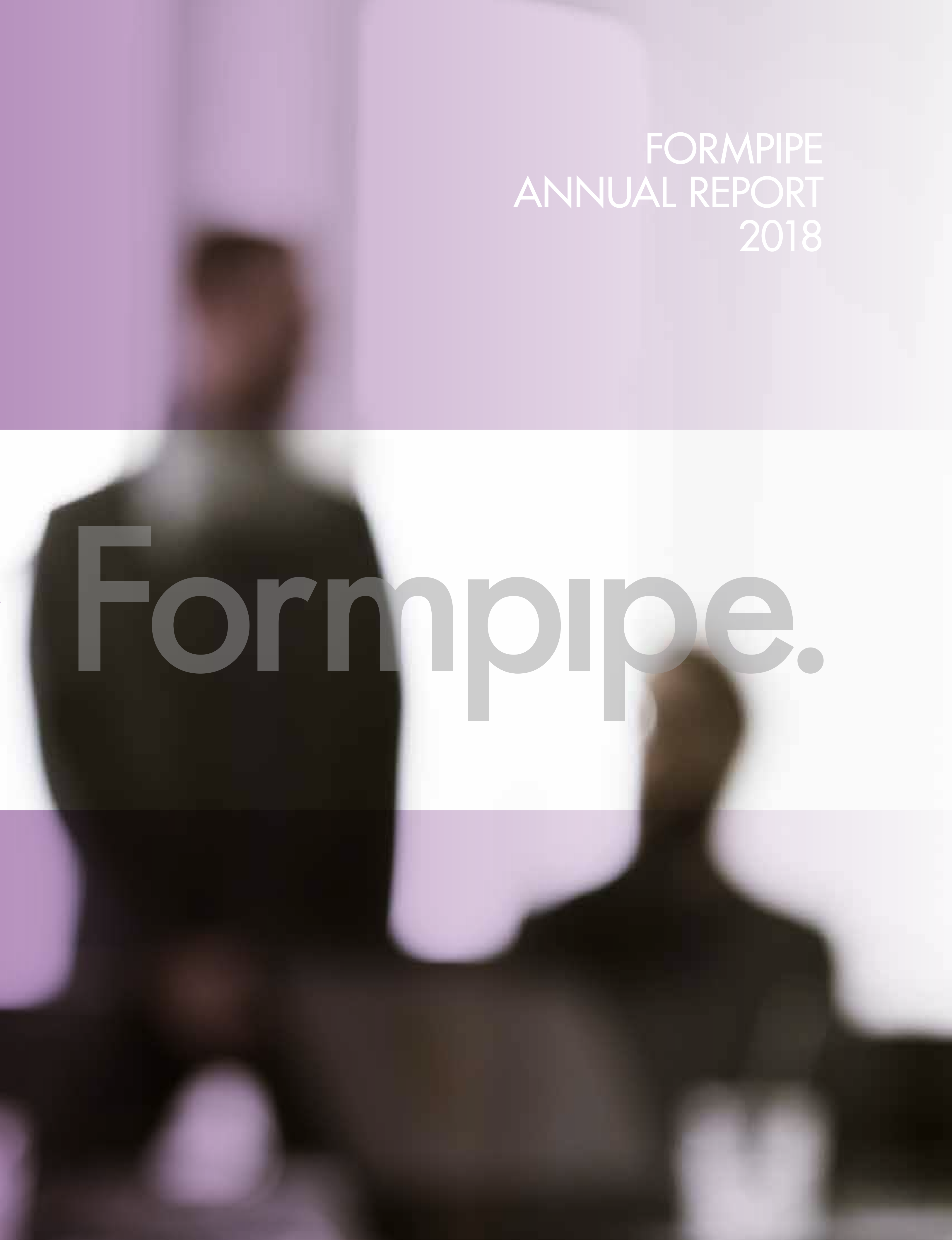
FORMPIPE ANNUAL REPORT 2018



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Financial information and other related corporate information is published on www.formpipe.se
Information may also be ordered from:
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DISTRIBUTION POLICY

The Annual Report is also available as a downloadable PDF at www.formpipe.se

FINANCIAL CALENDAR

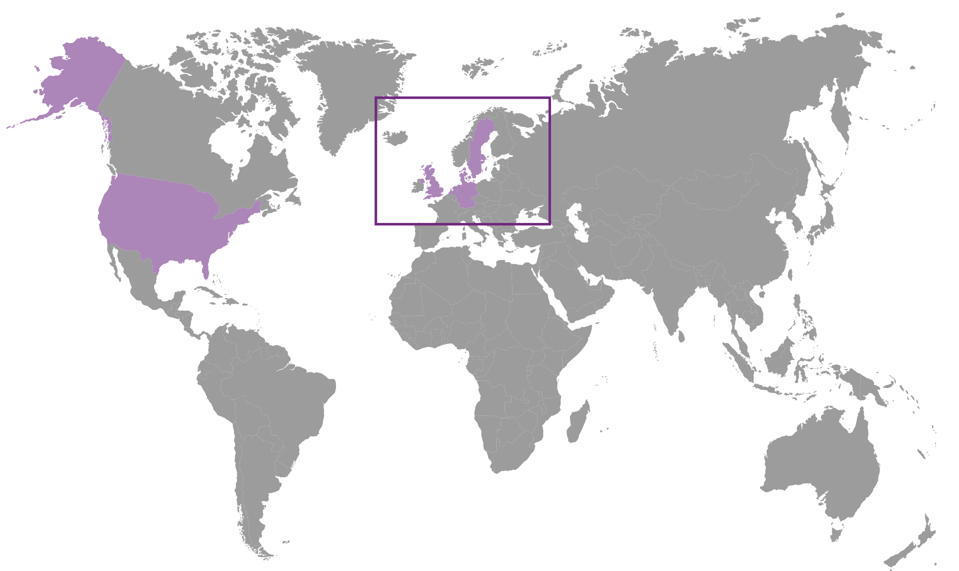
Interim report January–March
25 April 2019
Annual General Meeting
26 April 2019
Interim report January–June
12 July 2019
Interim report January–September
24 October 2019

Formpipe.

This is Formpipe

Formpipe is a software company that was founded in 2004 and has offices in Sweden, Denmark, the UK, the Netherlands, Germany and the U.S. Today, the Group has around 230 employees and sales of MSEK 406. The Formpipe share is listed on the NASDAQ Stockholm exchange. Formpipe develops and provides high quality information management software and solutions. The Company focuses on enterprise content management (ECM) products for document and records management, e-archiving and customer communications management (CCM).

Formpipe offers a unique position to the ECM market, with a stable and profitable customer base with a high percentage of recurring revenues that provides resources for investing in new markets and developing new offerings. As the ECM market continues to grow, the future looks bright for Formpipe's competitive products and solutions.



