	2,490,279	6.3
Försäkringsaktiebolaget Avanza Pension	0	1,940,738	1,940,738	6.4	1,940,738	4.9
Handelsbanken Fonder AB	0	1,417,385	1,417,385	4.7	1,417,385	3.6
Fourth AP Fund	0	1,491,865	1,491,865	4.9	1,491,865	3.8
Didner & Gerge Fonder	0	1,189,000	1,189,000	3.9	1,189,000	3.0
Grenspecialisten Förvaltning AB	0	911,554	911,554	3.0	911,554	2.3
Other shareholders	175	11,437,112	11,437,287	37.5	11,438,862	29.2
Totalt	**987,174**	**29,440,082**	**30,427,256**	**100.0**	**39,311,822**	**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.

2) Vidinova AB is controlled by board member Dick Hasselström.

DISTRIBUTION OF SHAREHOLDINGS, 29 DECEMBER 2017

Shareholding	No. of shareholders	Capital%	Votes%
1–500	4,421	1.2	0.9
501–1 000	406	1.1	0.9
1 001–2 000	220	1.2	0.9
2 001–5 000	155	1.7	1.3
5 001–10 000	55	1.3	1.0
10 001–20 000	28	1.4	1.1
20 001–50 000	30	3.2	2.4
50 001–100 000	12	2.7	2.1
100 001–500 000	18	15.6	12.1
500 001–1 000 000	5	11.3	8.8
1 000 001–5 000 000	9	59.3	68.5
Total, 29/12/2017	**5,359**	**100.0**	**100.0**

SHARE DATA

	2017	2016	2015	2014	2013
Average number of shares outstanding after dilution, millions	30.4	30.4	30.0	29.6	28.8
Total number of shares outstanding, millions	30.4	30.4	30.4	29.6	29.4
Total number of registered shares, millions	30.4	30.4	30.4	30.1	30.1
Earnings per share after dilution, SEK	2.94	2.71	3.18	3.38	2.19
Cash flow per share, SEK	4.83	5.18	4.79	5.15	4.13
Equity per share, SEK	32.29	31.7	30.12	29.47	28.36
Dividend per share, SEK	2.25[1]	2.25	2.25	2.25	2.25
Share price on closing date, SEK	75.75	56.5	61.25	46.10	38.80
P/E ratio	26	21	19	14	18

[1] Proposed by the Board of Directors.

BREAKDOWN OF SWEDISH AND FOREIGN SHAREHOLDERS 29/12/2017

FOREIGN SHAREHOLDERS BY COUNTRY, EXCL. SWEDEN

ANALYSTS AND FURTHER INFORMATION

Among analysts who regularly monitor Addnode Group are Kristoffer Lindström (Redeye), Fredrik Nilsson (Remium), 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
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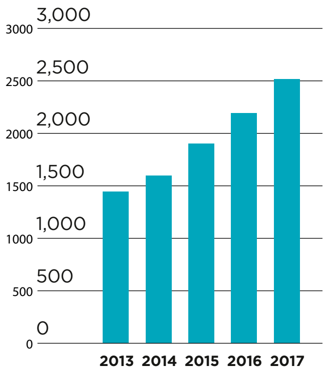
helena.nathhorst@addnodegroup.com

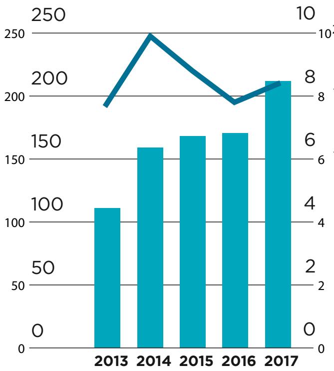
FIVE-YEAR OVERVIEW

Net sales, SEK m



Net sales increased during the 5-year period from SEK 1,444 m to SEK 2,520 m, corresponding to average annual growth of 15 per cent. The Group's target is to achieve annual growth of at least 10 per cent.

EBITA, SEK m*

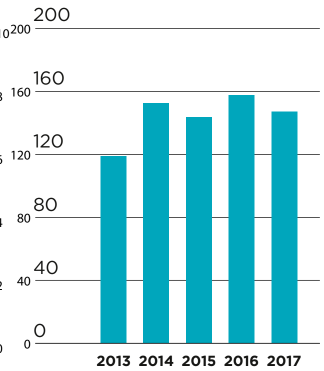


EBITA grew during the 5-year period from SEK 124 m to SEK 212 m. Growth in earnings can be credited to higher demand for the Group's software and services, and to contributions from companies acquired during the period.

— EBITA margin,%

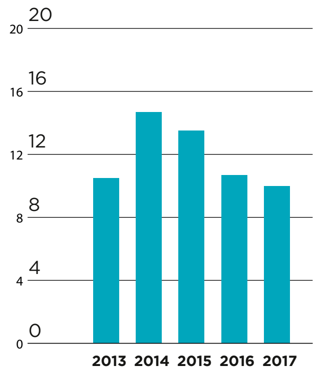
* Excluding capital gains and revaluation of contingent consideration.

Cash flow from operating activities, SEK m



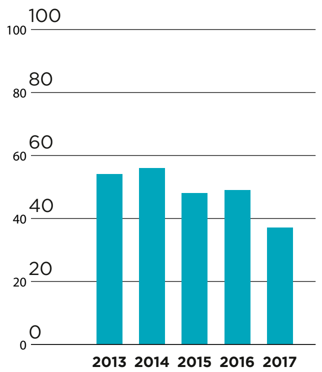
Addnode Group's business model, with a large share of prepaid support and maintenance contracts, entails that the business has a relatively small amount of tied-up capital. Historically, cash flow from operating activities has been on par with EBITA. During 2017, however, cash flow was affected by a temporary increase in working capital.

Return on capital employed,%



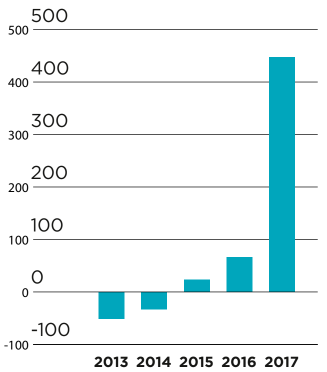
Return on capital employed was 10.0 per cent in 2017, which is lower than in the preceding year. This is due to a 22 per cent increase in average capital employed in 2017 compared with 2016.

Equity/assets ratio,%



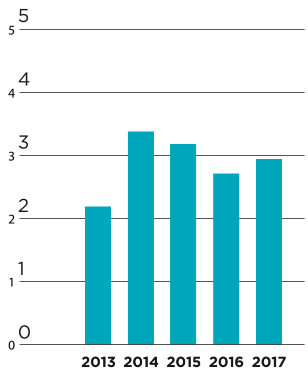
The equity/assets ratio averaged 49 per cent during the 5-year period. Compared with earlier periods, the equity/assets ratio in 2017 was affected by an increase in interest-bearing liabilities during the year as a result of acquisitions.

Net debt, SEK m



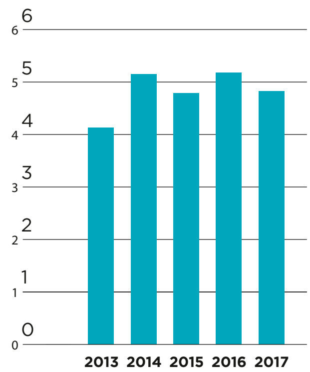
Addnode Group took on external interest-bearing loans, totalling SEK 62 m, for the first time in 2013 to finance acquisitions. During the 5-year period, additional loans were taken out to finance additional acquisitions. In 2017, loans of SEK 423 m were taken out to finance acquisitions carried out during the year.

Earnings per share after dilution, SEK



Earnings per share in 2017 were SEK 2.94. The average number of shares in 2017 was unchanged from 2016. During the 5-year period earnings per share ranged from SEK 2.19 to SEK 3.38.

Cash flow per share



During the 5-year period, cash flow from operating activities per share ranged from SEK 4 to SEK 5. Cash flow per share is better than earnings per share, owing to depreciation and amortisation of identified assets in connection with acquisitions.

Group	2017	2016	2015	2014	2013
Income statement (SEK m)					
Net sales	2,519.8	2,195.0	1,900.8	1,598.6	1,443.5
of which, outside Sweden	1,336.9	1,132.9	893.7	646.7	538.1
Operating profit before depreciation/amortisation	227.6	185.4	181.7	205.7	123.6
EBITA	211.8	170.6	168.0	193.3	110.7
Operating profit	129.9	113.7	126.0	128.5	85.9
Net financial items	-11.0	-4.9	-1.4	1.3	-0.2
Profit before tax	118.9	108.8	124.6	129.8	85.7
Tax	-29.3	-26.5	-29.1	-29.6	-22.8
Profit for the year	89.6	82.3	95.5	100.2	62.9
Balance sheet (SEK m)					
Intangible non-current assets	1,654.4	1,165.9	1,061.2	874.9	865.8
Property, plant and equipment	39.8	36.8	34.6	27.2	26.3
Financial assets	28.0	23.8	29.6	34.9	45.5
Inventories	1.1	1.3	1.2	1.0	1.2
Other receivables	728.9	646.2	661.6	546.5	489.5
Cash and cash equivalents	173.2	111.5	102.9	72.4	114.8
Total assets	**2,625.4**	**1,985.5**	**1,891.1**	**1,556.9**	**1,543.1**
Shareholders' equity	982.5	964.7	916.6	872.7	834.5
Provisions	109.8	52.2	53.7	5.4	63.2
Loan liabilities, interest-bearing	620.8	177.3	126.6	40.4	65.3
Other liabilities, noninterest-bearing	912.3	791.3	794.1	638.4	580.1
Total shareholders' equity and liabilities	**2,625.4**	**1,985.5**	**1,891.1**	**1,556.9**	**1,543.1**
Cash flow					
Cash flow per share, SEK	4.83	5.18	4.79	5.15	4.13
Cash flow from operating activities, SEK m	147.1	157.7	143.8	152.5	118.8
Cash flow from investing activities, SEK m	-438.9	-135.7	-115.1	-109.8	-126.1
Cash flow from financing activities, SEK m	351.7	-18.8	6.7	-86.8	-6.7
– of which, shareholder dividend and share repurchases, SEK m	-68.5	-68.5	-66.6	-66.2	-63.5
Return metrics					
Change in net sales,%	15	15	19	11	6
Return on capital employed,%	10.0	10.7	13.5	14.7	10.5
Return on equity,%	9.4	8.9	10.8	11.9	7.9
EBITA margin,%	8.4	7.8	8.8	12.1	7.7
Operating margin,%	5.2	5.2	6.6	8.0	6.0
Profit margin,%	4.7	5.0	6.6	8.1	5.9
Financial metrics					
Interest coverage multiple	11	17	33	46	44
Equity/assets ratio,%	37	49	48	56	54
Debt/equity multiple	0.46	0.07	0.03	E/T	E/T
Net debt, SEK m	447.6	65.8	23.2	-33.2	-51.3
Acid test ratio,%	62	79	88	98	102
Shareholders' equity, SEK m	982.5	964.7	916.6	872.7	834.5
Shareholders' equity per share, SEK	32.29	31.70	30.12	29.47	28.36
Employees					
Number of employees at 31 December	1,511	1,277	1,202	934	951
Average number of employees	1,317	1,160	1,005	890	859
Net sales per employee, SEK thousands	1,913	1,892	1,891	1,796	1,680

ANNUAL REPORT 2017

The Board of Directors and President of Addnode Group AB (publ), with registered office in Stockholm and corporate identity number 556291-3185, hereby submit the Annual Report for the 2017 financial year for the Parent Company and the Group. The Annual Report and Auditors' Report cover pages 40–87. The Corporate Governance Report and the Auditors' Report on their review of the Corporate Governance Report cover pages 89–98. The results of the year's operations as well as the Parent Company's and the Group's financial position are presented in the Board of Directors' report along with the accompanying income statements and balance sheets, statements of comprehensive income, statements of cash flows, specifications of changes in shareholders' equity and supplementary disclosures and notes, which comprise the comprehensive Annual Report.

Board of Directors' report

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 – Software and services for design, product data, project collaboration and property management
- Product Lifecycle Management – Software and services for simulation, design and Product Lifecycle Management
- Process Management – Software and services for public administration, e-archives, information management and citizen dialogue

Net sales and earnings

Consolidated net sales in 2017 amounted to SEK 2,519.8 m (2,195.0), an increase of 15 per cent. The increase is mainly attributable to the acquisitions carried out in 2016 and 2017. Organic growth was 5 per cent compared with the preceding year. The Group's recurring revenue increased by 21 per cent from 2016 to 2017. EBITA amounted to SEK 211.8 m (170.6), corresponding to an EBITA margin of 8.4 per cent (7.8). Scheduled amortisation of intangible non-current assets amounted to SEK 81.9 m (56.9). Operating profit was SEK 129.9 m (113.7), corresponding to an operating margin of 5.2 per cent (5.2). Through business development and acquisitions, the share of proprietary software and applications increased in the IT solutions that the Group offers its customers. In 2017, investments of SEK 45.7 m (42.7) in proprietary software and applications were capitalised.

Design Management had higher net sales and EBITA than a year ago, owing to a strong market and acquisitions made during the year. Product Lifecycle Management posted higher net sales and EBITA than a year ago, mainly owing to acquisitions in 2017. The Process Management division also showed higher net sales and EBITA, mainly owing to acquisitions.

Net financial items for the Group totalled SEK -11.0 m (-4.9). Tax on profit for the year was SEK -29.3 (-26.5). Profit after tax was SEK 89.6 m (82.3).

Key figures by division

	Net sales		EBITA		Operating profit		Average number of employees	
SEK m	2017	2016	2017	2016	2017	2016	2017	2016
Design Management	905.9	828.9	76.2	57.1	45.0	32.8	345	319
Product Lifecycle Mgt	919.8	779.0	71.8	62.1	53.9	50.5	508	428
Process Management	704.1	594.8	101.0	78.3	68.3	57.3	457	405
Central functions [1]	12.7	12.6	-37.2	-26.9	-37.3	-26.9	7	8
Eliminations	-22.7	-20.3	—	—	—	—	—	—
Addnode Group	**2,519.8**	**2,195.0**	**211.8**	**170.6**	**129.9**	**113.7**	**1,317**	**1,160**

[1] EBITA and operating profit for central functions in 2017 were charged with SEK 6.6 m (0.1) in acquisition costs.

Divisional performance

Addnode Group's operations are organised in three divisions: Design Management, Product Lifecycle Management and Process Management.

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. 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 to manufacturing industries. The division's operations are conducted via the companies Symetri, Symetri Collaboration, and Service Works Global, acquired in 2017.

Net sales for Design Management amounted to SEK 905.9 m (828.9). EBITA was SEK 76.2 m (57.1), corresponding to an EBITA margin of 8.4 per cent (6.9). Demand for Autodesk products remained strong from the construction and real estate sectors in Sweden, and was favourable from manufacturing industries. SaaS solutions for information and processes in construction projects had favourable performance during the year, with a greater number of users. This, combined with completed acquisitions, countered the effects of the changed business model for Autodesk, entailing a shift from a licence-based to a subscription-based business model.

Product Lifecycle Management division

The Product Lifecycle Management division is one of Europe's leading suppliers of customised PLM systems, with operations in the Nordic countries, Germany, the UK, 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 subsidiaries TechniaTranscat and Intrinsys, the latter acquired in 2017.

Net sales for Product Lifecycle Management amounted to SEK 919.8 m (779.0). EBITA was SEK 71.8 m (62.1), corresponding to an EBITA margin of 7.8 per cent (8.0). The strong growth and improved earnings are largely attributable to acquisitions made during the year and strong sales of software during the fourth quarter. Our ability to deliver and implement global change projects is having a greater impact in the market, and we are winning new deals. During the year, operations in Germany were affected by lower sales and impairment losses for projects.

Process Management division

The Process Management division offers systems and software 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, and complementary products. The division's operations are conducted in Sweden and Norway via the subsidiaries Adtollo, Arkiva, Canella, Decerno, EssVision, Evitbe, Forsler & Stjerna, Ida Infront, Kompanion, Mittbygge, Sokigo, Stamford and Voice Provider, and starting in January 2018 also via InPort.

