

Continued profitable growth permeates everything we do

Continued profitable growth – both organic and through acquisitions – has been at the top of the Board's agenda during the financial year. Managing our growth with good control permeates everything we do.

We have gone from being a Nordic company to an international group. More than half of our net sales come from customers outside Sweden, with Germany as our second-largest market. It was therefore natural that the Board in 2016 held its annual strategy meeting in Karlsruhe, Germany, at our company TechniaTranscat. In the boardroom we are dedicating more and more time to analysing new, potential markets.

Addnode Group has grown in large part through value-creating acquisitions that have been successfully integrated. A key reason for this is our decentralised organisation, where the decision-making power and resources lie in the business areas and subsidiaries, while the Parent Company supports them with expertise and experience gained from previous acquisitions. We are not in a hurry to integrate new businesses, and we do not integrate for the sake of things. Of course, we coordinate activities that strengthen our opportunity to do more business, and we draw benefits from synergies, but otherwise we let the companies retain their distinctive qualities as part of Addnode Group. For it is our people and the companies out in the organisation that meet our customers, which is why it is important that they can retain their independence.

The issue of competence and leadership succession is always under consideration by the Board, and we continuously make sure that Group Management has processes to address this. Our continued growth is dependent on the involvement of talented employees and leaders. The operational responsibility for competence and leadership succession is managed out in the organisation, adapted to the specific conditions of each business.

Sigrun Hjelmquist
Chairman of the Board, Addnode Group



Corporate governance report 2016

The Parent Company of the Group is the public Swedish 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.

Addnode Group applies the Swedish Corporate Governance Code (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 2016 Addnode Group departed from point 2.6, Composition of the nomination committee. The Code prescribes that the President or other person from the executive management shall not be a member of the nomination committee. Addnode Group does not adhere to this rule, as Jonas Gejer, President of the Product Lifecycle Management business area and President of the subsidiary TechniaTranscat, is a member of the Nomination Committee. Jonas Gejer is a part-owner of Aretro Capital Group AB and has been appointed by one of Addnode Group’s major shareholders to serve on the Nomination Committee. Addnode Group’s auditors have reviewed the statutory information of the corporate governance report to ensure that it is consistent with the other parts of the annual report and consolidated accounts.

1. The Annual General Meeting (AGM)

is Addnode Group’s highest decision making body and passes resolutions to adopt the income statement and balance sheet, discharge of 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, dividends, and other important matters, such as the principles for appointing the Nomination Committee.

2. The auditor reports via an audit report on its review of the annual report, the book-keeping 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.

3. 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.

4. 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.

5. The Nomination Committee

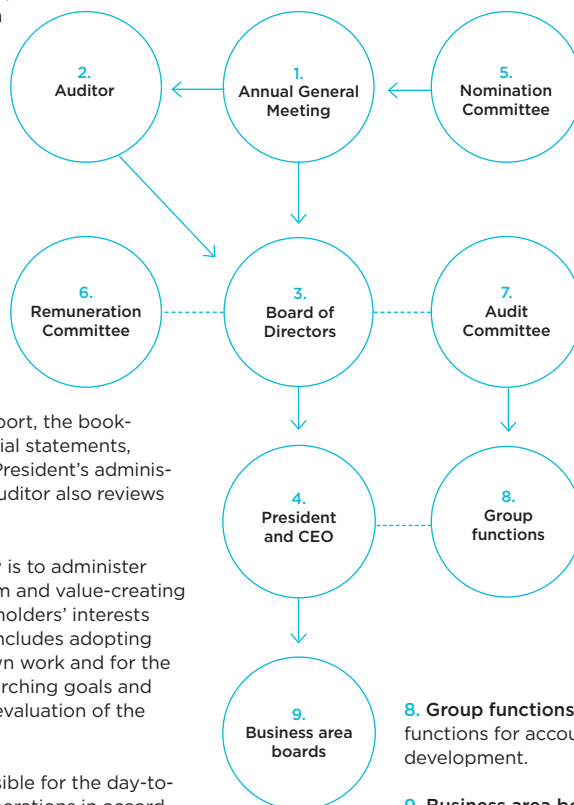
is tasked with safeguarding the shareholders’ interests and submits recommendations to the Annual General Meeting for appointment of a chairman to preside over the Annual General Meeting, board members, the Chairman of the Board, and the auditor. The Nomination Committee is also tasked with making recommendations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

6. 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.