The year in brief

	2018	2017
Net sales, MSEK	406.4	390.2
Software revenue, MSEK	267.8	248.3
Recurring revenues, MSEK	223.2	194.8
EBITDA, MSEK	99.7	85.8
EBITDA–adj, MSEK	65.4	48.9
Operating profit, MSEK	53.2	37.7
Profit/loss for the year, MSEK	39.9	24.8
Earnings per share, SEK	0.80	0.50
Dividend per share, SEK	0.60	0.50

The year in brief

Cash flow

MSEK 121

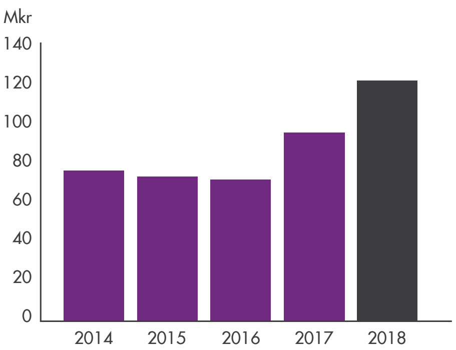
Positive cash flow from operating activities of MSEK 121.4.

Recurring revenues

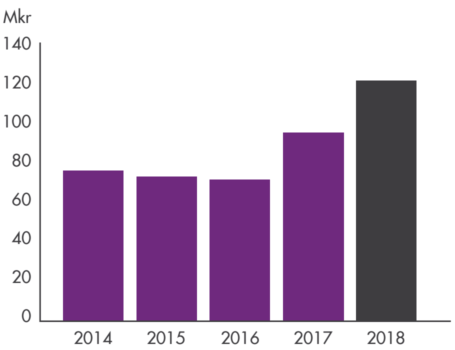
77 %

The recurring expenses cover 77 per cent of fixed operating expenses.

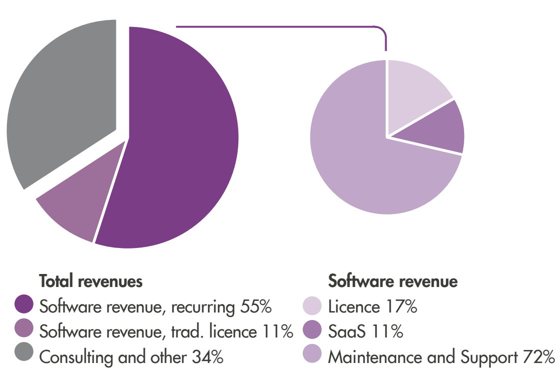
Cash flow from operating activities



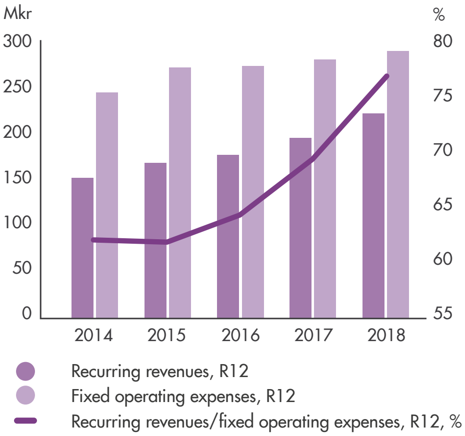
Recurring revenues



Distribution of revenue types



Recurring revenues in relation to fixed operating expenses, rolling 12 months



Comments from the CEO

In recent years, we have worked hard to transform our business model to recurring revenues at the same time that a lot of focus has been on strengthening our margins. This has been a successful effort and we are now ready for growth by continuing to develop our organisation.

In 2018, we further increased our base of recurring revenues by 15 per cent for the full year and we show a very strong cash flow from the business. We are also in the advantageous situation that we have a large customer base that has continued to entrust us to support them in their digitalisation journey. These are circumstances that mean that we are now turning our attention to identifying and realising unutilised growth potential by developing our organisation and improving the cooperation between our business areas.

With the aim of gathering our efforts towards the private sector and focusing the resources to the markets deemed to have the greatest growth potential, we conducted a reorganisation at the beginning of the year. Moving ahead, we will have three business areas: the Danish Public Sector, the Swedish Public Sector and the Private Sector.

We have stable customer bases in our Swedish Public Sector and Danish Public Sector business areas. Digital solutions and automation create opportunities to meet the growing welfare needs and Formpipe is a market-leading supplier of products for information management. With the aim of creating greater business value, we are continuing to digitalise, automate and streamline more processes for our customers. Through close cooperation, we create increased value for the customers and increased software revenues for Formpipe.

In the Private Sector area, we have a stable foundation, not least in the successes we have with the product, Lasernet. There, we have succeeded in selling the product as SaaS (Software as a Service) through Microsoft's partner programme. We see a major potential in the partnership and also see opportunities in expanding the offering with more products through Microsoft's marketplaces in the cloud, Azure Marketplace and AppSource. Purchasing patterns are fundamentally changing right now and today, even large and medium-sized companies want to use software as a service. Through Microsoft's global marketplaces, we have the opportunity to open up for a far larger market than we could have previously reached with our existing partner network. The continued establishment of this cooperation will therefore be an important focus area in 2019.

Through a strong and inspiring corporate culture, we continue to attract and retain the very best employees in the industry, both in terms of expertise and capacity for cooperation. We have a stimulating work environment and a decentralised organisation in which management promotes clear and open dialogue and makes timely decisions. Our employees take responsibility and ownership in the relationship with our customers and set price in listening to, understanding and generating real business value.

We put individuals, knowledge and cooperation first since we see that they are key factors for a value-generating culture. Around the beginning of the year, we began the implementation of a programme to further stimulate innovation and cooperation over organisational and country boundaries, based on a combined effort where everyone in the Company has been involved in the development of a common set of core values.

Taken together, we are better equipped than ever. In 2019, we are continuing to create the best products and provide excellent service and support to our customers. We strive for continued positive development of both the share price and direct return for our shareholders. We will also make sure that all employees continue to thrive and have the opportunity to develop in an inspiring working environment.


"We put people, knowledge and cooperation first"

A stable customer base, recurring revenues and a well-balanced product portfolio

Formpipe's business idea is to develop IT solutions to create unique business value for companies and organisations that see information management as a business-critical process.

Business strategy

STRATEGIC OBJECTIVES

Formpipe's strategy is to develop high-quality software and cloud services for organisations that place high demands on intelligent information management. Formpipe aims to grow both organically within select industries and through strategic acquisitions that reinforce our offering in Enterprise Content Management/Content Services Platforms.

BUSINESS MODEL

Formpipe develops and provides efficient information management software. The Company focuses on solutions for document and records management, workflow automation, e-archiving, quality management and input and output data management. By offering superior product quality and industry-leading expertise, Formpipe helps its customers realise cost savings and efficiencies. Formpipe implements its software through certified partners and the Company's delivery organisation. Services are supplied as cloud services, hosting solutions or on-site installation at customers' premises. This business model contributes to a balanced delivery capacity and the advancement of industry knowledge.

HIGH SHARE OF RECURRING REVENUES

Formpipe's business model is based on licence revenues for the Company's software products and contractually recurring revenues for support and maintenance and delivery revenues from implementation and upgrade projects. Formpipe also provides its products as cloud services (Software as a Service) where operation, maintenance, upgrades and support are included in the current agreement. This provides the Company a stable, repetitive revenue stream as most customers continually renew their agreements. Through complete, industry-tailored solutions that can scale to meet the changing needs of the customer's organisation, we generate repeat business from additional development and enhancements. These developments and enhancement projects often expand the user base, thereby increasing both licence revenues and extended support and maintenance revenues.