Net sales for Process Management amounted to SEK 704.1 m (594.8). EBITA was SEK 101.0 m (78.3), corresponding to an EBITA margin of 14.3 per cent (13.2). The division had continued favourable demand for information and case management systems and won several tenders in the Swedish public sector. Organic growth was 6 per cent. Acquisitions carried out in 2017 and earlier years developed well. High capacity utilisation primarily in case management and larger system development projects contributed to good growth and profitability.

Acquisitions in 2017

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 Kompanion planning tool, and possession was transferred on 2 January 2017. Prior to this Addnode Group owned 37 per cent of the shares in the company; the acquisition was carried out in accordance with a previously signed shareholder agreement. The business is focused on IT-based planning and follow-up 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 offering 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.

On 24 March 2017 an agreement was signed to acquire all of the shares in the company Infostrait, 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. Infostrait 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 division. The acquisition also entails establishment of operations for the Group in the Benelux area.

On 1 June 2017 all of the shares outstanding were acquired in the Swedish software company Canella, which develops IT solutions for the Nordic pharmacy and healthcare market. Operations are 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. Canella has annual net sales of approximately SEK 20 m and is included in the Process Management division since the date of possession.

On 29 June 2017 an agreement was signed to acquire all of the shares in the Swedish software company Forsler & Stjerna, with transfer of possession on 1 July 2017. The company has annual net sales of approximately SEK 20 m and 13 employees. Forsler & Stjerna 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.

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 – SWG), with transfer of possession 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. SWG has 71 employees and operations in the UK, Australia, Canada and the Gulf states. SWG is part of the Design Management division since the date of possession, adding to the division's already strong offering of systems for the construction and real estate sectors. The acquisition has also enabled the expansion of operations to new markets in which SWG has a strong position.

On 1 August 2017 an agreement was signed to acquire all of the shares in the British company Intrinsys 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. Intrinsys 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. Intrinsys has 60 employees and operations in the UK and South Africa. The company is part of Addnode Group's Product Lifecycle Management division, which is a leader in the European PLM market. The acquisition further strengthens this position.

On 22 September 2017 an agreement was signed to acquire all of the shares in the Swedish software company Adtollo, 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 10 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.

On 2 October 2017 an agreement was signed to acquire all of the shares in the Swedish software company Apricon, with transfer of possession the same day. Apricon 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.

Events after the end of the financial year

At the end of November 2017 an agreement was signed to acquire all of the shares in 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 December 2017 an agreement was signed to acquire all of the shares in 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.

In January 2018 an additional SEK 42.5 m in bank loans were drawn from the credit facility of up to SEK 750 m that was secured in June 2017.

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 173.2 m (111.5) on 31 December 2017. Cash flow from operating activities amounted to SEK 147.1 m (157.7) in 2017. Cash flow from investing activities in 2017 included SEK 52.9 m in payments for contracted and previously expensed consideration for company acquisitions carried out in previous years, and SEK 45.7 m (42.7) in payments for proprietary software. During the second quarter, a share dividend of SEK 68.5 m was paid out.

In June 2017 the Parent Company expanded its acquisition credit facility with Nordea by SEK 350 m from SEK 400 m previously, to SEK 750 m, to finance acquisitions. The facility has a term of four years and can be drawn successively. Up until the publication date of this Annual Report, a total of SEK 626 m had been drawn. 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 41.6 m had been utilised by 31 December 2017. The Group's interest bearing liabilities as per 31 December 2016 amounted to SEK 620.8 m (177.3), and the net amount of interest-bearing assets and liabilities was SEK -447.6 m (-65.8). The equity/assets ratio was 37 per cent (49) as per 31 December 2017.

Investments

Investments in intangible non-current assets and in property, plant and equipment amounted to SEK 65.0 m (67.9), of which SEK 45.7 m (42.7) pertains to proprietary software and SEK 16.2 m (16.6) 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 2017, capital expenditures of SEK 45.7 m (42.7) 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 2017 was SEK 1,357.7 m (972.0). Goodwill increased by SEK 374.5 m in 2017 in connection with company acquisitions. Other intangible assets amounted to SEK 296.7 m (193.9) and pertain primarily to customer contracts and software.

Deferred tax assets

Total reported deferred tax assets amounted to SEK 13.0 m on 31 December 2017, of which SEK 9.5 m pertains to tax loss carryforwards. On 31 December 2017 the Group's accumulated tax loss carryforwards amounted to approximately SEK 80 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 982.5 m (964.7) on 31 December 2017. During the second quarter share dividends of SEK 68.5 m were paid out. Changes in the Group's equity are shown on page 49. No sharesavings, option or convertible programmes were outstanding as per 31 December 2017.

Provisions

Provisions, which are reported among non-current and current liabilities on the consolidated balance sheet, amounted to SEK 109.8 m on 31 December 2017, of which SEK 93.8 m pertain to estimated contingent consideration for completed company acquisitions. During 2017, payments for previously expensed contingent consideration totalled SEK 42.6 m.

Employees

The average number of employees in the Group in 2017 was 1,317 (1,160). At year-end the number of employees was 1,511 (1,277).

Share repurchases, and transfers and holdings of treasury shares

Addnode Group had no holdings of treasury shares on 31 December 2016 nor 31 December 2017. During 2017 no shares were repurchased or transferred. The number of registered shares and shares outstanding on both 31 December 2016 and 31 December 2017 was 30,427,256.

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 2017 amounted to SEK 10.4 m (9.1) and pertained mainly to invoicing to subsidiaries for performed services. Profit after financial items was SEK 106.1 m (71.3), including dividends of SEK 40.1 m (47.0) from subsidiaries, Group contributions of SEK 119.8 m (68.2) from subsidiaries, and impairment of shares in subsidiaries of SEK 19.0 m (18.0).

Cash and cash equivalents on 31 December 2017 amounted to SEK 0.0 m (96.6), and the utilised part of the bank overdraft facility was SEK 41.6 m (0.0). Investments in shares in subsidiaries amounted to SEK 630.5 m, and transfers of shares in subsidiaries to other Group companies amounted to SEK 9.0 m. No significant investments were made in intangible non-current assets or in property, plant and equipment. During the second quarter share dividends of SEK 68.5 m were paid out. During 2017 payments of SEK 52.9 m were made for contracted and previously expensed earn-out payments for company acquisitions. On 31 December 2017 the Parent Company's provisions for estimated contingent consideration amounted to SEK 90.4 m, which is expected to be paid out in 2019. Within the framework of existing credit facilities, new bank loans of SEK 422.9 m were drawn in 2017, and an additional SEK 42.5 m was drawn in January 2018. The Parent Company has an existing bank overdraft facility of SEK 100 m. In addition, on 30 June 2017 the Parent Company expanded its acquisition credit by SEK 350 m from SEK 400 m previously, to SEK 750 m, to finance acquisitions. The facility has a term of four years, and a total of SEK 626 m has been drawn as of the publication date of this Annual Report.

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	Impact on earnings*
Net sales	+/– 1%	0.51 SEK
Gross margin	+/– 1%	0.83 SEK
Payroll costs	+/– 1%	0.33 SEK
Other operating expenses	+/– 1%	0.15 SEK

* All else equal, earnings per share before tax for the 2017 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.

Earnings capacity

Business cycle and macro risks

Demand from customers is largely coupled to their confidence in the future and their willingness to invest and may therefore change on short notice. A decline in economic growth could have a negative impact on revenue and profitability. Addnode Group addresses these risks by conducting operations in several divisions with various customer categories and technologies, which creates a diversified spread of risk and security. Operations are conducted in both the private and public sectors in several countries. The Group works actively to adapt its offering and operations to prevailing demand. With several divisions, the Group's resources can be steered towards businesses and market segments with favourable conditions for long-term growth and profitability and where we see opportunities to build and retain leading market positions.

Customer structure, and revenue and cost structure

There is always the risk that one of Addnode Group's major customers may be affected by developments in the market and will reduce its purchasing, resulting in a potential short-term drop in revenue. Addnode Group has a broad customer base of approximately 5,000 customers and is not dependent on individual customers. The 20 largest customers in 2017 accounted for 15 per cent of net sales. The Group's customers are primarily in Sweden, Germany, the UK, Norway, Finland and the USA, and work in a large number of industries including engineering, medical technology, telecom, the public sector, construction and real estate, technical consulting and media.

In recent years, the share of recurring revenue from software with associated support and maintenance agreements has increased, generating more stable earnings capacity. The largest expense items for Addnode Group are purchases of goods and services, and staff costs. Historically, we have largely been able to meet changed costs with more efficient deliveries and adjusted end-customer prices.

Competition

There are no individual competitors for Addnode Group's total offering. In the various sub-markets, Addnode Group encounters a large number of local players and a smaller number of national or multinational companies. Addnode Group's strategy is to be a market leader in niche areas to secure good competitiveness and a strong market position.

Employees and organisation

To be able to continue growing, Addnode Group is dependent on its ability to attract, recruit and develop new employees, as well as retain existing employees and key persons. Each company within the Group is responsible for its own competence succession. Managers are largely recruited internally or through acquisitions.

Products and technology

Addnode Group has a large proportion of proprietary software, SaaS business and systems in the solutions that we provide. To be able to meet evolving customer needs over time, proximity to customers and strategic collaborations with developers of IT platforms and software are an essential part of Addnode Group's growth strategy. Several of the software suppliers we work with, such as Autodesk, Dassault Systèmes and Microsoft, are market-leading global companies in their respective niches, and there are no indications that they will not remain competitive suppliers also in the future.

Integration of acquired companies

Acquisitions are a natural part of Addnode Group's operations and contribute to the Group's development and growth. To increase growth as well as recruit talented employees and managers, we continuously acquire new operations. Several company acquisitions have been carried out in recent years, and more will be made in the future. Company acquisitions are always associated with risks. Inaccurate estimations of synergies and market potential could have both positive and negative impacts on earnings.

Financial risks

The Group's exposure to various financial risks, including currency risks, interest rate risks and other price risks, credit risks and liquidity risks, is considered to be limited. Responsibility for the Group's financial transactions and risks is managed centrally by the Parent Company. The overall objective is to provide cost-efficient financing and to minimise negative effects on the Group's earnings and financial position arising out of market fluctuations or credit losses. See also Note 39 on pages 78–80 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 2017 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 structure

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 2017 the number of Class A shares was 987,174 the number of Class B shares was 29,440,082 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 2017 held 20.1 per cent of the votes and 7.5 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 TechniaTranscat AB and Head of the Product Lifecycle Management division. The second largest owner in terms of voting rights is Vidinova AB, which at 31 December 2017 held 12.0 per cent of the votes and 4.8 per cent of the share capital. Vidinova AB is owned via companies by Dick Hasselström, who is also a director on Addnode Group's Board.

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 are currently in effect.

Corporate governance report, the work of the Board of Directors, and nomination committee

A separate Corporate Governance Report, which includes a description of the work of the Board of Directors and Nomination Committee, among other things, has been prepared and is presented on pages 89–97 in the printed version of this document. Disclosures about the most important elements of the Group's systems of internal control and risk management in connection with the preparation of the consolidated financial statements are provided on pages 94–95 of the Corporate Governance Report.

Authorisations

The 2017 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 Class B treasury 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 2017 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 2017 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. Up until the date of publication of this Annual Report, no new shares were issued pursuant to this authorisation.

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 2017 AGM, are described in Note 5 on pages 61–62.

The 2018 Annual General Meeting 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 page 97. The Board of Directors' proposed guidelines ahead of the 2018 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 pensions. 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 nine months' salary. For other members of Group Management, 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/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 70,971,847 and other unrestricted shareholders' equity, totalling SEK 328,741,815, together totalling SEK 399,713,662, 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 2.25 per share	68,461,326
To be carried forward	331,252,336
Total	**399,713,662**

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.

Consolidated income statements

SEK thousands 1 January–31 December	Note	2017	2016
Net sales	2, 3, 41	2,519,801	2,195,016
Operating expenses			
Purchases of goods and services	41	-968,327	-863,340
Other external costs	6, 9	-311,845	-257,975
Personnel costs	4, 5	-1,057,633	-930,966
Capitalised work performed by the company for its own use	16	45,715	42,703
Revaluation of contingent consideration		59	–
Depreciation/amortisation and impairment of intangible non-current assets and property, plant and equipment	16, 17	-97,915	-71,745
Operating profit		**129,855**	**113,693**
Financial income	10	1,489	1,807
Financial expenses	11	-12,491	-6,686
Profit after financial items		**118,853**	**108,814**
Tax	12, 13	-29,302	-26,481
Profit for the year		**89,551**	**82,333**
Attributable to:			
Owners of the Parent Company		89,551	82,333
Non-controlling interests		0	0
Share data			
Earnings per share before and after dilution, SEK	14	2.94	2.71
Shareholders' equity per share outstanding, SEK		32.29	31.70
Average number of shares outstanding before and after dilution, thousands		30,427	30,427
Number of shares outstanding at year-end, thousands		30,427	30,427
Number of registered shares at year-end, thousands		30,427	30,427

Consolidated statement of comprehensive income

SEK thousands 1 January–31 December		2017	2016
Net profit for the year		89,551	82,333
Other comprehensive income, items that will not be reclassified to profit or loss:			
Actuarial gains and losses on pension obligations		31	-251
Other comprehensive income, items that may be reclassified to profit or loss:			
Exchange rate difference upon translation of foreign operations		12,818	36,566
Hedge of net investments in foreign operations		-16,052	-2,172
Total comprehensive income for the year, net after tax	12	**-3,203**	**34,143**
Comprehensive income for the year		**86,348**	**116,476**
Attributable to:			
Owners of the Parent Company		86,348	116,476
Non-controlling interests		0	0

Consolidated balance sheets

SEK thousands per 31 December	Note	2017	2016
ASSETS			
Non-current assets			
Intangible non-current assets	16	1,654,412	1,165,928
Property, plant and equipment	17, 18	39,825	36,742
Deferred tax assets	13	12,950	5,229
Long-term securities holdings	21	7,553	11,110
Non-current receivables	22	7,501	7,455
Total non-current assets		**1,722,241**	**1,226,464**
Current assets			
Inventories		1,062	1,331
Trade receivables		538,204	430,947
Tax assets		16,937	15,956
Other receivables		8,869	8,040
Prepaid expenses and accrued income	23	164,866	191,251
Cash and cash equivalents	37	173,195	111,473
Total non-current assets		**903,133**	**758,998**
TOTAL ASSETS		**2,625,374**	**1,985,462**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	25		
Share capital	25	365,127	365,127
Other capital contributions		214,394	214,394
Reserves		-13,041	-9,807
Profit brought forward		416,027	394,939
Shareholders' equity attributable to owners of the Parent Company		**982,507**	**964,653**
Non-controlling interests		–	7
Total shareholders' equity		**982,507**	**964,660**
Non-current liabilities			
Non-current interest-bearing liabilities	27	14,679	9,100
Deferred tax liabilities	13	76,217	51,178
Provisions	29	101,091	7,198
Total non-current liabilities		**191,987**	**67,476**
Current liabilities			
Current interest-bearing liabilities	27	606,073	168,197
Trade payables		133,339	108,624
Taxes payable		22,672	15,866
Advances from customers		17,539	17,973
Other liabilities		118,673	92,474
Accrued expenses and deferred income	31	543,843	505,173
Provisions	29	8,741	45,019
Total current liabilities		**1,450,880**	**953,326**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,625,374**	**1,985,462**