7. 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.

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

9. Business area boards. The business area presidents are responsible for the operations of their respective business area and report to Addnode Group’s President and CEO. Overall governance of the business areas is conducted by the business area boards of directors.



Important events 2016

- Staffan Hanstorp proposed as new Chairman of the Board as from the 2017 AGM. Johan Andersson, currently CFO, will take over the role as President and CEO on 4 May 2017.
- The Content Management business area becomes part of the Process Management business area.

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's. 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 2016 the number of shareholders was 4,228, and the proportion of foreign-owned shares was 5 per cent. The proportion of institutional owners including mutual funds was 42 per cent. Vidinova AB is the largest shareholder, with 24.4 per cent of the share capital and 26.8 per cent of the votes. Aretro Capital Group AB is the second largest shareholder, with 12.4 per cent of the share capital and 23.6 per cent of the votes. Vidinova AB is controlled by Dick Hasselström, and Aretro Capital Group AB is controlled by Staffan Hanstorp, President and CEO of Addnode Group, and Jonas Gejer, President of the Product Lifecycle Management business area. Jonas Gejer is also President of Addnode Group's subsidiary Technia Transcat.

Nomination Committee

The 2016 Annual General Committee resolved to task the Chairman of the Board to contact the three largest owner-registered shareholders (in terms of votes) in Euroclear Sweden's shareholder register as at 31 August 2016, 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 2017 Annual General Meeting. In addition, the Chairman of the Board was tasked to appoint 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

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

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 2017 AGM

The composition of the Nomination Committee was announced on Addnode Group's website and via a press release published on 16 September 2016. The Nomination Committee is composed of the following members:

- Wilhelm Arnör, appointed by Vidinova AB, the largest owner in terms of votes (committee chair)
- Jonas Gejer, appointed by Aretro Capital Group AB
- Håkan Berg, appointed by Swedbank Robur Fonder
- Richard Hellekant, PSG Capital, appointed by the institutional owners
- Charlotta Karlander, appointed by the smaller shareholders
- Sigrun Hjelmquist, Chairman of the Board

The Nomination Committee held nine meetings prior to the 2017 AGM. The Nomination Committee represented approximately 58 per cent of the shareholders' votes as per 30 December 2016. As the basis for the Nomination Committee's work, company management shared 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 Jonas Gejer and Wilhelm Arnör, are independent in relation to the Company, company management and the Company's largest shareholders. The Company thus departs from the Code's rules regarding the Nomination Committee. Wilhelm Arnör is a major shareholder indirectly through his ownership in Vidinova AB. Jonas Gejer is a senior executive of the Company as President of the Product Lifecycle Management (PLM) business area and President of the subsidiary Technia Transcat, and a major owner of Addnode Group AB through his part-ownership in Aretro Capital Group AB.

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 2016

The 2016 AGM was held on 28 April 2016. 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 2015 financial year. Sigrun Hjelmquist was re-elected as Chairman of the Board. Jan Andersson, Kristofer Arwin, Dick Hasselström, Annika Viklund and Thord Wilkne were re-elected as board members in accordance with the Nomination Committee's proposal. The AGM approved the Nomination Committee's proposal for directors' fees as well as the Board's proposed guidelines for remuneration and terms of employment for the President and other senior executives.

Authorisations granted by the AGM

The 2016 AGM authorised the Board, on one or more occasions during the period until the next AGM, to decide on acquisitions of a maximum number of Class B treasury shares so that the Company's holding following such acquisition does not exceed 10 per cent of all the shares in the Company at any given time. Furthermore, the 2016 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 2016 for the period until the next AGM to make decisions about new share issues. Through decisions supported by this authorisation, the share capital may increase by a maximum of SEK 36 m through the issuance of a maximum of 3,000,000 shares upon full subscription.