STRONG CUSTOMER RELATIONS

Formpipe's customers are at the heart of the work we do. We have a deep understanding of our customers' business, and we understand that their business issues are often complex. Formpipe provides relevant and innovative solutions that provide the customers maximum value for their investments. Through strong and close customer relationships in select industries, Formpipe continually develops new software and solutions to cross sell to other customers in the same industry, which creates value for both Formpipe and our customers.

PARTNERS – A CHANNEL FOR GROWTH AND GREATER UNDERSTANDING

Formpipe's business model utilises the Company's partner network to complete business deals and customer projects. Knowledge about Formpipe's products combined with understanding of the customers' business makes our certified partners valuable in the work of helping our customers utilise the potential of our offerings. Formpipe actively works to evaluate and develop the partner network to achieve a greater reach in the market.

EFFECTIVE ORGANISATION AND HIGH LEVELS OF EXPERTISE

Formpipe is a decentralised organisation in which management promotes clear and open dialogue and makes timely decisions. Our business is knowledge intensive, with employees who possess a high level of expertise and dedication. We focus on attracting and developing top talent by fostering an open and stimulating corporate culture where employees are encouraged to grow and develop. The Company offers all employees participation in share-related incentive programmes.

Formpipe's goal is for all employees to promote long-term customer relationships by always delivering on promises. Employees at Formpipe should be able to feel pride and excitement when they come to work and should nurture positive collaboration amongst employees, customers and partners.

Information management is a high priority

The digitisation of information creates new and growing flows of data from a number of different sources. Being able to handle these has become one of the most important challenges for companies and organisations. The gains of being able to collect and analyse information are extensive.

Formpipe's products are used to create, store, distribute, automate, relocate, archive and manage information, data and metadata regarding e.g. scanned documents, e-mail, reports, records, business documents or information from other source systems.

The goal is to be able to refine and analyse content from one or more sources, to thereby provide the right insights by the right people receiving relevant information when they need it. It is in the Enterprise Content Management (ECM) market that Formpipe has grown to become a market leader in the public sector and a strong challenger in the private sector both industry-independent and with extra knowledge of Life Science and Legal.

FROM ENTERPRISE CONTENT MANAGEMENT TO CONTENT SERVICES

For some time, products on the ECM market have been changing from ECM as a centralised system, where the emphasis was on storage, management and control of information, to instead shift to being integrated and function-oriented services, often cloud-based, that focus on refining and analysing content from one or more sources. The trend is moving from a single ECM suite to a cluster of cohesive products and services that share information through common interfaces for integration. Today, ECM is also called Content Services Platforms, according to the analyst and consulting firm Gartner's* new definition.

SERVICES THAT ADDRESS SPECIFIC PROCESSES

A driving factor for this change is that we today are accustomed to obtaining fast access to new services and products. As buyers, we increasingly want to order a service that performs a specific process, without actually caring very much about the technology behind it. Increasing numbers of deals are made directly from the business, as an SaaS service, without going through a strenuous purchasing process. Version management, sharing and control of content and documents, which ECM product suites are good at and are a prerequisite for good information management, is becoming a part of digital infrastructure for information.

CLOUD-BASED SOLUTIONS

An important part of the change of the ECM market is also that the development is moving increasingly towards cloud-based solutions, where the customers pay for what is used and where costs for development, operations, maintenance, upgrade and support are included in the running agreement. The transition to Saas is taking place very quickly now and Gartner estimates that the SaaS revenues will reach up to 40 per cent of the total sales of software in 2022.

According to Gartner, the largest shift towards the cloud before 2018 was led by software and applications (Application software), especially driven by CRM products (Customer Relations Management). CRM has already reached the critical point where a larger share of the investments take place in the cloud than through traditional software. This

Cloud Shift Proportion by Category

	2018	2019	2020	2021	2022
System infrastructure	11%	13%	16%	19%	22%
Infrastructure software	13%	15%	17%	18%	20%
Application software	34%	36%	38%	39%	40%
Business process outsourcing	27%	28%	29%	29%	30%
TOTAL	**19%**	**21%**	**24%**	**26%**	**28%**

Source: Gartner (Aug 2018)

* World-leading US consulting firm in information technology research and consulting.

trend will continue and strengthen to cover further segments, including Content Services Platforms, until the end of 2022. Software and applications retain the highest share for the shift to the cloud during this period.

IN LINE WITH FORMPIPE'S REALITY

This development is well in line with Formpipe's reality where growing numbers of the Company's customers choose to shift to Formpipe's cloud services for the standard products and with the Company's development of service modules that can process information both from Formpipe's existing systems and other systems.

THE ECM CONCEPT IS MODERNISING

Due to these changes in the ECM market, Gartner has chosen to redefine the ECM concept and changed it to Content Services Platforms. The analyst firm Forrester has made changes in its definition of the ECM market. The well-established industry organisation AIIM, which supports the member companies with regard to digitalisation and information management – and by the way coined the term ECM – has now begun to talk about Intelligent Information Management to emphasise the changes happening in the market.

GARTNER'S DEFINITION OF CONTENT SERVICES PLATFORMS

According to Gartner, Content Services are: "A set of services and microservices, embodied either as an integrated product suite or as separate applications that share common APIs and repositories, to exploit diverse content types, and serve multiple constituencies and numerous use cases across an organisation". (Reinventing ECM: Introducing Content Services Platforms and Applications, Gartner 2016).

For a comprehensive description of these three categories, read Gartner's report: Reinventing ECM: Introducing Content Services Platforms and Applications.

GROWTH MARKET

The market for ECM/Content Services Platforms includes systems and services that process, analyse and improve utilisation of both structured and unstructured information and data. Gartner's forecast for the global market is an average annual growth of 8.6 per cent in 2017-2022. The Content Services market has a total addressable forecast market in 2019 with system revenues of USD 8.3 billion[1].

DRIVERS

The growth in the market is fuelled in large part by the organisational and corporate-wide need to streamline operations and meet legal requirements and regulations. To be able to get the value out of the collective amount of information at companies and organisations, applications and services are needed – in order to securely – collaborate, search, analyse, process and distribute data and content. Growth drivers tend to gain strength as the amount of data and information increases. Intelligent information management is a high priority area.

THE FUTURE

Formpipe is well positioned to be able to develop and strengthen its position as a leading supplier in the market while maintaining strong profitability.

Formpipe is divided into three business areas:

SWEDISH PUBLIC SECTOR

DANISH PUBLIC SECTOR

PRIVATE SECTOR

[1] Source: Gartner, Forecast: Enterprise Application Software, Worldwide, 2016-2022, 4Q18 Update

We are involved in building the digital welfare society

Digital solutions and automation create opportunities to meet the growing welfare needs and at the same time increase the service to the citizens. In the past 15 years, Formpipe has had the opportunity to contribute to a sustainable development of our welfare society by developing relevant tools for digitalisation.

MARKET

Both Formpipe and external analysts estimate that the need for digitisation efforts will lead to continued investments by the public sector in existing or new products and service solutions. The trend is towards investments increasingly being financed in the operating budget. Digitisation has evolved from being an issue for the IT organisation to becoming a strategic issue for the whole business.