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

Consolidated statements of cash flows

SEK thousands 1 January–31 December	Note	2017	2016
Operating activities			
Profit after financial items	34	118,853	108,814
Adjustments for non-cash items	35	105,323	79,066
Income tax paid		-28,827	-16,377
Cash flow from operating activities before changes in working capital		**195,349**	**171,503**
Changes in working capital			
Decrease/increase in inventories		270	-82
Decrease in receivables		15,838	43,047
Decrease in current liabilities		-64,312	-56,714
Total changes in working capital		**-48,204**	**-13,749**
Cash flow from operating activities		**147,145**	**157,754**
Investing activities			
Acquisition of:			
Intangible non-current assets		-48,853	-51,334
Property, plant and equipment		-16,140	-16,600
Financial assets		-1,913	-1,855
Subsidiaries and operations	36	-375,122	-67,537
Sales of property, plant and equipment		3,043	1,542
Repayment of receivables		32	76
Cash flow from investing activities		**-438,953**	**-135,708**
Financing activities			
Dividend paid		-68,461	-68,461
Loans raised	38	422,875	67,500
Repayment of loans	38	-2,686	-17,849
Cash flow from financing activities		**351,728**	**-18,810**
Change in cash and cash equivalents		**59,920**	**3,236**
Cash and cash equivalents at start of year		111,473	102,855
Exchange rate difference in cash and cash equivalents		1,802	5,382
Cash and cash equivalents at year-end	37	**173,195**	**111,473**

Consolidated statements of changes in shareholders' equity

	Attributable to owners of the Parent Company					
SEK thousands	Share capital	Other capital contribu-tions	Reserves[1]	Profit brought forward	Non-con-trolling interests	Total share-holders' equity
Shareholders' equity 1/1/2016	**365,127**	**214,394**	**-44,201**	**381,318**	**7**	**916,645**
Comprehensive income						
Net profit for the year	–	–	–	82,333	–	82,333
Other comprehensive income, items that will not be reclassified to profit or loss:						
Actuarial gains and losses on pension obligations	–	–	–	-251	–	-251
Other comprehensive income, items that may be reclassified to profit or loss:						
Exchange rate differences upon translation of foreign operations	–	–	36,566	–	–	36,566
Hedge of net investments in foreign operations	–	–	-2,172	–	–	-2,172
Total other comprehensive income	**–**	**–**	**34,394**	**-251**	**–**	**34,143**
Total comprehensive income	**–**	**–**	**34,394**	**82,082**	**–**	**116,476**
Transactions with shareholders						
Dividend	–	–	–	-68,461	–	-68,461
Total transactions with shareholders	**–**	**–**	**–**	**-68,461**	**–**	**-68,461**
Shareholders' equity, 31/12/2016	**365,127**	**214,394**	**-9,807**	**394,939**	**7**	**964,660**
Comprehensive income						
Net profit for the year	–	–	–	89,551	–	89,551
Other comprehensive income, items that will not be reclassified to profit or loss:						
Actuarial gains and losses on pension obligations	–	–	–	31	–	31
Other comprehensive income, items that may be reclassified to profit or loss:						
Exchange rate differences upon translation of foreign operations	–	–	12,818	–	–	12,818
Hedge of net investments in foreign operations	–	–	-16,052	–	–	-16,052
Total other comprehensive income	**–**	**–**	**-3,234**	**31**	**–**	**-3,203**
Total comprehensive income	**–**	**–**	**-3,234**	**89,582**	**–**	**86,348**
Transactions with shareholders						
Dividend	–	–	–	-68,461	–	-68,461
Acquisitions from non-controlling interests	–	–	–	-33	-7	-40
Total transactions with shareholders	**–**	**–**	**–**	**-68,494**	**-7**	**-68,501**
Shareholders' equity, 3/12/2017	**365,127**	**214,394**	**-13,041**	**416,027**	**–**	**982,507**

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

Parent Company income statements

SEK thousands 1 January–31 December	Note	2017	2016
Net sales	41	10,411	9,141
Operating expenses			
Other external costs	6, 41	-15,166	-10,978
Personnel costs	4	-22,213	-20,878
Depreciation of property, plant and equipment	16, 17	-140	-5
Operating profit		**-27,108**	**-22,720**
Net financial items			
Profit from participations in Group companies	10	140,886	97,246
Profit from other securities that are non-current assets	10	788	910
Interest income and similar profit/loss items	10	1,617	1,617
Interest expense and similar profit/loss items	11	-10,061	-5,722
Profit after financial items		**106,122**	**71,331**
Appropriations			
Provision to tax allocation reserve		-21,174	-9,539
Profit before tax		**84,948**	**61,792**
Tax	12, 13	-13,976	-7,117
Net profit for the year		**70,972**	**54,675**

Parent Company statements of comprehensive income

SEK thousands 1 January–31 December	Note	2017	2016
Net profit for the year		70,972	54,675
Total other comprehensive income for the year, net after tax		0	0
Comprehensive income for the year		**70,972**	**54,675**

Parent Company balance sheets

SEK thousands per 31 December	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets			
Software	16	763	898
Property, plant and equipment			
Equipment and installations	17	1	6
Financial assets			
Participations in Group companies	19	1,769,134	1,180,437
Other long-term securities holdings	21	1,550	7,050
Deferred tax assets	13	44	44
Receivables from Group companies		1,001	1,054
Other non-current receivables	22	309	341
Total financial assets		1,772,038	1,188,926
Total non-current assets		**1,772,802**	**1,189,830**
Current assets			
Current receivables			
Receivables from Group companies	24	123,762	108,656
Other receivables		1	–
Prepaid expenses and accrued income	23	4,266	1,239
Total current receivables		128,029	109,895
Cash and bank balances	24	–	96,585
Total current assets		**128,029**	**206,480**
TOTAL ASSETS		**1,900,831**	**1,396,310**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	25		
Restricted shareholders' equity			
Share capital	25	365,127	365,127
Statutory reserve		88,965	88,965
Unrestricted shareholders' equity	15		
Share premium reserve		125,428	125,428
Profit brought forward		203,314	217,100
Net profit for the year		70,972	54,675
Total shareholders' equity		**853,806**	**851,295**
Untaxed reserves	26	**30,713**	**9,539**
Provisions			
Other provisions	29	90,749	41,413
Non-current liabilities			
Other long-term liabilities	28	10,970	4,000
Current liabilities			
Liabilities to credit institutions	27, 30	619,809	155,551
Trade payables		673	1,000
Liabilities to Group companies	24	262,812	306,526
Taxes payable		7,306	5,823
Other liabilities		11,879	11,398
Accrued expenses and deferred income	31	12,114	9,765
Total current liabilities		**914,593**	**490,063**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,900,831**	**1,396,310**

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

Parent Company cash flow statements

SEK thousands 1 January–31 December	Note	2017	2016
Operating activities			
Profit after financial items	34	106,122	71,331
Adjustments for non-cash items	35	-99,083	-48,120
Income tax paid		-12,493	—
Cash flow from operating activities before changes in working capital		**-5,454**	**23,211**
Changes in working capital			
Change in current receivables		-3,028	-787
Change in current liabilities		1,630	2,137
Total changes in working capital		**-1,398**	**1,350**
Cash flow from operating activities		**-6,852**	**24,561**
Investing activities			
Acquisitions of intangible assets		—	-898
Acquisitions of and investments in participations in Group companies		-566,918	-86,249
Sale of participations in Group companies		9,000	21,250
Repayment of capital from Group companies		19,099	—
Cash flow from investing activities		**-538,819**	**-65,897**
Financing activities			
Paid dividend		-68,461	-68,461
Loans raised		422,875	67,500
Utilisation of bank overdraft		41,632	—
Repayment of loans		—	-15,501
Change in intra-Group receivables and liabilities		-14,081	5,051
Group contributions received		68,197	70,975
Cash flow from financing activities		**450,162**	**59,564**
Change in cash and cash equivalents		**-95,509**	**18,228**
Cash and cash equivalents at start of year		96,585	80,339
Exchange rate differences in cash and cash equivalents		-1,076	-1,982
Cash and cash equivalents at year-end	24	**0**	**96,585**

Parent Company statements of changes in shareholders' equity

SEK thousands	Restricted shareholders' equity Share capital	 Statutory reserve	Unrestricted shareholders' equity	Total shareholders' equity
Shareholders' equity, 1/1/2016	**365,127**	**88,965**	**410,989**	**865,081**
Comprehensive income				
Net profit for the year	–	–	54,675	54,675
Total other comprehensive income	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**54,675**	**54,675**
Transactions with shareholders				
Dividend	–	–	-68,461	-68,461
Total transactions with shareholders	**–**	**–**	**-68,461**	**-68,461**
Shareholders' equity, 31/12/2016	**365,127**	**88,965**	**397,203**	**851,295**
Comprehensive income				
Net profit for the year	–	–	70,972	70,972
Total other comprehensive income	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**70,972**	**70,972**
Transactions with shareholders				
Dividend	–	–	-68,461	-68,461
Total transactions with shareholders	**–**	**–**	**-68,461**	**-68,461**
Shareholders' equity, 31/12/2017	**365,127**	**88,965**	**399,714**	**853,806**

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 available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) 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.

The new standards, amendments and interpretations of existing standards that took effect in 2017 have not had any impact on the Group's financial position or financial statements.

New standards that had not come into force in 2017

The following standards and amendments of existing standards have been published, but had not yet begun to be applied in 2017.

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 the 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 will be applied as from 2018, but its implementation will not have 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 is expected to be minimal, since the Group has historically had an insignificant level of credit losses. The new standard does not give rise to any recalculation effects in connection with its adoption, and there is this no need to adjust shareholders' equity in connection with adoption 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 will be applied starting in 2018, however, its implementation will not have 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 will be 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 entails that licence revenues for proprietary software will in certain cases be recognised at another point in time – usually somewhat later – compared with the current reporting. The Group will apply this standard retrospectively, which entails that comparison amounts for 2017 will be recalculated and that periods before 2017 will be recalculated through an adjustment of the opening balance as per 1 January 2017. The changeover to IFRS 15 will affect previously presented financial statements in the following ways:

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

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 inter-

Note 1 cont.

pretations. 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 leasing asset and a financial liability on the balance sheet. In the 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. At present, lessees do not recognise operating leases on the balance sheet.

IFRS 16 will be applied as from 2019. Application of this standard will not have any effects on the Group's financial statements, and the Group is currently evaluating the effects of introduction of the standard.

Other new and amended standards

Other published new and amended standards and interpretations of existing standards that have not yet come into effect in 2017 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 to 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. In 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

Service assignments performed on a current account basis are recognised in revenue at the same rate as the services are performed, 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 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 client 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 client. 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.

Revenue for sales of goods is recognised on complete delivery to the customer, and revenue for data operation services is recognised in pace with the services being performed. Licence fees for software and software service agreements for which companies in the Group do not have any commitments to customers are recognised as revenue on the delivery date. Revenue from support and maintenance agreements for which the companies in the Group have a commitment to customers are allocated over the period of agreement.

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.

Not 1 cont.

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.

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 cover, 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. Restatement 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 straight line over the estimated useful life, which is either three or five years. A three-year amortisation schedule is used for software that is developed as an additional component to an external vendor's software or platform. A five-year amortisation schedule is used for entirely proprietary software that is not based on an external vendor's software or platform. Amortisation is recognised from the date on which the software becomes operational.

Goodwill and intangible assets with indefinite useful life

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

Goodwill and other intangible assets with indefinite useful life are measured at cost less any impairment. Scheduled amortisation is not conducted; instead, an impairment test is conducted tested 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 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 pay future leasing fees is reported as a liability. Each lease payment is divided into amortisation of the liability and financial expenses to determine a fixed interest rate for the liability recognised in each respective period.

Operating leases

Leases under which a significant portion of the risks and benefits associated with ownership are retained by the lessor are classified as operating leases. Leasing fees for operating leases are expensed in the income statement on a straight-line basis over the term of the lease.

Not 1 cont.

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.

Securities intended to held in the long term are attributed to the measurement categories of either available-for-sale financial assets, which are measured at fair value, or financial assets at fair value through profit or loss. Holdings of short-term investments are attributed to the measurement categories of either held-to-maturity investments, which are measured at amortised cost, or financial assets at fair value through profit or loss. The measurement category is determined separately for each holding of securities based on nature and the purpose of the holding.

For the financial assets at fair value through profit or loss category, 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). For the financial liabilities at fair value through profit or loss category (primarily provisions for estimated contingent consideration), changes in value are recognised in operating profit. Changes in fair value for the available-for-sale financial assets category are recognised in the consolidated statement of comprehensive income over the holding period, and accumulated changes in value in conjunction with sales are recognised as financial income and financial expenses, respectively, in profit or loss. For the latter category, if objective evidence exists to recognise impairment, such as a significant or prolonged decline in fair value, the impairment is recognised as a financial expense in profit or loss. The fair value of market-listed securities is based on the buying price on the balance sheet date.

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 IAS 39 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. There were no outstanding forward exchange contracts as per 31/12/2017 or 31/12/2016.

Other financial liabilities are reported at amortised cost. However, liabilities attributable to future minimum leasing fees under finance leases are stated at present value.

Inventories

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

Shareholders' equity

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

When any Group company purchases Parent Company shares (a share repurchase), the purchase price paid, including any directly attributable transaction costs (net after tax), reduces the profit brought forward until the shares are 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 2017 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 5,747 thousand (5,343) in 2017 and are expected to be roughly the same in 2018. Alecta's surplus can be distributed to the policyholders and/or insureds. At year-end 2017 Alecta's surplus in the form of its collective funding ratio was 154 per cent (149). 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 TechniaTranscat 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 31/12/2017 amounted to SEK 7,255 thousand (6,857) (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

Not 1 cont.

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 suppliers. 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 divisions 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 recommendation RFR 2 Accounting for Legal Entities from the Swedish Financial Reporting Board (RFR). The recommendation entails that legal entities whose securities are listed on a Swedish stock exchange on the balance sheet date are, as a main rule, to apply the IFRSs used in the consolidated financial statements along with certain exemptions and additions stated in the recommendation.

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

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

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 have been made in the segment breakdown or in the calculation of the various segments' earnings in 2017. 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 SEK 1.5 m (1.8) and financial expenses of SEK -12.5 m (-6.7).

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 from consulting services, licences, software, and support and maintenance services (recurring revenue), although the share of revenue from each type of revenue varies between the divisions. Design Management and Product Lifecycle Management receive revenue primarily from support and maintenance services. For Process Management, consulting services for proprietary software are the primary revenue stream. Revenue for central units primarily pertains to invoicing to subsidiaries for 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	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue and earnings												
Revenue from external customers	902.8	826.2	917.4	778.6	699.0	589.7	0.6	0.5	–	–	2,519.8	2,195.0
Transactions between segments	3.1	2.7	2.4	0.4	5.1	5.1	12.1	12.1	-22.7	-20.3	0.0	0.0
Total revenue	**905.9**	**828.9**	**919.8**	**779.0**	**704.1**	**594.8**	**12.7**	**12.6**	**-22.7**	**-20.3**	**2,519.8**	**2,195.0**
EBITA	**76.2**	**57.1**	**71.8**	**62.1**	**101.0**	**78.3**	**-37.2**	**-26.9**	**–**	**–**	**211.8**	**170.6**
Operating profit/loss	**45.0**	**32.8**	**53.9**	**50.5**	**68.3**	**57.3**	**-37.3**	**-26.9**	**–**	**–**	**129.9**	**113.7**
Other disclosures												
Total assets	1,017.8	825.2	949.0	519.2	1,019.0	850.1	183.5	301.6	-543.9	-510.6	2,625.4	1,985.5
Investments in intangible assets and in property, plant and equipment	23.0	24.0	16.3	16.6	25.7	26.4	–	0.9	–	–	65.0	67.9
Depreciation/amortisation and impairment of intangible assets and of property, plant and equipment	-35.7	-28.8	-24.4	-17.3	-37.7	-25.6	-0.1	–	–	–	-97.9	-71.7
Average number of employees	345	319	508	428	457	405	7	8	–	–	1,317	1,160

Note 2 cont.