Board of Directors

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

Composition of the Board

According to the Articles of Association, Addnode Group AB's board of directors shall consist of three to eight members elected by the AGM for a term through the end of the next AGM. The Articles of Association allow the election of deputy board members, however, there are currently no deputy members elected by the AGM. The Articles of Association contain no general stipulations about the appointment or dismissal of board members. The Board of Directors consists of six members. For further information about the board members, see page 82.

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. Board member Dick Hasselström was formerly Chairman of the Board of Decerno-gruppen, formerly President of Decerno, and through his ownership in Vidinova AB is the 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 task is to administer the Group's operations on behalf of the owners in a way that safeguards the owners' interests in obtaining a favourable long-term return on capital. 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. 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 2016

During the year, the Board held ten meetings, of which one was the statutory meeting held directly in connection 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. Other Group employees attend board meetings to present reports on specific issues when the Board deems it necessary.

At regular board meetings, the President presents a report on the Group's earnings and financial position as well as an outlook for the coming quarter. In addition, risks in ongoing projects, investments, employee development, establishment of new operations, and acquisitions and divestments are also addressed. The business area presidents are invited to board meetings on a regular basis to make presentations on their respective operations.

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 presence of the President or any other member of Group Management. The Group's auditors also participate in Audit Committee meetings when necessary. The Audit Committee reports 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 of the Nomination Committee. For the period between the 2016 and 2017 Annual General Meetings, a set fee of SEK 360 thousand (340 thousand) is payable to the Chairman of the Board, and SEK 180 thousand (170 thousand) 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 (30 thousand) is payable to each of the two regular members of the Board's Audit Committee, and a fee of SEK 55 thousand (50 thousand) is payable to the Audit Committee chair. A fee of SEK 15 thousand (15 thousand) 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. No other fees for work other than board assignments were paid in 2016. 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 28 April 2016, Sigrun Hjelmqvist, Chairman of the Board (committee chair) 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 28 April 2016, Jan Andersson (committee chair), Sigrun Hjelmqvist and Kristofer Arwin.

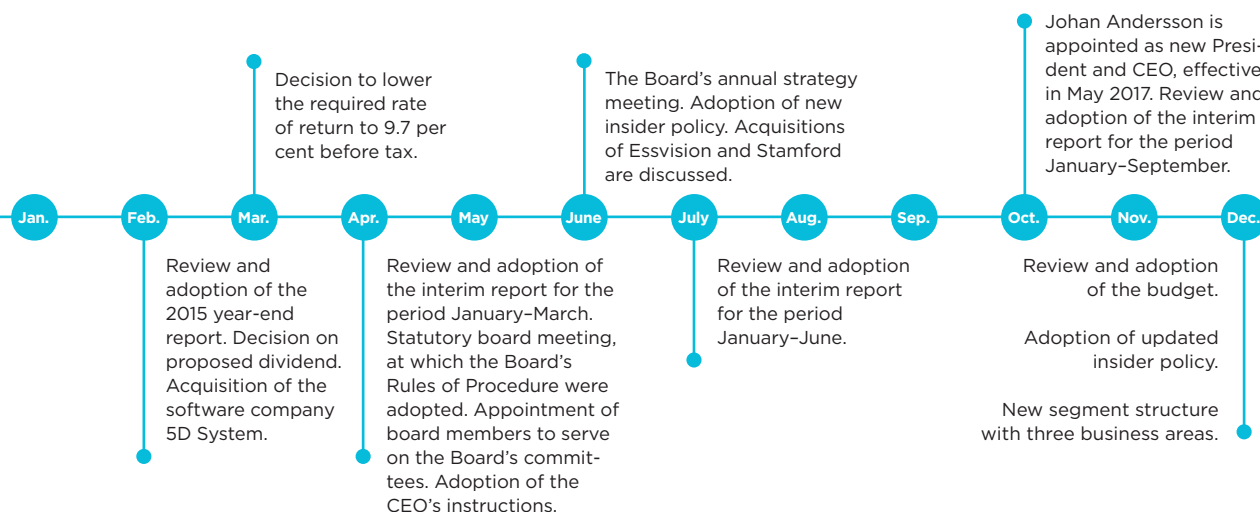
The Committee's work includes:

- Reviewing the financial statements and addressing accounting issues that impact the quality of the Company's financial reporting
- Monitoring the efficiency 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 in making recommendations for auditors and auditors' fees

Auditors

At the 2016 Annual General Meeting the chartered auditing 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 twice per year, and when necessary, to participate in 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 2016:



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 President of the Design Management business area. 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 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.

Business area management

The three business area Design Management, Product Lifecycle Management and Process Management make up Addnode Group's operational structure. In accordance with adopted strategies, the business area presidents are responsible for the operations of their respective business areas and report to Addnode Group's President and CEO. The overarching management of the Design Management, Product Lifecycle Management and Process Management business areas is conducted by the respective boards of the business areas, which meet each quarter. The respective business areas' boards include Addnode Group's President and CEO (Chairman), the CFO, and the business area president. The business area's controller is permanently co-opted to the business area's board meetings, and other members of the business area'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 2016 Annual Report.

Board composition and meeting attendance 2016

Director	Function	Committee assignment	Year management/elected	Independent in relation to the Company and company owners	Attendance at board meetings	Class A shares	Class B shares
Sigrun Hjelmquist ¹	Chairman	Remuneration Committee chair and member of Audit Committee	2009	Yes/Yes	10/10	—	2,000
Jan Andersson	Member	Audit Committee chair	2012	Yes/Yes	10/10	—	15,000
Kristofer Arwin	Member	Member of Audit Committee	2012	Yes/Yes	10/10	—	2,180
Dick Hasselström ²	Member	Member of Remuneration Committee	2010	Yes/No	10/10	361,667	7,059,783
Annika Viklund	Member	—	2014	Yes/Yes	10/10	—	1,000
Thord Wilkne ³	Member	—	2008	Yes/Yes	9/10	—	435,000
Total						361,667	7,514 963

¹ Including spouse's holding of 1,000 shares.

² Via the company Vidinova AB.

³ Including spouse's holding of 35,000 shares.

All board members' shareholdings are reported as per 31 December 2016 and include any changes made thereafter to the Company's knowledge. 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 business area 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 information policy, and 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 79–84. 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 business area presidents and their directly subordinate managers.

Control structures

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

Examples of control activities include:

- Clear decision-making processes and authorisation instructions for important decisions (e.g., purchases, investments, agreements, and acquisitions and divestments)
- Monthly performance analyses with deviation monitoring against budgets and forecasts
- Monthly risk assessments of all fixed-price assignments in excess of SEK 100,000
- Monthly risk assessments of past due accounts receivable
- Automatic controls in IT systems that are essential for the financial reporting and other analytical follow-ups and reconciliations

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, the CFO, and individuals in the Group's business areas 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.

Stockholm, 23 March 2017

Sigrun Hjelmquist
Chairman of the Board

Jan Andersson
Director

Kristofer Arwin
Director

Dick Hasselström
Director

Annika Viklund
Director

Thord Wilkne
Director

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 business areas. The effectiveness of this communication is followed up on a regular basis to ensure receipt of information. In addition, formal and informal channels are in place for employees to communicate important information with relevant recipients – ultimately the Board of Directors where necessary. For communication with external parties, an information policy lays out guidelines for how this communication may take place. The aim of the policy is to ensure correct and thorough compliance with all information obligations.

Financial Reporting and Information

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

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

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

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

Board of Directors

**Sigrun Hjelmquist**

Täby, born 1956. Chairman of the Board, Remuneration Committee chair, member of Audit Committee.

Education and experience:

Civil engineer, M. Sc. Engineering Physics from KTH Royal Institute of Technology. Active within 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 Edgware AB, Eolus Vind AB, Saminvest AB and Ragnsellsföretagen AB.