CUSTOMERS

Formpipe has a leading position in the market for the public sector in Sweden and Denmark with hundreds of customers at authorities, universities, municipalities, county councils and municipal companies. Examples of customers are the City of Stockholm, City of Malmö , Linköping Municipality, Hvidovre Municipality, Sønderborg Municipality, Syddjurs Municipality, the Danish Agricultural Agency, the Danish Prosecution Service, the Swedish Tax Agency, Svenska Kraftnät, the Swedish Transport Agency, Stockholm County Council, Stockholm University, University of Gothenburg and MKB Fastighets AB.

DRIVERS

Products and solutions for information management help these public administration bodies address challenges such as:

GREATER DEMAND FOR BETTER SERVICE LEVELS

Rapid technological advances in areas such as smartphones, tablets and broadband, as well as the development of e-services in other industries, have spurred citizens, businesses and organisations to demand more services in the public sector. When we have the opportunity to do large-scale shopping, report an insurance claim or open a new bank account over the mobile phone, we also want to be able to easily ask questions, submit an application and file a report with public actors too. We expect quicker replies and decisions – as well as 24/7 availability. Public sector employees also expect it to be easy to get a hold of the information they need.

DEMAND FOR GREATER EFFICIENCY

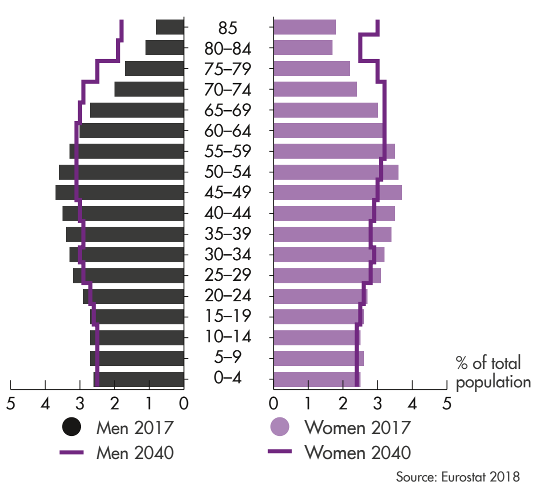
Managing cases is a comprehensive administrative task for municipalities, county councils and regional healthcare providers. Today, there is well-developed technology for having all or part of the steps covered by case management to be done automatically. Over time, this management has become increasingly automated, but the potential for efficiency enhancements is still very extensive. Automation and self-service reduce the administrative burden on citizens, businesses and employees alike. Digitisation efforts will gradually become even more significant.

COMPLIANCE WITH LAWS AND REQUIREMENTS

Transparency and disclosure policies are necessary both for the work of the EU and in different forms among the Member States. Laws and regulations govern which information must be available. Digitisation and archiving of cases, documents and records increases quality, availability and traceability.

Population in the EU

(2017, forecast 2040)



Source: Eurostat 2018

AN AGEING POPULATION NECESSITATES COST SAVINGS

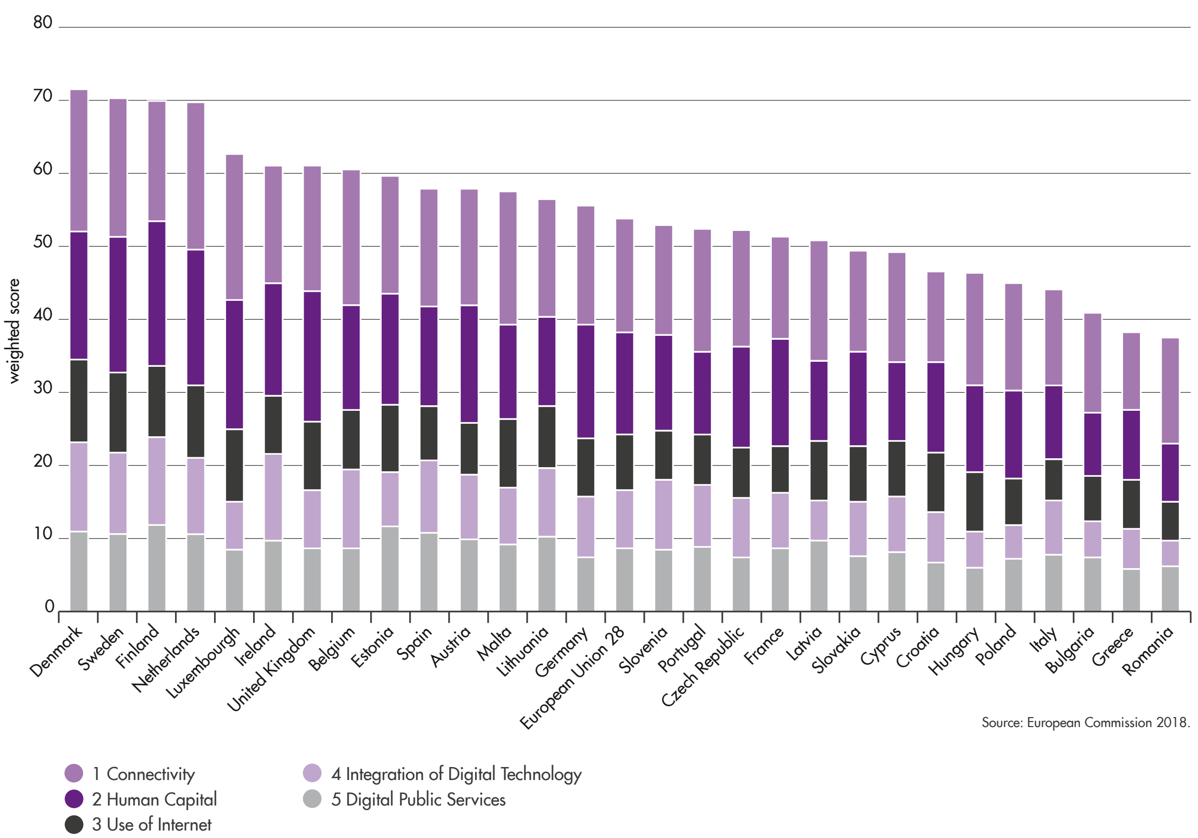
Europe's ageing population will place ever greater demands on the services of the public sector. As more people age and do not work, welfare financing poses a challenge. When ever fewer people provide for ever more people, digitisation will play a significant role to handle the challenge.

OPEN DATA AND DATA-DRIVEN INNOVATION

The public sector creates and uses large amounts of data every day. Data on health, welfare, the environment, economics, geography, forestry and agriculture – and much more. By making this data available, citizens and companies can use it and can in turn contribute to solving challenges and societal problems. The authorities' role in terms of open data is to make the information available as raw data, but also to stimulate data-driven innovation. E-archives are a significant building block to make open data available and manage it efficiently.

The Public Sector Information (PSI) directive from the European Parliament has the aim of providing the public and business community in the EU better possibilities of using the information that exists in the public sector for various purposes, both commercial and non-profit.

Digital Economy and Society Index, by Main Dimension of the DESI



Source: European Commission 2018.

Denmark, Sweden, Finland and the Netherlands have the most well-developed digital economies in the EU according to DESI 2018, which was published in May 2018 with the European Commission tool, Digital Scoreboard. A high level of digital maturity provides space for investments in digitalisation solutions.

DESI (The Digital Economy and Society Index) is a composite index that summarises relevant indicators of Europe's digital capacity and monitors the development of the EU Member States in terms of digital maturity and competitiveness.