Geographical 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 UK 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	2017	2016	2017	2016
Sweden	1,182.9	1,062.1	780.6	677.1
Norway	269.3	251.8	189.9	205.2
Finland	182.8	161.0	47.9	46.7
Denmark	52.9	49.0	20.2	19.7
Germany	436.5	419.6	219.9	219.6
UK	154.7	65.4	408.9	25.6
USA	72.1	74.3	0.2	–
Other countries	168.6	111.8	26.6	8.8
Group	**2,519.8**	**2,195.0**	**1,694.2**	**1,202.7**

Note 3 Revenue breakdown

Net sales consist of:

	Group		Parent Company	
	2017	2016	2017	2016
Consulting services	803,023	708,466	–	–
Licences and software	315,538	310,933	–	–
Support and maintenance	1,341,515	1,108,424	–	–
Other	59,725	67,193	10,411	9,141
Total	**2,519,801**	**2,195,016**	**10,411**	**9,141**

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

Note 4 Salaries, other remuneration and social security costs

	Group		Parent Company	
	2017	2016	2017	2016
Salaries and other remuneration for:				
Boards of Directors, Presidents and Senior executives	99,319	92,199	10,122	10,742
Other employees	664,478	577,024	5,795	3,886
Pension costs for:				
Boards of Directors, Presidents and Senior executives	13,685	12,049	1,493	1,652
Other employees	52,420	48,766	843	712
Other social security costs	187,985	165,360	5,410	5,063
Total	**1,017,887**	**895,398**	**23,663**	**22,055**
Salaries and other remuneration for Boards of directors, Presidents and Senior executives above include bonuses and similar, totalling	15,537	14,254	2,657	2,749
Number of persons included in the category of Boards of Directors, Presidents and Senior executives above	96	83	10	10

Note 5 Remuneration of the Board of Directors and senior executives

Remuneration and other benefits in 2017

	Base salary/fee	Variable remuneration	Other benefits	Pension costs	Total 2017
Staffan Hanstorp, Chairman of the Board	257	–	–	–	257[1]
Sigrun Hjelmquist, former Chairman of the Board	137	–	–	–	137
Jan Andersson, Director	238	–	–	–	238
Kristofer Arwin, Director	219	–	–	–	219
Johanna Frelin, Director	123	–	–	–	123
Dick Hasselström, Director	198	–	–	–	198
Sigrun Hjelmquist, Director	147	–	–	–	147
Thord Wilkne, Director	183	–	–	–	183
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**

[1] The Chairman of the Board, Staffan Hanstorp, has via companies invoiced the Parent Company SEK 1,674 thousand in fees for consulting services related to the Group's acquisition opportunities, financing matters, strategic partnerships and overarching strategic matters during the period May-December 2017. This amount is not included in the table above.

Remuneration and other benefits in 2016

	Base salary/fee	Variable remuneration	Other benefits	Pension costs	Total 2016
Sigrun Hjelmquist, former Chairman of the Board	407	–	–	–	407
Jan Andersson, Director	234	–	–	–	234
Kristofer Arwin, Director	213	–	–	–	213
Dick Hasselström, Director	193	–	–	–	193
Annika Viklund, former Director	178	–	–	–	178
Thord Wilkne, Director	178	–	–	–	178
Staffan Hanstorp, former President	2,122	1,400	111	612	4,245
Other senior executives (5 persons)	7,637	2,644	227	1,527	12,035
Total	**11,162**	**4,044**	**338**	**2,139**	**17,683**

Guidelines approved by the Annual General Meeting in May 2017

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 page 97. The following guidelines for remuneration and other terms of employment for senior executives were approved by the AGM in May 2017:

Remuneration of the President of the Parent Company, other members of Group Management, and other senior executives 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 12 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.

Note 5 cont.

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 2017

Parent Company Board of Directors

For the time between the 2017 and 2018 AGMS, a fixed fee of SEK 370 thousand is payable to the Chairman of the Board and SEK 185 thousand to each of the other Board members. A fee of SEK 55 thousand is payable to the Audit Committee chair, and a fee of SEK 35 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.

After the AGM in May 2017 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 2017 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 former President, Staffan Hanstorp, was employed by the Parent Company through the AGM on 4 May 2017. Under his employment contract, remuneration was paid in the form of base salary of SEK 170 thousand per month, variable remuneration, other benefits and occupational pension premiums. Variable remuneration pertained to the expensed bonus for the period January–April 2017, which was paid out in May 2017. Variable remuneration was based on the Group's earnings after amortisation of intangible assets and was capped at 12 months' fixed salary. Other benefits consisted primarily of a car mileage allowance. Pension costs pertained to the cost that affected net profit for the year. Occupational pension premiums were paid in an amount corresponding to 30 per cent of fixed salary.

The current 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 the period May–December 2017, which will be paid out in 2018. Variable remuneration is based on the Group's earnings after amortisation of intangible assets and is capped at 9 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 and other benefits will be payable for the same period.

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 2017 includes Group Management, in addition to the President of the Parent Company, according to the description in the Corporate Governance Report on page 97. Remuneration of other senior executives consists of a base salary, variable remuneration, other benefits and occupational pension premiums. Variable remuneration for the 2017 financial year pertains to expensed bonuses that will be paid out in 2018. For the divisional heads, 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. 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 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 6 Auditors' fees

	Group		Parent Company	
	2017	2016	2017	2016
Audit assignment				
PricewaterhouseCoopers	1,989	1,951	452	440
of which, Pricewater-houseCoopers AB [1]	1,618			
Other auditors	1,208	992	–	–
Auditing activities in addition to the audit assignment				
PricewaterhouseCoopers	242	153	100	100
of which, Pricewater-houseCoopers AB [1]	242			
Other auditors	306	39	–	–
Tax consulting				
PricewaterhouseCoopers	298	10	5	–
of which, Pricewater-houseCoopers AB [1]	298			
Other auditors	431	145	–	–
Other services				
PricewaterhouseCoopers	37	33	30	10
of which, Pricewater-houseCoopers [1]	30			
Other auditors	197	177	–	–
Total	**4,708**	**3,500**	**587**	**550**

[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 2017 and 2016.

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 -2,984 thousand (-1,643). 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 IAS 39 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 31/12/2017 or 31/12/2016.

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 29,460 thousand (22,166). Cost for investments in proprietary software and applications were capitalised in 2017 in the amount of SEK 45,715 thousand (42,703) (see Note 16). Amortisation in 2017 of capitalised amounts for proprietary software and applications for the year and previous years amounted to SEK 40,353 thousand (29,307).

Note 9 Operating leases

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

	Group	
	2017	2016
Due for payment within one year	58,974	53,002
Due for payment after more than one year but within five years	78,170	58,873
Due for payment after more than five years	104	1,199
Total	**137,248**	**113,074**

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

	Group	
	2017	2016
Rental and leasing costs	59,725	56,747
Total	**59,725**	**56,747**

The operating leases pertain primarily to rents of premises.

Note 10 Financial income

	Group	
	2017	2016
Interest income	670	636
Share dividends	788	910
Other financial income	31	261
Total	**1,489**	**1,807**

	Parent Company	
	2017	2016
Result from participations in Group companies		
Share dividends	40,063	47,049
Group contributions received	119,823	68,197
Impairment losses	-19,000	-18,000
Total	**140,886**	**97,246**
Profit from other securities that are non-current assets		
Share dividends	788	910
Total	**788**	**910**
Interest income and similar profit/loss items		
External interest income	199	258
Interest income from Group companies	1,418	1,359
Total	**1,617**	**1,617**

Note 11 Financial expenses

	Group	
	2017	2016
Interest expense	-6,943	-3,253
Exchange rate differences	-3,524	-2,311
Other financial expenses	-2,024	-1,122
Total	**-12,491**	**-6,686**

	Parent Company	
	2017	2016
Interest expense and similar profit/loss items		
External interest expense	-6,302	-2,374
Interest expense to Group companies	-153	-180
Exchange rate differences	-1,600	-2,071
Other financial expenses	-2,006	-1,097
Total	**-10,061**	**-5,722**

Note 12 Tax

	Group		Parent Company	
	2017	2016	2017	2016
Current tax on profit for the year	-31,486	-22,119	-13,976	-6,296
Adjustments pertaining to previous years	929	1,074	–	–
Deferred tax (see Note 13)	1,255	-5,436	–	-821
Total	**-29,302**	**-26,481**	**-13,976**	**-7,117**

Tax attributable to the subcomponents of other comprehensive income for the Group in 2017 totalled SEK -42 thousand (96) and pertained solely to actuarial gains and losses on pension obligations.

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

	Group		Parent Company	
	2017	2016	2017	2016
Profit before financial items/profit before tax	**118,853**	**108,814**	**84,948**	**61,792**
Tax calculated according to nominal Swedish tax rate of 22% (22)	-26,148	-23,939	-18,689	-13,594
Non-deductible expenses	-3,573	-1,535	-4,274	-4,074
Dividends from Group companies	–	–	8,814	10,351
Other tax-exempt income	1,143	688	173	200
Utilisation of loss carry-forwards and temporary differences for which deferred tax assets were previously capitalised	740	613	–	–
Increase in deferred tax assets for loss carryfor-wards and temporary differences	52	245	–	–
Increase in loss carry-forwards and temporary differences for which no deferred tax assets were capitalised	-1,997	-1,423	–	–
Revaluation of deferred tax assets and deferred tax liabilities due to changes in foreign tax rates	419	626	–	–
Effect of foreign tax rates	-867	-2,830	–	–
Adjustments pertaining to previous years	929	1 074	–	–
Tax according to income statement	**-29,302**	**-26,481**	**-13,976**	**-7,117**

Non-deductible expenses for the Parent Company include impairment of the value of participations in Group companies for both 2017 and 2016.

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 carry-forwards or other tax deductions are recognised only to the extent that it is likely that the deductions can be offset against surpluses in conjunc-tion 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	
	2017	2016	2017	2016
Deferred tax assets				
Intangible non-current assets	564	1,049	–	–
Property, plant and equipment	1,066	862	–	–
Temporary differences in receivables and liabilities	1,776	1,535	44	44
Loss carryforwards	9,544	1,783	–	–
Total deferred tax assets	**12,950**	**5,229**	**44**	**44**
Deferred tax liabilities				
Capitalised costs for development work	7,643	8,515	–	–
Customer agreements, software and similar rights	52,150	32,782	–	–
Untaxed reserves	16,424	9,881	–	–
Total deferred tax liabilities	**76,217**	**51,178**	**–**	**–**
Deferred tax assets and deferred tax liabilities, net	**-63,267**	**-45,949**	**44**	**44**

Note 13 cont.

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

	Group		Parent Company	
	2017	2016	2017	2016
Opening balance	-45,949	-34	44	865
Acquired Group companies	-18,199	-5,268	–	–
Recognised in income statement (see Note 12)	1,255	-5,436	–	-821
Recognised in other comprehensive income (see Note 12)	-42	96	–	–
Translation difference	-332	-748	–	–
Closing balance	**-63,267**	**-45,949**	**44**	**44**

The amounts reported on the balance sheet include the following:

	Group	
	2017	2016
Deferred tax assets that can be utilised after 12 months at the earliest	2,905	3,588
Deferred tax liability that must be paid after 12 months at the earliest	-54,314	-43,261

Deferred tax assets not reported as assets

The Group's total tax loss carryforwards amounted to approximately SEK 80 m on 31/12/2017. Deferred tax assets are reported in the amount of SEK 9.5 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 7 m (6) on 31/12/2017. There are no established maturity dates for the tax loss carryforwards that the Group had on 31/12/2017.

Note 14 Earnings per share

	Group	
	2017	2016
Earnings per share before and after dilution		
Reported profit attributable to owners of the Parent Company	89,551	82,333
Profit for calculation of earnings per share	89,551	82,333
Average number of shares outstanding before and after dilution, thousands	30,427	30,427
Earnings per share before and after dilution, SEK	**2.94**	**2.71**

Note 15 Proposed distribution of earnings

Profit for the year, totalling SEK 70,972 thousand, and other unrestricted shareholders' equity, totalling SEK 328,742 thousand, for a total of SEK 399,714 thousand, are at the disposal of the AGM. The Board of Directors proposes that these earnings be disposed of as follows:

Dividend to the shareholders of SEK 2.25 per share	68,461
To be carried forward	331,253
Total	**399,714**

During 2017 a dividend of SEK 2.25 per share was paid, for a total dividend payout of SEK 68,461 thousand.

Note 16 Intangible non-current assets

	Goodwill	Trademarks	Customer agreements and similar rights	Costs for software development	Group
As per 1 January 2016					
Cost	919,179	166,304	82,267	124,019	1,291,769
Accumulated amortisation and impairment losses	-30,000	-101,431	-50,034	-49,134	-230,599
Carrying amount	**889,179**	**64,873**	**32,233**	**74,885**	**1,061,170**
1 January—31 December 2016					
Opening carrying amount	889,179	64,873	32,233	74,885	1,061,170
Acquisitions for the year1	59,026	9,678	21,132	42,703	132,539
Amortisation during the year	—	-16,494	-11,110	-29,307	-56,911
Reclassification	—	—	-644	644	—
Translation difference	23,802	1,542	2,539	1,247	29,130
Closing carrying amount	**972,007**	**59,599**	**44,150**	**90,172**	**1,165,928**
As per 31 December 2016					
Cost	1,002,007	177,524	105,294	168,613	1,453,438
Accumulated amortisation and impairment losses	-30,000	-117,925	-61,144	-78,441	-287,510
Carrying amount	**972,007**	**59,599**	**44,150**	**90,172**	**1,165,928**
1 January—31 December 2017					
Opening carrying amount	972,007	59,599	44,150	90,172	1,165,928
Additions from acquired companies	1,540	172	4,503	—	6,215
Acquisitions for the year[1]	374,488	68,585	62,915	45,715	551,703
Amortisation during the year	—	-22,074	-19,515	-40,354	-81,943
Translation difference	9,705	2,925	382	-503	12,509
Closing carrying amount	**1,357,740**	**109,207**	**92,435**	**95,030**	**1,654,412**
As per 31 December 2017					
Cost	1,387,740	249,206	173,094	213,825	2,023,865
Accumulated amortisation and impairment losses	-30,000	-139,999	-80,659	-118,795	-369,453
Carrying amount	**1,357,740**	**109,207**	**92,435**	**95,030**	**1,654,412**

[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 2017, costs for investments in proprietary software and applications that meet the criteria for capitalisation amounted to SEK 45,715 thousand (42,703).

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:

	Design Mgt	PLM Mgt	Process Mgt	Group
As per 31 December 2017				
Sweden	118,074	70,146	436,950	625,170
Norway	154,928	–	–	154,928
Finland	20,374	25,614	–	45,988
Denmark	20,150	–	–	20,150
Germany	–	180,082	–	180,082
UK	155,280	159,387	–	314,667
Netherlands	–	11,859	–	11,859
Serbia	–	–	4,896	4,896
Total	**468,806**	**447,088**	**441,846**	**1,357,740**

	Design Mgt	PLM Mgt	Process Mgt	Group
As per 31 December 2016				
Sweden	108,934	70,146	363,554	542,634
Norway	163,115	–	–	163,115
Finland	19,788	24,874	–	44,662
Denmark	19,604	–	–	19,604
Germany	–	174,911	–	174,911
UK	22,516	–	–	22,516
Serbia	–	–	4,565	4,565
Total	**333,957**	**269,931**	**368,119**	**972,007**

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 4 per cent (4) for Product Lifecycle Management and Process Management. For Design Management, the cash flow forecasts for years two to four are based on an annual growth rate of 4 per cent. In the preceding years, the cash flow forecasts for Design Management, against the background of the changed business model for Autodesk products, were based on annual growth rates of 3 per cent, 9 per cent and 9 per cent, respectively. Cash flow beyond the four-year period is extrapolated using an estimated long-term growth rate of 2 per cent (2) for all cash-generating units. The growth rate does not exceed the long-term average growth rate according to industrial reports for the markets in which each cash-generating unit operates. The discount rate used in calculating the recoverable amount is 9.7 per cent (9.7) before tax. The required rate of return has been established based on the Group's current capital structure and reflects the risks that apply for the various operating segments.

Based on the impairment testing carried out to date, there is no need to recognise impairment for goodwill or other intangible assets with indefinite useful life at 31/12/2017. 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 31/12/2017.