Shareholding in Addnode Group:

1,000 B-shares, plus 1,000 B-shares owned by spouse.

**Jan Andersson**

Allerum, born 1959. Director, Audit Committee chair.

Education and experience:

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

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

Shareholding in Addnode Group:

15,000 B-shares.

**Kristofer Arwin**

Sollentuna, 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, Chairman of TestFreaks since 2013. Founded Pricerunner in 1999 and CEO 1999–2005.

Current assignments: Director of the listed company Unibet Group plc since 2008 and of Alertsec AB since 2007.

Shareholding in Addnode Group:

2,180 B-shares.

**Dick Hasselström**

Stockholm, born 1949. Director and member of Remuneration Committee.

Education and experience:

Civil engineer and D. Econ. Co-founder of Decerno and President 1984–2003. CEO of Decernogruppen 2004–2010.

Current assignments: Chairman of Z-City AB, director of Vidinova AB and Verg AB.

Shareholding in Addnode Group:

Via Vidinova AB 361,667 A-shares and 7,059,783 B-shares via the company Vidinova AB.

**Annika Viklund**

Stockholm, born 1967. Director.

Education and experience:

MBA, Henley Business School; 20 years of service with IBM in various positions.

Current assignments: Senior Vice President, Distribution Business Area, Vattenfall; Chairman and director of several Vattenfall subsidiaries.

Shareholding in Addnode Group:

1,000 B-shares.

**Thord Wilkne**

Stockholm, 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, among other companies.

Shareholding in Addnode Group:

400,000 B-shares, plus 35,000 B-shares owned by spouse.

Group Management



Rolf Kjærnsli

Born 1958. Head of Design Management business area.

Education and experience:

M.Sc., civil engineer, Norwegian Institute of Technology. Active in the Group since 2005, more than 25 years of experience as head of R&D and as CEO in the IT industry.

Current assignments outside

the Group: Chairman of WK Entreprenør AS.

Shareholding in Addnode Group:

79,498 B-shares via companies.

Staffan Hanstorp

Born 1957. President and CEO of Addnode Group AB.

Education and experience:

Civil engineer, KTH Royal Institute of Technology. Active in the Group since 2004, 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.

Current assignments outside

the Group: Chairman of Byggnadsfirman Viktor Hansson AB and of IT & telecom companies in Almega; director of the Confederation of Swedish Enterprise.

Shareholding in Addnode Group:

Staffan Hanstorp owns 50 per cent of Aretro Capital Group AB, which owns 625,332 A-shares and 3,154,624 B-shares in Addnode Group. Personal holding of 3,973 B-shares.

Johan Andersson

Born 1974. CFO.

Education and experience:

M.Sc. Econ., Uppsala University. Executive Management Programme, IFL/Stockholm School of Economics. Active in the Group since 2006, more than 15 years of experience in the IT sector, including financing and accounting, company transactions, capital markets and communication.

Current assignments outside

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

Shareholding in Addnode Group:

56,278 B-shares.

Other senior executives

Jonas Gejer

Born 1963, President of Product Lifecycle Management business area.

Shareholding in Addnode Group:

Jonas Gejer owns 50% of Aretro Capital Group AB, which owns 625,332 A-shares and 3,154,624 B-shares in Addnode Group. Personal holding of 3,973 B-shares.

Andreas Wikholm

Born 1974, President of Process Management business area.

Shareholding in Addnode Group:

13,459 B-shares.

Ronny Gustavsson

Born 1960, Head of Group Business Control.

Shareholding in Addnode Group:

5,973 B-shares.

Auditors

At the 2016 Annual General Meeting, the chartered auditing 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

It is the Board of Directors who is responsible for the corporate governance statement on pages 79–87 and that it has been prepared in accordance with the Annual Accounts Act.

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.

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, 31 March 2017

PricewaterhouseCoopers AB

Magnus Brändström

Authorised Public Accountant

Auditor-in-charge