Digitalisation is changing and improving society

The potential is huge for digital quality solutions that save time and money. Now, the business community and the public sector help out throughout Sweden and are taking a common interest – with a common future perspective.

Digitalisation is considered to be the single strongest change factor in society until 2025[1]. Swedish welfare is ranked highly, but at the same time, only two out of ten residents feel that municipalities and county councils live up to the digital expectations. The gaps are large between small and large municipalities and the regions have to help each other; new constellations are needed in the public sector to meet and keep up with the trend.

Per Mosseby is an independent expert in strategic digitalisation issues. He has a background as an Internet entrepreneur, the Municipal Board Chairman of Vaxholm and the Head of Digitalisation Issues at the Swedish Association of Local Authorities and Regions. Per Mosseby is also on the Board of Doktor.se, Sweden's second largest digital healthcare actor, and he often serves as an advisor to trade associations, technology companies, healthcare companies and, not least, the Swedish public sector.

Per Mosseby believes that digitalisation can improve society and hone welfare services, based on perspectives that are important to both the public sector and business.

"There is a huge potential right now, especially in the healthcare sector, which is a very large field. Digital healthcare appointments are growing quickly and will continue to do so for many, many years to come."

The cost of a digital healthcare appointment is less than half of a physical appointment. More than 90 per cent of Swedish healthcare centres lack bookable appointments within 14 days, which means that many seeking care instead go to an urgent care centre or to the regular emergency ward. Or altogether refuse to seek care.

"The problem is that one can't find the right option from the beginning and therefore goes to the wrong place," says Per Mosseby. "It costs society large sums of money that could be put to better use. With the help of technology, we can quickly find the right option and get help in many areas. The ambition of good digital solutions is that they shall cost society less and provide better availability and service."

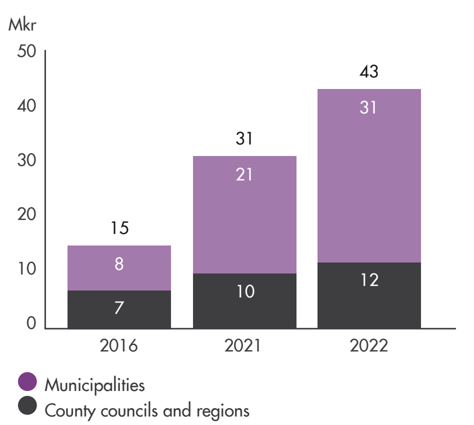
Initiatives in digitalisation of the public sector have a high priority in Sweden. For many years, Formpipe has had the opportunity to contribute to a sustainable development of our welfare society by developing relevant tools for digitalisation.

"Formpipe has had a strong position in case management, automation and archive solutions," confirms Per Mosseby. "The Company has succeeded in winning many procurements and has worked a great deal towards municipalities; they have extensive knowledge and have received considerable support. The entire area that Formpipe is in is very important. There is a need for efficiency enhancements or strongly increased resources to manage welfare at today's level when we just look a few years ahead. Efficiency improvement of administration is an area where there are extensive possibilities."

There is a lot of administration in the public sector and the greatest challenge and opportunity is therefore the automation of administration. With today's Robot Process Automation (RPA), or digital colleagues, increasing numbers of processes can now begin to be fully automated.

Assuming that the costs in municipalities and county councils will increase in pace with the demographic requirements, meaning an unchanged staff density, a gap will arise between income and expenses corresponding to SEK 43 billion by 2022.

Larger gap between income and expenses



Source: Swedish Association of Local Authorities and Regions, Ekonomirapporten [The Economy Report], December 2018

[1] Government Offices of Sweden, Office for Strategi Analysis, Strategiska trender i globalt perspektiv, 2025: en helt annan värld? [Strategic trends in a global perspective, 2025: a whole new world?]


"In order to keep Sweden in a prominent digital position, we have to get better at working together"

CONSUMER-ADAPTED SOLUTIONS

Per Mosseby explains that the fastest growing area right now is intelligent voice-based assistants where the degree of sophistication is very high.

"In the near future, we will want to take care of our public errands through a smart assistant."

The actors that can adapt their services and solutions most easily to this will be able to meet the citizens' expectations, the demands on the public sector. The public sector must open up for the reality that exists around us. As more and more consumer-adapted solutions appear, the public sector must affirm the development and make use of it.

"This applies to education as well as healthcare and municipal and authority services. If we don't do this, we are at risk that people begin to pay twice, both through their taxes and for other private digital solutions. This is a dangerous development as the citizens can begin to question why one should pay taxes at all, which undermines the social contract. More and more services will move into our homes and it is incredibly important that the public sector keeps up and manages to incorporate this development to continue to be relevant. More people have to be involved and benefit from the new solutions."

Sweden and the public sector are far ahead in many areas compared with other countries; for example, we are the best in the world at filing our taxes online. Individual agencies, municipalities and county councils are often skilled at some individual things. The challenge, according to Per Mosseby, it to tie together larger wholes.

"We generally need to get better at taking a comprehensive approach. That we have autonomous municipalities and county councils means that things look very different in different parts of the country; this is a major challenge for those who are to deliver the solutions. In order to keep Sweden in a prominent digital position, we have to get better at working together."

SOLUTIONS OF THE FUTURE

Today, Formpipe is already the market leader in the public sector in Sweden and the Company has major opportunities to continue to position itself. The market for automated case and document management is constantly growing. To the question of what will be important for the market's actors in a broader and longer perspective, Per Mosseby answers.

"Openness and transparency. That open data is available from several different actors, perhaps several authorities, and being able to piece together different unique solutions. The solutions of the future will be about easy mobility of data between different actors without heavy lock-in effects. The winners will be the actors that make themselves known for allowing us to put together solutions, those who offer to pair together their products with others."

Our offering

Formpipe in the Swedish public sector

Around SEK 45 billion is invested in IT in the public sector every year[2]. The Swedish Government's ambition is for government agencies, municipalities and county councils to be the best in the world at using the possibilities of digitalisation to create an efficient public sector – a simpler daily life for private individuals and companies, more jobs and greater welfare. Digital solutions and automation create opportunities to meet the growing welfare needs and at the same time increase the service to the citizens. Formpipe has extensive knowledge of the opportunities and challenges that Sweden's municipalities, county councils and agencies will be facing in the future.

[2] Source: www.regeringen.se.

Formpipe's product offerings in the Swedish public sector:

PLATINA

Flexible product for handling documents and case processes for authorities, county councils and large municipalities.

W3D3

A functionally rich standard ECM product, packaged cloud service with a large customer base.

LONG-TERM ARCHIVE

A product for archiving structured data that is market leading in the Swedish public sector.

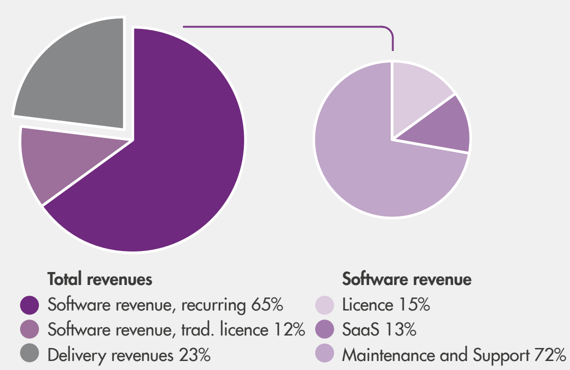
QUALITY CONTROL

A product to continuously manage and monitor data quality from operating systems and network disks.