	Parent Company	
	31/12/2017	31/12/2016
Computer software		
Opening cost	898	–
Purchases during the year	–	898
Closing accumulated cost	**898**	**898**
Opening amortisation	–	–
Amortisation for the year	-135	–
Closing planned residual value	**763**	**898**

Note 17 Property, plant and equipment

	Group		Parent Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Equipment and installations				
Opening cost	101,408	90,412	202	202
Addition from acquired companies	4,726	719	–	–
Purchases during the year	16,181	16,614	–	–
Sales/disposals	-15,605	-9,543	–	–
Translation difference	821	3,206	–	–
Closing accumulated cost	**107,531**	**101,408**	**202**	**202**
Opening depreciation	-64,720	-55,982	-196	-191
Sales/disposals	13,361	8,246	–	–
Translation difference	-429	-2,275	–	–
Depreciation for the year	-15,918	-14,709	-5	-5
Closing accumulated depreciation	**-67,706**	**-64,720**	**-201**	**-196**
Closing planned residual value	**39,825**	**36,688**	**1**	**6**

	Group	
	31/12/2017	31/12/2016
Land and buildings		
Opening cost	814	814
Closing accumulated cost	**814**	**814**
Opening depreciation	-760	-635
Depreciation for the year	-54	-125
Closing accumulated depreciation	**-814**	**-760**
Closing planned residual value	**–**	**54**

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 2,193 thousand (0), accumulated depreciation of SEK 140 thousand (0), and a carrying amount of SEK 2,053 thousand (0). Liabilities pertaining to future minimum lease payments amount the following:

	Group	
	31/12/2017	31/12/2016
Due for payment within one year	660	–
Due for payment later than one year but within five years	1,412	–
Closing accumulated cost	**2,072**	**–**
Future financial expenses for finance leases	-70	–
Present value of future minimum lease payments	**2,002**	**–**

The present value of future, minimum lease payments is broken down into the following due dates:

Due for payment within one year	652	–
Due for payment later than one year but within five years	1,350	–
Total	**2,002**	**0**

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	
	31/12/2017	31/12/2016
Opening cost	1,318,067	1,253,515
Investments in subsidiaries during the year [1]	613,824	84,802
Capital contributions to subsidiaries	16,646	1,000
Sales of subsidiaries [2]	-24,000	-21,250
Reduction of contingent consideration	-174	–
Repayment of capital from subsidiaries	-19,099	–
Reclassification from long-term securities holdings	5,500	–
Closing accumulated cost	**1,910,764**	**1,318,067**
Opening impairment	-137,630	-119,630
Impairment losses recognised during the year	-19,000	-18,000
Sales of subsidiaries [2]	15,000	–
Closing accumulated impairment losses	**-141,630**	**-137,630**
Closing carrying amount	**1,769,134**	**1,180,437**

[1] The year's investments in subsidiaries include estimated contingent consideration totalling SEK 90,440 thousand. The outcome is dependent on the revenue and earnings performance of the acquired companies.

[2] The sales in 2017 and 2016 were made to other Group companies.

Note 19 cont.

Company	Corporate Identity number	Registered office	No. shares	Share of capital/ votes, %	Carrying amount 31/12/2017	Carrying amount 31/12/2016
Mogul Holding AB	556300-0073	Stockholm	10,275,103	100	52,140	62,140
Mogul AB	556531-1890	Stockholm	20,000	100	–	–
Evitbe AB	556557-7599	Stockholm	20,000	100	–	–
Decerno Gothenburg AB	556633-3877	Gothenburg	100,000	100	–	–
Symetri Collaboration AB	556565-2590	Stockholm	500,000	100	–	–
Symetri Ltd	3239798	Newcastle, UK	500,000	100	–	–
Mogul Balkan d.o.o	17598732	Belgrade, Serbia	1	100	–	–
Optosof GmbH	HRB 27754	Wiesbaden, Germany	3	100	–	–
Kartena AB	556751-4749	Stockholm	1,320	100	–	–
Clockwork Group AB	556535-3918	Stockholm	4,586,000	100	–	–
Technia Holding AB	556516-7367	Stockholm	4,533,500	100	136,624	136,624
TechniaTranscat AB	556481-3193	Stockholm	5,000	100	–	–
Addnode India Private Limited [3]	U72200MH2012FTC229607	Thane, India	100	100	–	–
TechniaTranscat AS	880 823 582	Moss, Norway	250	100	–	–
TechniaTranscat 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 27745	Wiesbaden, Germany	1	100	177,020	194,408
Transcat GmbH	HRB 110416	Karlsruhe, Germany	25,000	100	–	–
TechniaTranscat GmbH	HRB 109117	Karlsruhe, Germany	1	100	–	–
TechniaTranscat s.r.o	34196/B	Bratislava, Slovakia	1	100	–	–
TechniaTranscat GmbH	FN 399981 h	Linz, Austria	1	100	–	–
TechniaTranscat B.V.	08095732	Loenen, Apeldoorn, Netherlands	10,136	100	17,531	–
Intrinsys Ltd	04286171	Milton Keynes, UK	101	100	247,633	–
Symetri AB	556359-5429	Borlänge	10,000	100	127,687	94,399
Symetri AS	957 168 868	Oslo, Norway	200	100	70,896	70,896
Symetri Oy	1058681-8	Helsinki, Finland	3,000	100	36,986	36,986
Symetri A/S	13 737 436	Copenhagen, Denmark	60	100	539	893
Symetri Collaboration AS	983 443 117	Oslo, Norway	3,644	100	155,359	155,359
Apricon AB	556657-7176	Stockholm	1,001	100	13,666	–
Service Works Global Ltd	04915250	London, UK	33,094,051	100	222,848	–
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	–	–
Ida Infront AB	556316-2469	Linköping	5,894,650	100	119,577	119,577
Ida Infront AS	988 393 568	Oslo, Norway	100	100	692	692
Stamford AB	556413-4939	Karlstad	1,000,000	100	24,758	18,244
Stamford Stockholm AB	556325-7913	Stockholm	1,000	100	19,417	19,417
Decerno AB	556498-5025	Täby	10,000	100	43,352	43,352
Decerno Väst AB	556564-9885	Gothenburg	28,000,000	100	16,528	16,489
Sokigo AB	556550-6309	Köping	5,000	100	120,330	100,874
Arkiva AB	556313-5952	Västerås	1,000	100	–	–
EssVision AB	556373-9225	Stockholm	1,000	100	25,561	25,735
Adtollo AB	556476-6813	Stockholm	2,400	100	31,059	–
Forsler & Stjerna Konsult AB	556412-4849	Lund	1,000	100	27,870	–
Svenska ITKompanion AB	556710-4244	Gothenburg	185,795	100	18,400	–
Canella IT Solutions AB	556784-8071	Stockholm	1,204	100	39,567	–
Canella IT Products AB	556818-6927	Stockholm	500	100	–	–
Voice Provider Sweden AB	556598-3276	Stockholm	215,960	100	18,903	18,903
Mittbygge AB	556586-1555	Växjö	1,000	100	4,000	4,000
Canella AS	998 653 886	Oslo, Norway	100	100	137	137
Cartesia Oy	1617126-9	Helsinki, Finland	500	100	54	54
Merged direct holdings in 2017:						
5 D Systemkonsult AB [4]	556247-6662	Stockholm	1,000	100	–	32,288
Abou AB [5]	556786-8046	Stockholm	1,000	100	–	20,456
Stamford Hero i Karlstad AB [6]	559005-5884	Karlstad	50,000	100	–	8,514
Total carrying amount					**1,769,134**	**1,180,437**

[3] The company is 99 per cent-owned by TechniaTranscat AB and 1 per cent-owned by Technia Transcat Oy.
[4] 5 D Systemkonsult AB was merged with Symetri AB during the year.
[5] Abou AB was merged with Sokigo AB during the year.
[6] Stamfor Hero i Karlstad AB was merged with Stamford AB during the year.

Subsidiaries acquired during the year are described in Note 36 Acquisitions of subsidiaries and operations. 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 IAS 39, 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.

Assets	Note	Group 31/12/2017	Group 31/12/2016
Loans receivable and trade receivables			
Non-current receivables	22	7,501	7,455
Trade receivables		538,204	430,947
Other receivables		8,869	8,040
Available-for-sale financial assets			
Long-term securities holdings [1]	21	7,553	11,110
Cash and cash equivalents	37	173,195	111,473

Liabilities	Note	31/12/2017	31/12/2016
Financial assets at fair value through profit or loss			
Provisions for estimated contingent consideration [2]	29	93,836	42,269
Other financial liabilities			
Non-current and current interest-bearing liabilities	27	620,752	177,297
Trade payables		133,339	108,624

[1] Long-term securities holdings pertain to unlisted shares and participations and are attributable to level 3 in the fair value hierarchy according to IFRS 13. Level 3 entails that the fair value measurement is not based on observable market data. The opening carrying amount for the year of unlisted shares and participations was SEK 11,110 thousand (9,255), the year's investments amounted to SEK 1,943 thousand (1,855), the year's reclassifications amounted to SEK -5,500 thousand (—), and the year's closing carrying amount amounted to SEK 7,553 thousand (11,110) (see Note 21). Dividends received from unlisted shares and participations, totalling SEK 788 thousand (910) have been reported as financial income in the income statement. Other than that, no result has been recognised in the income statements for 2017 or 2016 from unlisted shares and participations. For shareholdings and participations remaining at 31/12/2017, no gains or losses have been recognised in the income statement or in other comprehensive income for 2017 or prior years. The carrying amounts of the unlisted shareholdings and participations as per 31/12/2017 correspond to the cost for the respective holdings. Reasonable possible alternative assumptions in the measurement of the fair value would not result in any significant impact on the Group's accounting.

[2] Provisions for estimated contingent consideration for acquisitions are attributable to level 3 in the fair value hierarchy according to IFRS 13. The provisions have been measured at fair value based on an assessment of future earnings and to a certain extent on future revenue of the acquired companies or businesses. The opening carrying amount of provisions for contingent consideration for the year was SEK 42,269 thousand (45,675), additional provisions during the year for acquisitions amounted to SEK 90,440 thousand (4,000), contingent consideration paid during the year amounted to SEK -42,609 thousand (-9,289), revaluations during the year amounted to SEK -174 thousand (—), exchange rate differences for the year amounted to SEK 3,910 thousand (1,883), and the closing carrying amount for the year was SEK 93,836 thousand (42,269). The result of revaluation of contingent consideration in 2017, totalling SEK 59 thousand (–), is recognised in the income statement. An exchange rate loss of SEK -1,711 thousand (-22) was recognised in the income statement, of which no portion was unrealised. An unrealised exchange rate loss of SEK -2,200 thousand (-1,861) pertaining to contingent consideration, which constitutes a hedge of a net investment in foreign operations, was recognised in other comprehensive income. Further information about contingent consideration and its measurement is provided in Notes 29 and 36.

Note 20 cont.

During 2017 and 2016 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 IAS 39.

	Group 2017			Group 2016		
	Gain/loss	Interest income	Interest expense	Gain/loss	Interest income	Interest expense
Loans receivable and trade receivables						
Non-current receivables and other current receivables	–	344	–	–	362	–
Available-for-sale financial assets						
Long-term securities holdings [3]	788	–	–	910	–	–
Cash and cash equivalents	–	326	–	–	274	–
Other financial liabilities						
Interest expense on liabilities to credit institutions	–	–	-6,322	–	–	-2,569
Interest expense on finance leases	–	–	-11	–	–	–
Other interest expense	–	–	-610	–	–	-684
Earnings effect	**788**	**670**	**-6,943**	**910**	**636**	**-3,253**

[3] The gain/loss amount for 2017 pertains to a dividend of SEK 788 thousand (910).

Note 21 Long-term securities holdings

	Group		Parent Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Opening cost	11,110	9,255	7,050	7,050
Investments during the year	1,943	1,855	–	–
Reclassification to participations in Group companies	-5,500	–	-5,500	–
Closing accumulated cost	**7,553**	**11,110**	**1,550**	**7,050**
Closing carrying amount	**7,553**	**11,110**	**1,550**	**7,050**

Company	Corporate identity number	Registered office	Number of shares	Share of capital/votes, %	Carrying amount at 31/12/2017	Carrying amount at 31/12/2016
Svenska ITKompanion AB[1]	556710-4244	Gothenburg	–	–	–	5,500
Walter d.o.o	65-01-0103-11	Sarajevo, Bosnia-Herzegovina		30.00	1,550	1,550
Total holding in Parent Company					**1,550**	**7,050**
Additions in the Group						
HSB's Ingeborg tenant-owner association in Borlänge	716456-4408	Borlänge			330	330
Optimdata SAS	809 999 188	Bois-Colombes, France	480,000	37.13	5,642	3,730
Other					31	–
Closing carrying amount					**7,553**	**11,110**

[1] Svenska ITKompanion AB (formerly Projektstyrning Prima AB) has been a wholly owned subsidiary since 2 January 2017.

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.

All the Group's securities holdings as per 31/12/2017 and 31/12/2016 are attributable to the measurement category "available-for-sale financial assets" according to IAS 39 (see also Note 20).

Note 22 Other non-current receivables

	Group		Parent Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Opening cost	7,455	7,427	341	369
Additions from acquired companies	–	116	–	–
Loans provided	264	260	–	–
Endowment insurance	-32	-28	-32	-28
Amortisation and repayments	-34	-826	–	–
Exchange rate difference	-152	506	–	–
Closing accumulated cost	**7,501**	**7,455**	**309**	**341**
Closing carrying amount	**7,501**	**7,455**	**309**	**341**

The non-current receivables fall due for payment within five years from the respective balance sheet dates. Interest-bearing receivables amounted to SEK 8 thousand (40) as per 31/12/2017.

Note 23 Prepaid expenses and accrued income

	Group		Parent Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Prepaid rents and leasing fees	10,079	7,911	1,882	–
Prepaid licences and service agreements	73,278	108,689	362	–
Other prepaid expenses	43,646	44,595	2,022	1,239
Accrued income	37,863	30,056	–	–
Closing balance	**164,866**	**191,251**	**4,266**	**1,239**

Note 24 Cash and cash equivalents in Group account

	Parent Company	
	31/12/2017	31/12/2016
Cash and cash equivalents in Group account	–	96,585

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 joint central account system. The funds are available on demand. As per 31/12/2017, utilised credit in the Group account system amounted to SEK 41,632 thousand, 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 59,605 thousand (64,219) attributable to the Group account, of which SEK 43 thousand (7,694) has been offset against the Parent Company's liabilities to the same Group companies. Current liabilities to Group companies include SEK 339,458 thousand (357,894) attributable to the Group account, of which CEO 86,062 thousand (52,778) 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 49 and 53). 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 31/12/2015	**1,053,247**	**29,374,009**	**–**	**30,427,256**
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	–	–
Number on 31/12/2017	**987,174**	**29,440,082**	**–**	**30,427,256**

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	
Exchange rate differences in shareholders' equity	31/12/2017	31/12/2016
Opening balance	-8,446	-45,012
Change in the year's translation of foreign subsidiaries	12,818	36,566
Closing balance	**4,372**	**-8,446**

	Group	
Hedge of net investments in foreign operations recognised in shareholders' equity	31/12/2017	31/12/2016
Opening balance	-1,361	811
Remeasurement at fair value	-16,052	-2,172
Closing balance	**-17,413**	**-1,361**

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 37 per cent (49) on 31/12/2017. The Group's dividend policy is described on page 34.

Acquisitions, transfers and holdings of treasury shares

Addnode Group had no holdings of treasury shares on 31/12/2016 or 31/12/2017. No Addnode Group shares were acquired or transferred in 2016 or 2017. The number of shares outstanding was 30,427,256 on 31/12/2016 and 31/12/2017.

Transactions with non-controlling interests

The carrying amount for non-controlling interests at 31/12/2016 pertained to the subsidiary Decerno Väst AB (formerly Kartena AB). In 2017 the Parent Company acquired an additional 9,566 shares, after which the company is a wholly owned subsidiary of Addnode Group AB (publ).