Swedish public sector, share of net sales

34%

Distribution of revenue types, Sweden




"Routine work will be done by some form of robotization in the future"

Companies of the future are a part of a digital ecosystem

Digitalisation is fundamentally changing our society and affects our way of living and working. Formpipe is continuing to identify its place in the digital development in the Danish public sector.

Per Gulløv Lundh Eeg, is a partner at Devoteam, Denmark, which offers solutions and expert advice in digital business development and innovative technology. He is responsible for Devoteam's activities in the Danish public sector and is an expert in digital development. According to Per Gulløv Lundh Eeg, Denmark has now begun to realise the full potential in the digital transformation.

"Almost every Danish citizen has adopted the digitalisation today, meaning they have gone from pen and paper to the computer and Internet. Today, the digital transformation, the digitalisation, is under way, but we are still just at the beginning."

Most people today agree that routine work will be done by some form of robotization in the future. Heavy, monotonous tasks will be automated with so-called RPA (Robot Process Automation). Demanding jobs and work with various data sources are facilitated with the help of AI. The workplace will change and become *The Digital Workplace*. According to Per Gulløv Lundh Eeg, we are only seeing the tip of the iceberg today. The public sector will change fundamentally. Cohesive digital workplaces will need to be created with open systems to be able to meet demands and expectations and to be able to collaborate with both citizens and private companies.

"The challenge for companies like Formpipe is to continue to find their unique place in the whole and create an open data environment. One single company cannot supply everything; one has to cooperate with others and supply what one is the absolute best at."

SPECIALISED PART OF THE ECOSYSTEM

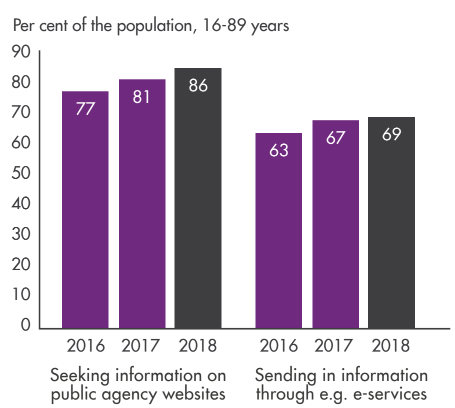
Development is moving at breakneck speed. Just five years ago, we weren't even talking about these things. Formpipe's initiative, to become an important part of the development of automated and efficient document and case management in the public sector in Denmark is completely in keeping with the times, according to Per Gulløv Lundh Eeg.

"Formpipe is doing it right by choosing to clarify their offerings and being a part of a general digital ecosystem where many actors need to cooperate."

On condition that Formpipe's products continue to be relevant on the market, Per Gulløv Lundh Eeg believes that the Company can gain an even more important position in the Danish public sector. He emphasizes that what will become important for the market's actors in a broader and longer perspective is openness and mobility.

"I believe that there are two key points in the ECM market. The first is to be open with one's API (Application Programming Interface) and become a very specialised part of the ecosystem. The other is to clearly define one's area. In other words, show the extent to which one is prepared to use AI and present the Company's vision for what one will be able to contribute in the next ten years. Define one's place in the digital development and the digital workplace. AI isn't just "machines taking over", but also how we make the employees' conditions better and the work more stimulating. It will be very important to be able to show what of all of the incoming information one as a supplier intends to prioritise and process. And how this choice really makes it easier for the customer."

Digital self-service in the past year



Source: IT-anvendelse i befolkningen [IT-use in the population], dst.dk.

CLEARER COMPETENCIES

With an outside world perspective, development will entail a growing need for sophisticated expertise, according to Per Gulløv Lundh Eeg, where we in Scandinavia have major opportunities to specialise. We should concentrate on producing highly trained personnel to manage the AI society where even the customers must be educated. It is becoming increasingly important to use the IT one has to make the transformation one can handle, not just switch from one system to another.

"The implementation will be more important on the market in the future. The suppliers have to help the customers use their Its systems effectively, not just sell them."

From the employee's perspective, robotization and AI contribute to a more meaningful working life, according to Per Gulløv Lundh Eeg. Robots don't take jobs, they make jobs. The view is that the industrial robots will become increasingly more specialised and need to be cared for by skilled personnel, which requires more people and the right people. Many of the jobs outsourced to low-wage countries can then return, so if we become skilled at keeping the robot's at work, there will be more jobs. The same will happen with the RPA robots and AI.

"In Scandinavia, we are accustomed and open to what is going on, we have a relatively long and high level of maturity," says Per Gulløv Lundh Eeg. "But in the competition that is under way globally, the Chinese are big in AI and they aren't subject to regulations like GDPR, they don't have all these rules and obstacles. There is no doubt that China in a near future will become best in the world at programming AI. We have to figure out where our place will be in this development and look at other areas where we can compete. The challenge is to find our position globally. We could probably become better than the Chinese at getting into what AI can be used for, when one can rely on AI, when it's right to use and not."

Here and now, Formpipe is taking concrete and important steps, according to Per Gulløv Lundh Eeg.

For example, Formpipe's product Quality Control fits in perfectly here. But as mentioned, nobody will be able to shine in every area, but rather one has to be the expert in one's own area. Then, the customers can obtain real benefit from the products and that is the most important.

Our offering

Formpipe in the Danish public sector

Denmark is high up in the European Commission's measurements of "Digital Service in the public sector". Statistics Denmark's survey strengthens this picture.

The Danish public sector invested DKK 14 billion[1] in IT in 2017. The digitalisation of the Danish public sector creates value, growth and efficiency and maintains the Danes' confidence in the digital society. With the common public digitalisation strategy[2] 2016-2020, the public sector sets ambitious goals for the development towards a more digital public sector in the next few years. Digital solutions and automation create opportunities to meet the growing welfare needs and at the same time increase the service to the citizens.

The employers' organisation Dansk Industri believes that a modernisation and digitalisation of the public sector can free up DKK 20 billion[3] by 2025. Money that can then be fed back to the public sector and contribute to increasing the level of service. Formpipe has extensive knowledge of the opportunities and challenges that the Danish public sector will face in the future.

[1] www.computerworld.dk. [2] https://digst.dk. [3] www.danskindustri.dk.

Formpipe's product offerings in the Danish public sector:

ACADRE

The most used ECM system in the municipal market in Denmark.

TAP

A configurable Business Process Management platform that streamlines and automates business processes with particular strength regarding set-up and administration of rule-based processes.

TAS

A configurable standard platform for application and grant management.

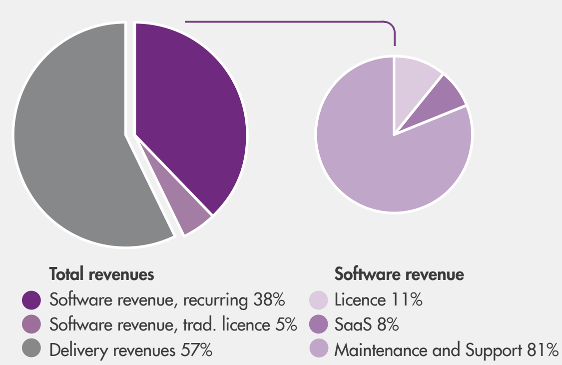
QUALITY CONTROL

A product to continuously manage and monitor data quality from operating systems and network disks.