Note 26 Untaxed reserves

	Parent Company	
	31/12/2017	31/12/2016
Tax allocation reserve, 2017 tax year	9,539	9,539
Tax allocation reserve, 2018 tax year	21,174	–
Total	**30,713**	**9,539**

Note 27 Interest-bearing liabilities

Non-current interest-bearing liabilities	Group		Parent Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Due to credit institutions	2,359	5,100	–	–
Liabilities pertaining to finance leases	1,350	–	–	–
Other non-current interest-bearing liabilities	10,970	4,000	10,970	4,000
Total non-current interest-bearing liabilities	**14,679**	**9,100**	**10,970**	**4,000**
Current interest-bearing liabilities				
Due to credit institutions	594,451	157,935	578,177	155,551
Liabilities pertaining to finance leases	652	–	–	–
Bank overdraft facility (see Note 30)	–	–	41,632	–
Other current interest-bearing liabilities	10,970	10,262	10,970	10,097
Total current interest-bearing liabilities	**606,073**	**168,197**	**630,779**	**165,648**
Total interest-bearing liabilities	**620,752**	**177,297**	**641,749**	**169,648**

Due to credit institutions

On 30 June 2017 the Parent Company signed an agreement with Nordea for a credit facility of up to CEO 750 m (previously CEO 400 m) to finance acquisitions. The agreement has a term of four years, and the credit can be drawn successively. During the period 2015-2017 a total of CEO 583.3 m was drawn from the facility, and in January 2018 an additional CEO 42.5 m was drawn. 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 31/12/2017, CEO 189,212 thousand (118,102) was denominated in CEO; CEO 402,983 thousand (37,449) was denominated in GBP; and CEO 4,615 thousand (7,484) was denominated in USD. The loans in CEO carry fixed interest that is currently 1.75 per cent, with a quarterly interest rate adjustment in connection with the reset dates of the respective loans. The loan in GBP carries fixed interest that is currently 2.3 per cent with an interest rate adjustment that is conducted monthly, half-yearly 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 31/12/2017, SEK 5,000 thousand carries 2 per cent interest, SEK 3,950 thousand carries 1.5 per cent interest, and SEK 13,000 thousand carries 1 per cent interest. Of the total liability of SEK 21,940 thousand, SEK 18,000 thousand is denominated in SEK and SEK 3,940 thousand is denominated in EUR. Of the liabilities as per 31/12/2016, SEK 13,262 thousand carried 2 per cent interest and SEK 1,000 thousand carried 1.5 per cent interest, and of this liability amount, SEK 9,000 thousand was denominated in SEK and SEK 5,262 thousand was denominated in EUR.

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

	Group		Parent Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Between 1 and 2 years after the balance sheet date	14,145	7,196	10,970	4,000
Between 2 and 5 years after the balance sheet date	534	1,904	–	–
Total	**14,679**	**9,100**	**10,970**	**4,000**

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 pertain to liabilities for consideration for company acquisitions. The liability as per 31/12/2017 is payable in 2019 and carries 1.0 to 2.0 per cent interest. Of the total liability of SEK 10,970 thousand, SEK 9,000 thousand is denominated in SEK and SEK 1,970 thousand is denominated in EUR. The liability of SEK 4,000 thousand as per 31/12/2016 is payable in 2018 and has therefore been reclassified to current liabilities as per 31/12/2017. This liability carries 2 per cent interest and is denominated in SEK. The carrying amount represents a good approximation of the fair value of the liabilities.

Note 29 Provisions

	Group		Parent Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Estimated contingent consideration for acquisitions	93,836	42,269	90,440	41,072
Decided restructuring measures	8,432	2,750	–	–
Pension obligations (see below)	7,564	7,198	309	341
Total	**109,832**	**52,217**	**90,749**	**41,413**
Of which, to be settled within 12 months	**8,741**	**45,019**	**309**	**41,072**
Of which, expected to be settled after more than 12 months	**101,091**	**7,198**	**90,440**	**341**

	Group		Parent Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Opening provisions	52,217	53,749	41,413	46,709
Provisions during the period for restructuring measures	10,240	2,751	–	–
Utilised during the period	-4,662	-1,839	–	–
Estimated contingent consideration for acquisitions	90,440	4,000	90,440	4,000
Remeasurement of contingent consideration	-174	–	-174	–
Contingent consideration paid	-42,609	-9,289	-42,609	-9,289
Change in provisions for pension obligations	165	689	-32	-28
Exchange rate differences	4,215	2,156	1,711	21
Total	**109,832**	**52,217**	**90,749**	**41,413**

Estimated contingent consideration for acquisitions

The increase in estimated contingent consideration in 2017 pertains mainly to the acquisitions of Service Works Group LTD and Intrinsys LTD (see Note 36). The final contingent consideration that corresponds to the provisions as per 31/12/2017 is mainly dependent on the earnings performance of the acquired companies. The payments are expected to be made in 2019.

Contingent consideration paid out in 2017 pertained mainly to Transcat GMBH, which was acquired in 2015.

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 TechniaTranscat GMBH has pension obligations under defined benefit pension plans for five employees. The provision for these pension obligations amounted to SEK 7,255 thousand (6,857) as per 31/12/2017 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 31/12/2017 the Group's companies had committed overdraft facilities worth a total of SEK 100,000 thousand (100,000), of which SEK 100,000 thousand (100,000) pertains to the Parent Company. The Parent Company has a contracted overdraft facility from previous years of SEK 100,000 thousand with Nordea. As per 31/12/2017, SEK 41,632 thousand (0) of this overdraft facility was utilised.

Note 31 Accrued expenses and deferred income

	Group		Parent Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Personnel-related costs	141,707	125,428	4,985	5,566
Other accrued expenses	47,493	42,429	7,129	4,199
Deferred income	354,643	337,316	–	–
Closing balance	**543,843**	**505,173**	**12,114**	**9,765**

Note 32 Pledged assets

	Group		Parent Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
For rental contracts				
Non-current receivables	5,015	5,170	–	–
Current receivables	878	801	–	–
For fulfilment of obligations under agreements				
Long-term securities holdings	–	5,500	–	5,500
For pension liabilities				
Non-current receivables	–	341	–	341
Total	**5,893**	**11,812**	**–**	**5,841**

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 31/12/2017 this key ratio was 2.42.
- Interest-coverage ratio (EBITDA plus financial income in relation to financial expenses) shall not fall below a multiple of 5. At 31/12/2017 this key ratio was 18.0.

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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Payment guarantees for leases	685	298	685	298
Sureties for bank guarantees	277	292	277	292
Total	**962**	**590**	**962**	**590**

Note 34 Interest and dividends received, and interest paid

	Group		Parent Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Interest received	670	636	1,617	1,617
Dividends received	788	910	40,851	47,959
Interest paid	-4,522	-2,861	-4,002	-2,145
Total	**-3,064**	**-1,315**	**38,466**	**47,431**

Note 35 Adjustments for non-cash items

	Group		Parent Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Depreciation/amortisation and impairment	98,265	71,745	19,140	18,005
Capital gains/losses	-763	-532	–	–
Unrealised exchange rate differences	2,037	6,582	1,600	2,072
Remeasurement of contingent consideration	-59	–	–	–
Changes in provisions	5,843	1,271		
Recognised Group contributions	–	–	-119,823	-68,197
Total	**105,323**	**79,066**	**-99,083**	**-48,120**

Note 36 Acquisitions of subsidiaries and operations

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	1/6/2017	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

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

	Service Works Group	Intrinsys	Other acquisi-tions	Total acquisitions in 2017
Purchase price				
- cash paid in 2017	176,975	202,210	118,250	497,435
- cash paid in earlier years	–	–	5,500	5,500
- non-current and current liabilities to sellers	–	–	17,818	17,818
- estimated contingent consideration [1]	42,775	42,665	5,000	90,440
Total purchase price	**219,750**	**244,875**	**146,568**	**611,193**
Identifiable net assets (see below)	-93,146	-91,038	-52,521	-236,705
Goodwill	**126,604**	**153,837**	**94,047**	**374,488**

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

	Service Works Group	Intrinsys	Other acquisi-tions	Total acquisitions in 2017
Customer agreements and software	52,399	36,265	39,709	128,373
Total intangible non-current assets	2,321	449	3,445	6,215
Property, plant and equipment	1,072	448	3,206	4,726
Receivables [2]	26,349	50,507	22,388	99,244
Cash and cash equivalents	51,099	94,657	29,641	175,397
Non-current liabilities	–	–	-1,512	-1,512
Current liabilities	-36,402	-84,398	-36,739	-157,539
Deferred tax, net	-3,692	-6,890	-7,617	-18,199
Identifiable net assets	**93,146**	**91,038**	**52,521**	**236,705**

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

Note 36 cont.

In December 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 segment. According to the purchase price acquisition 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 TechniaTranscat 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. Infostrait 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 acquisition 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 acquisition 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.

On 29 June 2017 an agreement was signed to acquire all of the shares in the Swedish software company Forsler & Stjerna, with transfer of possession on 1 July 2017. The company has annual net sales of approximately SEK 20 m and 13 employees. Forsler & Stjerna 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 acquisition 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 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 acquisition 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 127 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. 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, 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. Intrinsys 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 operations 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 95 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 acquisition 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 the maximum amount of GBP 4.0 m has been made for estimated, contingent consideration, which is reported on the consolidated balance sheet as per 31/12/2017. 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 10 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

Note 36 cont.

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 acquisition 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.

On 2 October 2017 an agreement was signed to acquire all of the shares in the Swedish software company Apricon AB, with transfer of possession the same day. Apricon 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 acquisition 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 SEK 6.6 m for carrying out the acquisitions are included in the Group's other external expenses in 2017.

At the end of November 2017 an agreement was signed to acquire all of the shares in 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 December 2017 an agreement was signed to acquire all of the shares in 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.

Acquisitions in 2016

Company/operation	Business	Acquisition date	Share of capital/ votes, %
5D Systemkonsult AB	IT solutions with systems for the construction and real estate sectors	1/2/2016	100
EssVision AB	IT solutions for document and case management	1/7/2016	100
Stamford AB and Stamford Hero i Karlstad AB	IT solutions for the retail sector, specialty retail sector and property companies	1/9/2016	100

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

	Acquisitions in 2016
Purchase price	
- cash paid in 2016	71,707
- non-current and current liabilities to sellers	9,000
- estimated contingent consideration	4,000
Total purchase price	**84,707**
Identifiable net assets (see below)	-25,681
Goodwill	**59,026**

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:

	Acquisitions in 2016
Customer agreements and software	22,179
Property, plant and equipment	719
Financial assets	797
Receivables [3]	13,060
Cash and cash equivalents	18,638
Non-current liabilities	-681
Current liabilities	-23,763
Deferred tax, net	-5,268
Identifiable net assets	**25,681**

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

On 1 February 2016 an agreement was signed to acquire all of the shares 5D Systemkonsult AB, with transfer of possession the same day. During the financial year May 2014–April 2015 the company had net sales of SEK 22 m and an operating profit of SEK 4 m. 5D Systemkonsult is a Swedish software company that offers property management systems to customers in both the public and private sectors. The company has 20 employees and from the date of possession is part of the Design Management division, which since previously has strong offerings with systems for the construction and real estate sectors. The acquisition complements and further strengthens these offerings. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to approximately SEK 31 m, giving rise to a deferred tax liability of approximately SEK 2 m. Other acquired assets and liabilities pertain mainly to trade receivables, cash and cash equivalents, and deferred income.

On 1 July 2016 an agreement was signed to acquire all of the shares in EssVision AB, with transfer of possession the same day. In 2015 the company had net sales of SEK 13 m and an operating profit of SEK 2 m. EssVision is a Swedish software company that offers document and case management systems to municipalities, authorities and companies. EssVision has 11 employees and from the date of possession is part of the Process Management division, which since previously is one of Sweden's leading suppliers of IT solutions for document and case management. The acquisition complements and further strengthens these offerings. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to approximately SEK 25 m, giving rise to

Note 36 cont.

a deferred tax liability of approximately SEK 2 m. Other acquired assets and liabilities pertain mainly to trade receivables, cash and cash equivalents, and deferred income.

On 19 August 2016 an agreement was signed to acquire all of the shares in Stamford AB and Stamford Hero i Karlstad AB, with transfer of possession on 1 September 2016. In 2015 the companies had net sales of SEK 31 m and an operating profit of SEK 6 m. The business is focused on development of IT systems for the retail sector, specialty retail sector and property companies. The companies have 36 employees and are part of the Process Management division from the date of possession. Operations are coordinated with Addnode Group's subsidiary Prosilia, which works in the same system environment. The combined operations are conducted under the Stamford name. The acquisition strengthens the offering to existing customers and has opened up new business opportunities. According to the purchase price allocation analysis, goodwill and other acquisition-related intangible assets arising in connection with the acquisition amount to approximately SEK 25 m, giving rise to a deferred tax liability of approximately SEK 1 m. Other acquired assets and liabilities pertain mainly to trade receivables, cash and cash equivalents, and deferred income.

In 2016 the acquisitions contributed approximately SEK 40 m to consolidated net sales and had a positive effect on consolidated profit after tax of approximately SEK 4 m. If the acquisitions had been carried out as per 1 January 2016, consolidated net sales in 2016 would have amounted to approximately SEK 2,223 m, and profit after tax would have been approximately SEK 83 m. Costs of SEK 0.1 m for carrying out the acquisitions are included in the Group's other external expenses in 2016.

Cash flow from acquisitions of subsidiaries and operations

	Group	
	31/12/2017	31/12/2016
Cash consideration paid	-550,519	-86,175
Cash and cash equivalents in acquired subsidiaries	175,397	18,638
Change in the Group's cash and cash equivalents upon acquisition	**-375,122**	**-67,537**

Cash consideration paid in 2017 included payments of contracted and previously expensed contingent consideration totalling SEK 53,044 thousand (14,468) for company acquisitions carried out in previous years, and payment of SEK 40 m (–) in connection with the acquisition of additional shares in Decerno Väst AB (formerly Kartena AB).

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 31/12/2017 or 31/12/2016.

Neither the Group nor the Parent Company had any cash and cash equivalents in blocked bank accounts at 31/12/2017 or 31/12/2016.

Note 38 Changes in liabilities attributable to financing activities

	Due to credit institutions	Liabilities pertaining to finance leases	Group
Opening balance, 1 January 2017	163,035	–	163,035
Cash flow for the year			
Loans raised	422,875	–	422,875
Amortisation of debt	-2,570	-116	-2,686
Non-cash items			
Acquisitions of subsidiaries	–	2,118	2,118
Exchange rate differences	13,470	–	13,470
Closing balance, 31 December 2017	**596,810**	**2,002**	**598,812**

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.

Management of these risks is regulated in the finance policy adopted by the Board of Directors.

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.

Overall, the Group's total exposure to various financial risks is deemed to have increased during the year, but still be limited. 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, as well as of its targets, policies and methods for risk management.

Interest rate risk

Interest rate risk pertains to the risk that changes in market interest rates will have a negative effect on the Group's net interest income and cash flow. The Group's interest income and interest expense are mainly affected by changes in market interest rates in Sweden and the UK. One of the largest risk factors is the choice of fixed interest terms fro the Group's debt portfolio. The average term of fixed interest at 31 December 2017 was 0.8 years. According to the Group's finance policy, derivative instruments may not be used to manage interest rate risk.

The table below shows the Group's interest-bearing net debt on the respective balance sheet dates. A change in the market level of interest rates by 1 per cent would have an earnings impact of SEK 4.0 m.

Note 39 cont.

Interest-bearing net debt (SEK m)	Group 31/12/2017	31/12/2016
Cash and cash equivalents	-173.2	-111.5
Interest-bearing receivables	0.0	0.0
Interest-bearing liabilities	620.8	177.3
Net debt (+)/receivable (—)	**447.6**	**65.8**

Liquidity risk

Liquidity risk pertains to the risk of the Group being unable to meet regular payment obligations as a result of a lack of liquidity. Liquidity risk is managed by the Group having sufficient cash and cash equivalents and short-term investments to cover forthcoming payments. For most of the Group operations, a joint Group account is available for optimal management of the Group's liquidity. Since earlier years the Parent Company has an agreement with Nordea for a bank overdraft facility of SEK 100 m. Of this amount, SEK 41.6 m had been utilised as per 31 December 2017.

	Group 31/12/2017	31/12/2016
Cash and cash equivalents	173.2	111.5
Committed bank overdraft facility	100.0	100.0
Utilised portion of bank overdraft facility	-41.6	0.0
Available liquidity	**231.6**	**211.5**

Financing risk

By financing risk is meant the risk that loans and refinancing of loans will become more difficult at a given point in time. Financing risk is managed through the use of long-term credit facilities. The currently contracted revolving credit facilities with Nordea for up to SEK 750 m fall due for payment in 2021. The contracted credit facilities include covenants for financial key ratios and can be used to finance future acquisitions as well as to pay contingent earn-out payments. Of these credit facilities, SEK 626 m were utilised as of the date of publication of this Annual Report (see Note 27).

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).

Provisions and financial liabilities at 31/12/2017 (SEK m)	Falls due for payment: Within 1 year	Between 1 and 2 years	Between 2 and 5 years	After more than 5 years
Provisions for contingent consideration	—	93.8	—	—
Provisions for decided restructuring measures	8.4	—	—	—
Other provisions	0.3	—	—	7.3
Interest-bearing liabilities	615.0	14.2	0.5	—
Trade payables and other financial liabilities	133.4	0.6	—	—
Total	**757.1**	**108.6**	**0.5**	**7.3**

Provisions and financial liabilities at 31/12/2017 (SEK m)	Falls due for payment: Within 1 year	Between 1 and 2 years	Between 2 and 5 years	After more than 5 years
Provisions for contingent consideration	42.3	—	—	—
Provisions for decided restructuring measures	2.8	—	—	—
Other provisions	—	0.3	—	6.9
Interest-bearing liabilities	170.3	6.8	2.7	—
Trade payables and other financial liabilities	108.6	—	—	—
Total	**324.0**	**7.1**	**2.7**	**6.9**

Currency risk

By currency risk is meant the risk of 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. Currency risks can thus be broken down into transaction risks and translation risks.

Transaction exposure

By transaction exposure is meant the risk associated with continuing business transactions in foreign currency. The Group's transaction exposure is managed by Group companies operating mainly in their respective, local markets, and thereby having both income and expenses in the same currency. The Group's finance policy stipulates when the respective subsidiaries must report to the Parent Company flows in another currency than their respective, local currencies and provides the opportunity to hedge net currency flows through external financial contracts if this can be done at a reasonable cost.

Net exposure in currencies (by net exposure is meant income less expenses):

Amounts in SEK m	Group 31/12/2017	31/12/2016
EUR	103.4	69.9
USD	23.5	29.6
GBP	8.5	0.2

The most significant currencies in terms of transaction exposure are EUR, USD and GBP. If the average exchange rate for EUR/USD/GBP vs. CEO had been 10 per cent higher/lower compared with the average exchange rate in 2017, with all other variables constant, consolidated profit after tax for 2017 would have been positively/negatively impacted by approximately SEK 7.8 m, SEK 1.2 m and SEK 0.9 m, respectively. The effects of changed exchange rates were largely offset by adjusted end-customer prices. This means that the sensitivity to currency movements has been historically lower than these stated amount levels.

During 2017 and 2016, no transaction flows in foreign currency were hedged through forward exchange contracts.

Translation exposure

By translation exposure is meant risks for exchange rate losses upon translation of foreign subsidiaries' income statements and balance sheet to the Group's reporting currency, i.e., Swedish kronor (SEK). To limit translation

Note 39 cont.

exposure, assets can be financed in the same currency (pursuant to a decision by the Board of Directors), entailing that changes in exchange rates on these loans would be reported in other comprehensive income.

Of net assets denominated in foreign currencies on the balance sheet date of 31/12/2017, SEK 467 m were attributable pounds sterling (GBP), SEK 293 m were attributable to euros (EUR), and SEK 236 m were attributable to Norwegian kronor (NOK). If GBP were to strengthen/weaken by 10 per cent against SEK, the Group's total shareholders' equity would increase/decrease by approximately SEK 47 m; if EUR were to strengthen/weaken by 10 per cent against SEK, the Group's total shareholders' equity would increase/decrease by approximately SEK 29 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 24 m.

At present, net assets in the foreign subsidiaries Intrinsys and Service Works Group, which were acquired during the year, are hedged through loans.

Currency	Net assets	Currency hedges	2017
DKK	20.2	–	20.2
EUR	293.3	–	293.3
GBP	467.4	-389.0	78.4
NOK	235.5	–	235.5
USD	10.1	–	10.1
Other currencies	25.7	–	25.7
Total	**1,052.2**	**-389.0**	**663.2**

Currency	Net assets	Currency hedges	2016
DKK	19.8	–	19.8
EUR	279.0	-5.3	273.7
GBP	-1.0	–	-1.0
NOK	241.8	–	241.8
USD	9.3	–	9.3
Other currencies	16.0	–	16.0
Total	**564.9**	**-5.3**	**559.6**

Other price risks

As per 31/12/2017 there were no significant assets or liabilities with exposure to other price risks.

Credit risk

Credit risks in financial activities

Credit risks in the form of counterparty risks arise in connection with investments of cash and cash equivalents and trading in derivative instruments. Investment of surplus liquidity may only be made with banks or the Swedish government. The maximum credit risk is associated with the carrying amount of financial assets on the consolidated balance sheet.

Credit risks in trade receivables

Addnode Group's credit risk is primarily attributable to trade receivables, which are distributed among a large number of counterparties. Of total trade receivables at 31/12/2017, 57 per cent (63) 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 2.5 m (2.2) on the balance sheet date of 31/12/2017, corresponding to 0.5 per cent (0.5) of total trade receivables. Earnings for 2017 were negatively affected by SEK 2.4 m (positively by 0.1) through provisions for bad debts.

	Group			
	31/12/2017		31/12/2016	
Concentration of trade receivables (SEK m)	Amount	Share, %	Amount	Share, %
Trade receivables < SEK 1 m per customer	309.1	57	270.8	63
Trade receivables SEK 1–5 m per customer	148.0	28	94.3	22
Trade receivables > SEK 5 m per customer	81.1	15	65.8	15
Total	**538.2**	**100**	**430.9**	**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	
Past due trade receivables (SEK m)	31/12/2017	31/12/2016
Trade receivables past due 1–29 days	96.3	53.0
Trade receivables past due 30–59 days	16.4	10.6
Trade receivables past due 60–89 days	2.4	1.7
Trade receivables past due 90 days or more	3.4	1.9
Total	**118.5**	**67.2**

Derivative instruments

The Group had no outstanding forward exchange contracts or other held or issued derivative instruments on 31/12/2017 or 31/12/2016.

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 revaluations of provisions for contingent consideration and the differences between the reported provision and the actual outcome are to be recognised in the consolidated income statement. This means that future revaluations of reported provisions may significantly affect consolidated earnings, both positively and negatively, in coming years.

Note 41 Related party disclosures

On 31 December 2017, Aretro Capital Group AB's ownership amounted to 7.5 per cent (12.4) of the share capital and 20.1 per cent (23.6) 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 TechniaTranscat AB and head 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.

On 31 December 2017 Vidinova AB's ownership amounted to 4.5 per cent (preceding year: 24.4) of the share capital and 12.0 per cent (26.8) of the votes in Addnode Group AB (publ). Vidinova AB is owned via companies by Dick Hasselström, who is a director on Addnode Group's Board. In 2017 and 2016 Vidinova AB leased a workplace at a subsidiary of Addnode Group AB and paid rent of SEK 48 thousand (48) per year. Other than this, no transactions were made between companies in the Group in which Vidinova AB is the Parent Company and the companies in the Group in which Addnode Group AB (PUBL) is the Parent Company.

Remuneration of the Board of Directors and senior executives	Group 2017	2016
Salaries and other short-term employment benefits (see also description in Note 5)	17,235	17,683
Total	**17,235**	**17,683**

The Chairman of the Board, Staffan Hanstorp, has via companies invoiced the Parent Company SEK 1,674 thousand in fees for consulting services related to the Group's acquisition opportunities, financing matters, strategic partnerships and overarching strategic matters during the period May-December 2017. This amount is not included in the table above.

Sales to and purchases from other companies in Addnode Group

For the Parent Company Addnode Group AB (PUBL), 100 per cent (100) of net sales for the year and 18 per cent (19) of purchases for the year pertained to own subsidiaries. For sales and purchases between Group companies, the same policies apply for pricing as in transactions with external parties.

Note 42 Average number of employees, etc.

Average number of employees	2017 Average number of employees	2017 Of whom, men	2016 Average number of employees	2016 Of whom, men
Parent Company	7	5	8	6
Subsidiaries				
Sweden	672	512	615	464
Denmark	17	14	18	14
Finland	66	56	69	60
Norway	97	73	97	74
UK	58	41	19	15
Germany	224	168	212	159
Netherlands	12	12	–	–
Serbia	21	13	19	14
Slovakia	24	23	22	20
Austria	4	4	4	4
USA	15	11	10	7
Australia	6	3	–	–
Canada	1	1	–	–
South Africa	4	2	–	–
India	89	68	67	50
Total, subsidiaries	**1,310**	**1,001**	**1,152**	**881**
Group total	**1,317**	**1,006**	**1,160**	**887**

Board members and senior executives	2017 Number on balance sheet date	2017 Of whom, men	2016 Number on balance sheet date	2016 Of whom, men
Group				
Board members	152	130	128	115
Presidents and other senior executives	126	104	108	92
Parent Company				
Board members	7	5	6	4
Presidents and other senior executives	2	1	3	3

Note 43 Events after the balance sheet date

At the end of November 2017 an agreement was signed to acquire all of the shares in 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 December 2017 an agreement was signed to acquire all of the shares in 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.

In January 2018 an additional SEK 42.5 m in bank loans were drawn from the credit facility of up to SEK 750 m that was secured in June 2017 (see Note 27).

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 20 March 2018.

The income statements and balance sheets for the Parent Company and the Group will be presented for adoption at the AGM on 26 April 2018.

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, 20 March 2018

Staffan Hanstorp
Chairman

Jan Andersson
Director

Kristofer Arwin
Director

Johanna Frelin
Director

Dick Hasselström
Director

Sigrun Hjelmquist
Director

Thord Wilkne
Director

Johan Andersson
President

Our audit report was submitted on 22 March 2018
PricewaterhouseCoopers AB

Magnus Brändström
Authorised Public Accountant
Auditor-in-charge

AUDITOR'S REPORT

To the general meeting of the shareholders of Addnode Group AB (publ), corporate identity 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 2017 except for the corporate governance statement on pages 89-97. The annual accounts and consolidated accounts of the company are included on pages 40-83 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 2017 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 2017 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 89-97. 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 fulfiled 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, where the main part of the Group's operations are located. In addition, significant operations are carried out on subsidiaries in Norway, Finland, Germany and England, which are also included in the Group Audit scope. For entities in Group Audit scope, we in the Group audit team have issued instructions to component auditors, obtained reporting and followed up specific matters in discussions and meetings to determine that sufficient audit evidence has been obtained for our statement in the Auditors' Report for Addnode Group.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the 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 discloses impairment testing of goodwill in Note 16 to the Annual Report. Addnode Group's balance sheet contains SEK 1,358 million of goodwill following acquisitions. This amount represents some 71 per cent of the Group's total assets. Goodwill is therefore a significant balance sheet item. In addition, valuation of goodwill is associated with management's assessments and judgements. This is why we considered this a Key Audit Matter in our audit. Management conducts an impairment test of goodwill annually to determine whether or not there is a need for impairment. 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 indicates no need for write-down on the closing date.	***The most significant audit efforts we have conducted include:*** In our audit, we have evaluated and assessed management's process for establishing impairment tests, including evaluating previous years' accuracy in forecasts and assumptions. We have involved valuation specialists in our audit to examine 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. Based on our audit, we have not identified any significant observations to be reported by the audit team to the company's Audit Committee regarding Addnode Group AB's valuation of goodwill.
Recognition of acquired companies during the year During the year, the Group acquired eight companies at a total book value of 618 SEK m with a purchase price on the date of admission amounting to 611 SEK m. Accounting for acquisitions involves making significant assessments and estimates of the value of acquired assets and liabilities assumed. Several acquisitions are subject to additional purchase prices determined on the basis of future results. These are therefore surrounded by a level of uncertainty. As of December 31, 2017, total debt related to additional purchase price for business combinations amounted to 90 SEK m. As part of the acquisition analysis, the company has allocated the purchase price to acquired assets, which largely relates to goodwill. This has been done by identifying acquired assets and valuing them at fair value based on valuation models applicable to the asset. Since the uncertainty normally found in the assessment of the fair value of the acquisition price of acquisitions containing additional purchase discrepancies and the fair value of the acquired identifiable assets, as well as the material financial impact of the assessment, we assess the valuations of additional purchase price and acquisition analysis as a key audit matter in our audit.	***The most significant audit efforts we have conducted include:*** • Review of the Group's valuation of acquired assets and assumed liabilities. • Review that the acquisition estimates follow established methodology, and assess the reasonableness of the management's significant assumptions. We have also evaluated the forecast for future earnings on which the company base its valuation models to assess fair value. • Review and valuation of reported additional purchase prices. Based on our audit, we have not identified any significant observations to be reported by the audit team to the company's Audit Committee regarding Addnode Group AB's accounting for acquired companies.

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 1-39,88 and 99-102. 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 2017 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 fulfiled 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.

PricewaterhouseCoopers AB, Stockholm, was appointed auditor of Addnode Group AB (publ) by the general meeting of the shareholders on the 4th May 2017 and has been the company's auditor since the 9th of April 2003.

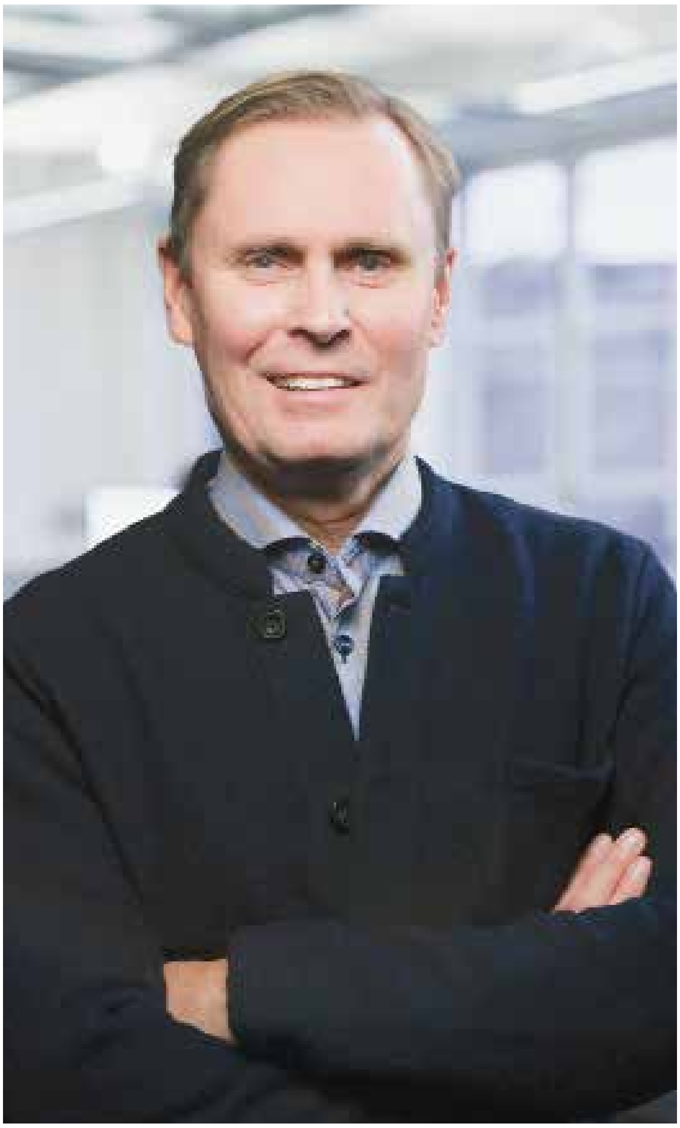
Stockholm March 22, 2018

PricewaterhouseCoopers AB

Magnus Brändström
Authorized Public Accountant
Auditor-in-charge

GROWTH, ACQUISITIONS AND RISK CONTROL DOMINATE BOARD'S WORK

Addnode Group had a highly acquisition-intensive year at the same time that we have become more international. This dominated the Board's engagement and decisions in 2017.