Danish public sector, share of net sales

38%

Distribution of revenue types, Denmark



"A cooperation that whets the appetite"

Fruitful cooperation between Formpipe and Microsoft

In the Private Sector business area, Formpipe has a stable foundation, not least in the successes with the product, Lasernet. The product is sold worldwide, largely thanks to Microsoft's partner programme – a cooperation that whets the appetite.

Lasernet by Formpipe is a product for efficient information management that is used by more than 2,000 companies worldwide in various industries. The product simplifies and streamlines the handling of both outgoing and incoming business documents and makes it possible to deliver the documents in exactly the format and the layout that is desired.

Michael Rogers is the Sales Manager for Private Sector and one of the people who initiated the cooperation with Microsoft.

"Microsoft built a new team in Copenhagen in 2017 that caught sight of Lasernet and contacted us. We didn't hesitate to establish a close contact; we of course saw the huge potential."

Today, Formpipe is a so-called "Co-sell prioritized partner" for Lasernet and the cooperation is now being expanded to also cover more products from Formpipe. The companies also cooperate with leads through Microsoft's programme One Commercial Partner (OCP).

"It began with us tying Lasernet to AppSource," says Michael Rogers. "That was the smartest thing we ever did. It opened the window out to the world and gave us the possibility to post a demo video of our product. Microsoft really caught sight of Lasernet and Formpipe through AppSource and began to use our demo as an example for their own partners and customers. Formpipe suddenly had something that Microsoft needed, at the same time that Formpipe found out that Microsoft was building a so-called Co-sell programme. It was fantastic timing. We took the chance and did everything we could to make it easier for Microsoft. we filled in the OCP catalogue quickly and helped Microsoft market our software. We did everything they asked of us, we made it simple and easy for them and I think that was what led to the cooperation getting started in earnest and that it got started so quickly."

EXCHANGE TO GENERATE LEADS

Formpipe also decided to register its Lasernet leads in Microsoft's system.

"We were a little nervous at first, but our transparency meant that we gained access to a whole lot of people in Microsoft's level who wanted to help us since we helped them. They namely received more and more leads for Dynamics thanks to us."

It was at the end of 2017 that Formpipe seriously began focusing on the cooperation with Microsoft and launches on AppSource were made in early 2018. Right now several different parts are under way in parallel with the cooperation with Microsoft.

COOPERATION BEING DEVELOPED

Formpipe thinks long term to be prepared for the future and there is extensive potential in the partnership with Microsoft. Today, Lasernet is also available as a cloud offering and the offering is now also being expanded with more products through Microsoft's marketplaces in the cloud, AppSource and Azure Marketplace. Lasernet opened the door and now the rest is following after. The cooperation with Microsoft has already begun working in the other direction; Formpipe now gets leads from Microsoft.

"It works incredibly well," says Michael Rogers. "Before it usually took three to six months to go from lead to deal, now it takes a month! The more visible and noticed Formpipe and Lasernet are, the more leads we get back. It's a really good dynamic that creates loads of business."

Formpipe has worked methodically to make this cooperation possible. Significant time has been invested, especially in the lead tool on AppSource.

"But, boy does it generate business!"

Now, Formpipe is building a specific Microsoft team that will solely work with this cooperation to get even more out of it.

"We have concrete business plans together with Microsoft to see how we can cultivate new markets together. The success story is that Microsoft wants to cooperate with us fully, it's not just us going to them, they also come to us. Together, we are now evaluating possible synergies in business and technology and we are seeing how we can improve things for both companies."

A joint business plan is being prepared where the aim is to get the right contacts locally in new markets, the right people who can explain what the companies do for their customers so that they can identify potential new customers.

The strategy is typical for Formpipe. One cooperates, acts and reacts.

"This is our culture, says Michael Rogers. "And we really make an effort and take responsibility for our collaborative partnerships. Microsoft loves our products. But I believe that they also love our business culture that we act and react, quickly."

Our offering

Formpipe in the private sector

In the Private Sector area, Formpipe has a stable foundation in the CCM product, Lasernet. The global Customer Communications Management (CCM) market is mainly driven by a greater need for automation of customer communication in various channels. The software revenues in the global market are expected to increase at an annual growth rate of 13.4% from 2017 to 2025[1]. With CCM products, content is produced, individualised, formatted and distributed from different systems and data sources to the format that best suits the Company in its communication with customers or other business partners.

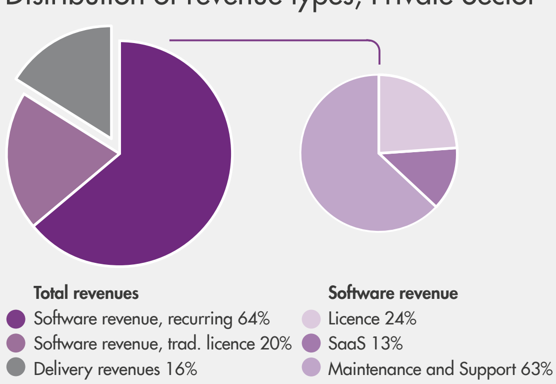
Through the successful cooperation with Microsoft, Formpipe has established Lasernet as a cloud service through the global market places Azure Marketplace and AppSource. By expanding the cooperation to concern more products from Formpipe, the possibility is opened up for a significantly larger market. Conditions exist for example for Formpipe's products for digital long-term archiving and data quality.

[1] Source: https://www.credenceresearch.com

Private Sector, share of net sales

26%

Distribution of revenue types, Private Sector



Formpipe's product offering to the private sector:

LASERNET

Used today by more than 2,000 companies worldwide for Input/Output Management. With Lasernet, content is produced, individualised, formatted and distributed from different systems and data sources to the format that best suits the Company in its communication with customers or other business partners.

PLATINA LS

An EQMS product with a strong process engine that flexibly manages documents and processes for regulatory quality management.

X-DOCS

Together with Microsoft SharePoint, provides a finished platform for managing quality documentation.

EMAIL FILING

Used to save e-mail to document management systems, with functions for automation of the archiving process. The product provides control over what e-mail is saved, where it is saved and by whom. Used today globally by round 450 organisations with a total of 150,000 users.

CONTENTWORKER

Case-centric document management with e-mail, contract management, knowledge management, and extranet helps law firms and company legal counsel share information while maintaining close document control. Contentworker is integrated in the customers' existing SharePoint environment or offered as a cloud service.

Sensitivity, understanding and committed customers

HOW DID YOU END UP AT FORMPIPE, WHAT DID YOU FIND ATTRACTIVE?

In the last year of my studies, my study buddy at the time (Simon), now my colleague, and I were hunting for an interesting thesis project. We found one we thought seemed fun, applied and ended up at this wonderful workplace, where we were very well taken care of. The assignment was about doing a market analysis for Formpipe's product Long-Term Archive. I then got a job at another company while Simon stayed on here at Formpipe. When Simon got in touch and said there was an opening as a Product Specialist for the product Platina, I jumped at the chance. It was a done deal and now I've worked here for six months and feel like a fish in water.