When I stepped down as CEO in spring 2017 after ten years and took office as Chairman of the Board, I commented that we had gone from being a Swedish company to an international group. During the past year, our internationalisation continued. Addnode Group carried out a large number of acquisitions, where we on the Board engaged ourselves in gaining an understanding of every company's potential and how they fit in to our existing business and our strategy going forward. Through our geographic expansion we now have substantial operations in Europe and a good jumping-off point to a number of new countries, such as Australia and Canada.

Managing our growth with good control permeates everything we do. With the many acquisitions comes ever-greater demands on the Board to follow up that we have a suitable organisation and leadership. We must have management capacity to both carry out acquisitions and take care of our companies in the best way possible for continued value-creating development.

A key success factor is our decentralised Group structure, where the management teams of our divisions and subsidiaries are assuming a large share of the responsibility, with the Parent Company and Board supporting them with expertise and experience from previous acquisitions.

Apart from investments in new products and services, and acquisitions, compliance is an area that is increasingly engaging the Board. With changed rules and regulations come a greater responsibility above all for the Audit Committee to quality assure the entire report flow and information that serves as the documentation for the Board's decisions. This is important work that has taken on greater importance over the years in pace with higher demands for transparency and full disclosure of public companies.

As in previous years, the agenda for 2018 will include continued growth with good risk control supported by an engaged Board.

Staffan Hanstorp
Chairman of the Board

CORPORATE GOVERNANCE REPORT

The Parent Company of the Group is the Swedish public limited liability company Addnode Group AB, corporate identity number 556291-3185, with registered office in Stockholm. The Company's Class B shares are listed on Nasdaq Stockholm, Mid Cap list.

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 2017 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 and that members of the executive management shall not serve on the nomination committee. Addnode Group does not adhere to this rule, as Staffan Hanstorp, Chairman of the Board, is chair of the Nomination Committee. Addnode Group's auditors have reviewed the statutory information in the Corporate Governance Report to ensure that it is consistent with the other parts of the Annual Report and consolidated accounts.

The Annual General Meeting (AGM) is Addnode Group's highest decision making body and resolves on adoption of the income statement and balance sheet, discharge 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.

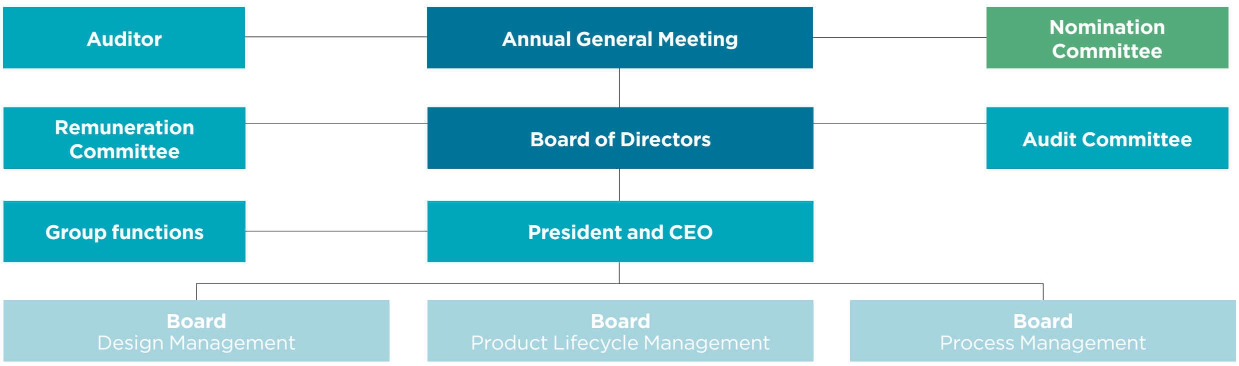
The Audit Committee is tasked primarily with monitoring the processes surrounding Addnode Group's financial reporting and internal control in order to ensure the quality of external reporting.

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 divisional head are responsible for the operations of their respective divisions and report to Addnode Group's President and CEO. Overall governance of the segments is conducted by the divisions' Boards of directors.



Important events

- Addnode Group's former CFO Johan Andersson took office as the new President and CEO as from the 2017 AGM. He succeeded Staffan Hanstorp, who was appointed as Chairman of the Board. Helena Nathhorst has been serving as CFO since September 2017.
- During the year Addnode Group acquired ten new companies with combined annual sales of approximately SEK 450 m. The acquisitions strengthen the Company's offering, broaden the software portfolio and make the Company more international.

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 2017 the number of shareholders was 5,359, and the proportion of foreign-owned shares was 18 per cent. The proportion of institutional owners including mutual funds was 67 per cent.

Aretro Capital Group AB is the largest owner, with 7.5 per cent of the share capital and 20.1 per cent of the votes. Vidinova AB is the second largest owner, with 4.8 per cent of the share capital and 12.0 per cent of the votes. Aretro Capital Group AB is jointly owned via companies by Staffan Hanstorp, Chairman of Addnode Group, and Jonas Gejer, head of the Product Lifecycle Management division. Jonas Gejer is also President of Addnode Group's subsidiary TechniaTranscat. Vidinova AB is controlled via companies by Dick Hasselström.

Nomination Committee

The 2017 Annual General Committee resolved to assign the Chairman of the Board with the task of contacting the three largest owner-registered shareholders (in terms of votes) in Euroclear Sweden's shareholder register as at 31 August 2017, 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 2018 Annual General Meeting. In addition, the Chairman of the Board was assigned with the task of appointing a representative on the Nomination Committee for the smaller shareholders and a representative for the institutional owners. The representative of the largest shareholder in terms of votes is to serve as chair of the Nomination Committee.

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 2018 AGM

The composition of the Nomination Committee was announced on Addnode Group's website and via a press release published on 30 October 2017. 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
- Claes Murander, appointed by Lannebo Fonder
- Magnus Skåninger, appointed by the institutional owners
- Wilhelm Gruvberg, appointed by the smaller shareholders

The Nomination Committee held five meetings ahead of the 2018 AGM. The Nomination Committee represented approximately 46 per cent of the shareholders' votes as per 31 December 2017. 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

The shareholders' 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 2017

The 2017 AGM was held on 4 May 2017. The Chairman of the Board, Sigrun Hjelmquist, 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 2016 financial year. Staffan Hanstorp was elected as Chairman of the Board. Jan Andersson, Kristofer Arwin, Dick Hasselström, Sigrun Hjelmquist and Thord Wilkne were re-elected as Board members, and Johanna Frelin was elected as a new Board member, in accordance with the Nomination Committee's proposal. Annika Viklund 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 2017 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 2017 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 2017 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 seven members. For further information about the Board members, see page 96.

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. Board member Dick Hasselström was formerly Chairman of the Board of Decernogruppen, and through his ownership in Vidinova AB he is the second largest owner of Addnode Group, and has 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 administer the Group's operations on behalf of the owners in a way that safeguards in the best possible way the owners' interests in obtaining a favourable long-term return on their investment. The Board reports each year to the shareholders on how corporate governance in Addnode Group is exercised through the Corporate Governance Report. The Board's work is regulated by – among other things – the Swedish Companies Act, applicable rules for listed companies, including the Swedish Corporate Governance Code, the Articles of Association, other laws and regulations, and the Board's and its committees' internal Rules of Procedure.

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

- Short- and long-term targets
- Strategic direction
- Significant matters such as funding, 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 2017

During the year, the Board held twelve 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 2017, which 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 twice 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 participate in Audit Committee meetings when necessary. 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 work climate, the focus of the Board's work, as well as access to and the need for specific expertise on the Board, in accordance with the requirements for diversity and breadth laid out by the Swedish Corporate Governance Code. 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 2017 and 2018 Annual General Meetings, a set fee of SEK 370 thousand (360) is payable to the Chairman of the Board, and SEK 185 thousand (180) 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 35 thousand (35) is payable to each of the two regular members of the Board's Audit Committee, and a fee of SEK 55 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. A Board member may be given the opportunity to invoice the director's fee provided that it is cost-neutral for the Company and in accordance with applicable legal rules and recommendations.

Following the Annual General Meeting in May 2017 the Chairman of the Board, Staffan Hanstorp, was contracted on a consulting basis for work with the Group's acquisition opportunities, financing matters, strategic partnership and overarching strategic issues. Fees invoiced to the Parent Company for the consulting services performed by Staffan Hanstorp amounted to SEK 1,674 thousand for the period May–December 2017. No other fees for work other than Board assignments and work on the Audit and Remuneration Committees were paid in 2017.

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 4 May 2017, Chairman of the Board Staffan Hanstorp and Board member Dick Hasselström.

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 4 May 2017, Jan Andersson (committee chair), Sigrun Hjelmquist and Kristofer Arwin.

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, including risk management, over financial reporting
- Monitoring the audit and evaluating the work of the auditors
- Evaluating the auditors' objectivity and independence
- Assisting the Nomination Committee.

Auditors

At the 2017 Annual General Meeting the chartered accounting firm PricewaterhouseCoopers AB (PwC) was re-elected, with Authorised Public Accountant Magnus Brändström as auditor-in-charge. Magnus Brändström has been an Authorised Public Accountant since 1995. 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.

Main items of business for the Board in 2017

Jan

Feb: Review and adoption of the 2016 year-end report. Decision on proposed dividend.

Mar: Approval of the Annual Report.

Apr: Review and adoption of the interim report for the period January–March. Statutory Board meeting, at which the Board's Rules of Procedure were adopted. Appointment of Board members to serve on the Board's committees. Adoption of the CEO's instructions. Discussions on the acquisitions of Forsler & Stjerna and Canella.

May

Jun: The Board's annual strategy meeting. Discussions on the acquisitions of Apricon and Adtollo. Decision to increase the acquisition credit facility to SEK 750 m.

Jul: Review and adoption of the interim report for the first half of the year. Discussions on the acquisitions of Intrinsys and Service Works Global (SWG).

Aug

Sep: Discussion on the acquisitions of InPort and MCAD.

Oct: Review and adoption of the interim report for the nine-month period January–September.

Nov: Discussions and adoption of 2018 budget. Evaluation of the Board's work.

Dec: Review of the budget and business plan for 2018. Risk review. Discussions on acquisitions.

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 heads 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. In addition to these regular meetings, Group Management also regularly reviews matters as necessary. The President and other members of Group Management are presented on page 87.

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 heads 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' heads. 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 2017 Annual Report.

Board composition and meeting attendance 2017

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	10/10	625,332	1,658,598
Jan Andersson	Director	Audit Committee chair	2012	Yes/Yes	14/14	–	15,000
Kristofer Arwin	Director	Member of Audit Committee	2012	Yes/Yes	14/14	–	2,180
Johanna Frelin[2]	Director	–	2017	Yes/Yes	9/10	–	–
Dick Hasselström[3]	Director	Member of Remuneration Committee	2010	Yes/No	14/14	361,667	1,084,718
Sigrun Hjelmquist[4]	Director	Member of Audit Committee	2009	Yes/Yes	14/14	–	2,000
Annika Viklund[5]	Director	–	2014	Yes/Yes	4/4	–	–
Thord Wilkne[6]	Director	–	2008	Yes/Yes	14/14	–	435,000
Total						**986,999**	**3,198,495**

[1] Via the company Aretro Capital Group AB. Elected by the Annual General Meeting on 4 May 2017.
[2] Elected by the Annual General Meeting on 4 May 2017.
[3] Via the company Vidinova AB.
[4] Including spouse's holding of 1,000 shares.
[5] Resigned at the Annual General Meeting on 4 May 2017.
[6] Including spouse's holding of 35,000 shares.

All Board members' shareholdings are reported as per 31 December 2017. Fees paid to the Chairman of the Board and Board members are shown in Note 5 of the 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 insider 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. The Group's corporate governance is described on pages 89 – 95. 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 CEO 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

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.

Stockholm, 20 March 2018

Staffan Hanstorp
Chairman of the Board

Jan Andersson
Director

Kristofer Arwin
Director

Johanna Frelin
Director

Dick Hasselström
Director

Sigrun Hjelmquist
Director

Thord Wilkne
Director

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, 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 and Fast2 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. CEO of Sportlib AB.

Current assignments: Director of Alertsec AB, 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 SNS and Springtime AB.

Shareholding in Addnode Group: –

Dick Hasselström
Born 1949. Director and member of Remuneration Committee.

Education and experience: Civil engineer, KTH Royal Institute of Technology, B.Sc. Econ. Stockholm School of Economics, D. Econ. Gothenburg University. Co-founder of Decerno and President 1984–2003. CEO of Decernogruppen 2004–2010.

Current assignments: Director of Vidinova AB and Verg AB.

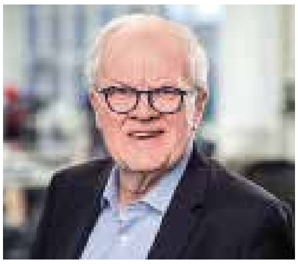
Shareholding in Addnode Group: 361,667 A-shares and 1,084,718 B-shares via the company Vidinova AB. Vidinova AB has issued call options for 70,000 B-shares.

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 and Clavister Holding AB.

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



Thord Wilkne
Born 1943. Director.

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

Current assignments: Director of Rejlers AB and Silver Life AB, among other companies.

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

GROUP MANAGEMENT

Andreas Wikholm
Born 1974, President of Process Management division.

Education and experience:
Degree in Public Health Science, Karolinska Institutet. Numerous continuing education course 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.

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.

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 an call options on 60,000 B-shares.

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.

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.

Auditors

At the 2017 Annual General Meeting, the chartered accounting firm PricewaterhouseCoopers AB (PwC) was re-elected, with Authorised Public Accountant Magnus Brändström as Auditor-in-Charge.

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of Addnode Group AB (publ), corporate identity number 556291-3185

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement on pages 89–97 and that it has been prepared in accordance with the Annual Accounts Act.

Scope of review

Our examination has been 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.

Opinion

A corporate governance statement has been prepared. Disclosures provided in accordance with Ch. 6 § 6 second paragraph, points 2–6 of the Annual Accounts Act and Ch. 7 § 31 second paragraph of the same Act are consistent with the annual accounts and the consolidated accounts, and are in accordance with the Annual Accounts Act.

Stockholm, 22 March 2018

PricewaterhouseCoopers AB

Magnus Brändström
Authorised Public Accountant
Auditor-in-charge

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 provide on page 100.

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	2017	2016
Operating profit	129.9	113.7
Depreciation, amortisation and impairment of intangible non-current assets	81.9	56.9
EBITA	**211.8**	**170.6**

Reconciliation of net debt, SEK m	31/12/2017	31/12/2016
Non-current liabilities	192.3	67.5
Current liabilities	1,450.6	953.3
Noninterest-bearing non-current and current liabilities	-1,022.1	-843.5
Total interest-bearing liabilities	**620.8**	**177.3**
Cash and cash equivalents	-173.2	-111.5
Other interest-bearing receivables	0.0	0.0
Net debt (+)/receivable (—)	**447.6**	**65.8**

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-system 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 manufacturing 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 divisions:
One of our divisions. Provider of software and services for product data information. One of Europe's leading providers.

- 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.

Addresses

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www.stamford.se

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For other local addresses, please refer to the respective companies' websites.

Production: Addnode Group in cooperation with Sthlm Kommunikation & IR AB.

Photographers: Sara Arnald (p. 7), Signalisten (p. 21), Johan Töpel (pp. 10-11, 32-33, 35-37, 51, 103-105)

ADTOLLO
ADDNODE GROUP

ARKIVA
ADDNODE GROUP

CANELLA
ADDNODE GROUP

DECERNO
ADDNODE GROUP

ESSVISION
ADDNODE GROUP

EVITBE
ADDNODE GROUP

FORSLER STJERNA
ADDNODE GROUP

IDA INFRONT
ADDNODE GROUP

INPORT
ADDNODE GROUP

INTRINSYS
ADDNODE GROUP

KOMPANION
ADDNODE GROUP

MITTBYGGE
ADDNODE GROUP

SERVICE WORKS GLOBAL
ADDNODE GROUP

SOKIGO
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STAMFORD
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SYMETRI
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SYMETRI COLLABORATION
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