WHAT DID YOU DO BEFORE?

I'm a mechanical engineer by training from the KTH Royal Institute of Technology and after the thesis project, I worked at a small company that has a project network and document management system for construction projects. There, I worked as a customer and assignment manager and did everything from configurations in the system to support and sales. It was a very educational time. Being at a smaller company often means taking on different roles. For me, it was incredibly beneficial to get to test working with a company's different areas and it felt completely right to later make the move on here to Formpipe and the role as Product Specialist.

WHAT DOES YOUR ROLE LOOK LIKE TODAY?

In my role as Product Specialist, I work close to product managers, development and key account managers. Since I'm still relatively new in the role, I focus a great deal every day on trying to increase my level of expertise in Platina. The work varies widely and the variation is exactly what I really like in the role as Product Specialist. A regular week can include everything from holding webinars, participating in customer meetings together with the salespeople, writing manuals, answering procurements and sitting in on development meetings. The variation is really something I like about my role.

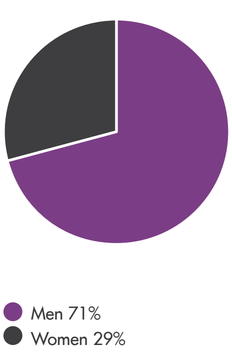
WHAT MOTIVATES YOU IN YOUR WORK AT FORMPIPE?

It's very inspiring to work at a workplace with so many skilled colleagues who are helpful and have a great deal of trust in each other. Working in a team, which we really are at Formpipe, combined with ensuring that Platina meets the operations' needs and challenges together with the customer, really makes it inspiring and fun to go to work.

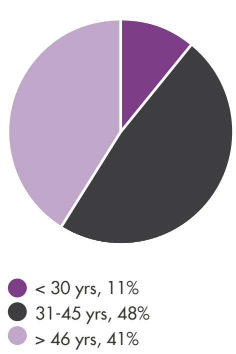
CHOOSE ONE OF FORMPIPE'S CORE VALUES

UNDERSTANDING OUR CUSTOMERS | Our products have been developed over many years according to needs and requests from our customers. Listening to our customers' needs and always being sensitive and responsive to them I think symbolises how a modern company has to act to continue to be successfully. It's expressed through collaborative forums we have were our customers submit important comments on how we should develop the product. This way, we get active customers and we as a company always have our ear to the ground.

Percentage women and men



Employees by age group



Formpipe Values

PASSION FOR PEOPLE
We are proud of who we are and put people first

UNDERSTANDING OUR CUSTOMERS
We listen and we create true business value

RESPECT AND TRUST
We are open-minded and we are honest

PERFORM WITH QUALITY
We take ownership and we act professionally

LEAD BY EXAMPLE
We are value driven and we support each other

ENGAGE AND HAVE FUN
We have a unique team spirit and we love what we do

"The products and corporate culture motivate me in my work at Formpipe"

Sofia Cederlund
Lives: Bromma
Age: 26
Profession: Product Specialist, Platina
Family: Live-in partner, mum and dad in Ekerö and a big brother in Östersund.
Recreation: Sports and outdoor life of many different kinds. Skiing and golf are favourites.
Employed at Formpipe since: August 2018

"Formpipe understands its customers on both a professional and a human level"

Philip Birlund
Lives: Køge, Denmark
Age: 25
Profession: Software Developer
Family: In a relationship for five years
Recreation: Like to go to the gym and play games with friends
Employed at Formpipe since:
1 October 2018

Link between users and technology

HOW DID YOU END UP AT FORMPIPE, WHAT DID YOU FIND ATTRACTIVE?

When I first heard about Formpipe, I was in the midst of looking for work, hoping to be able to grow and develop both personally and professionally. Already at the job interview, I knew that Formpipe was a company that would offer me more than I had dared to hope for. The interview left an impression of a very professional company, at the same time that the atmosphere felt pleasant and welcoming, and it was too.

WHAT DID YOU DO BEFORE?

Before Formpipe, I was a software tester at YouSee A/S. I conducted tests and helped with the configuration processes of automated tests.

WHAT DOES YOUR ROLE LOOK LIKE TODAY?

My primary role is to implement and configure the Acadre and Quality Control solutions. Understanding a much as possible and maintaining a steep learnings curve are major motivation factors for me, which means that I take on every job that comes my way. My motivation is strengthened by all of my colleagues who are always going farther than you could expect, and that's why we reach even farther as a team. It inspires me every day to be among them and be able to be a part of the team.

WHAT MOTIVATES YOU IN YOUR WORK AT FORMPIPE?

Formpipe understands its customers on both a professional and a human level, we go the extra mile for a customer or a colleague. The Company has clear values that may seem simple, but have a strong meaning for all of use who work here; the core values unite us and make us one. If that's not motivating, I don't know what is.

Finding the we in team and reaching farther together constantly creates motivation. And when you know that every task you do becomes an appreciated springboard to a better experience for loads of customers every day, it's also a huge motivation factor.

It's hard to explain how much my colleagues have encouraged me and helped me to develop. The are all role models and I strive to be one too.

That said – it's not all just work. This is also a place where we have fun and celebrate together when we reach a milestone.

CHOOSE ONE OF FORMPIPE'S CORE VALUES

LEAD BY EXAMPLE | This is pretty easy considering my earlier description of how much I appreciate the atmosphere my colleagues create. LEAD BY EXAMPLE earned its place in our core values PURPLE already before it was even formulated. Every part of PURPLE is a necessary pillar that holds up our values, but I think that it all begins with LEAD BY EXAMPLE. It's the foundation of PURPLE, and the whole set of core values follows along with it. LEAD BY EXAMPLE is a constant and natural effect of Formpipe's stimulating and motivating working environment.

Formpipe Values

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LEAD BY EXAMPLE
We are value driven and we support each other
ENGAGE AND HAVE FUN
We have a unique team spirit and we love what we do

Our share

The Formpipe share is listed on the Nasdaq Stockholm exchange, with the short name FPIP. Market value at year-end was MSEK 1,041.

Equity totals SEK 5,288,740.60 for 52,887,406 shares at par value SEK 0.10. Each share carries the right to a single vote and qualified shareholders may vote for the entire total of shares owned and represented. All shares carry an equal right to shares in the Company assets and profit.

SHARE PRICE AND TRADING VOLUME OF SHARES IN 2018

In 2018, the Formpipe share price rose from SEK 14.15 to the closing price of SEK 19.70 on 28 December. The highest price paid for the year was SEK 22.50 on 7 September. The lowest price paid was SEK 11.40 on 13 February. A total of 12 million shares were traded in 2018 at a value of SEK 230 million.

APPROPRIATION OF PROFITS

The Board of Directors proposes that the Annual General Meeting on 26 April 2019 resolve to approve a dividend of SEK 0.60 (0.50) per share, which entails a total dividend of MSEK 31.7 (25.9). As a basis for its proposal on the appropriation of profits, the Board has assessed the Parent Company and Group consolidation requirements, liquidity and financial position otherwise as well as the ability to meet its commitments on the long term in accordance with Chapter 17 Section 3 Paragraphs 2-3 of the Swedish Companies Act.

EMPLOYEE SHARE-RELATED INCENTIVE PROGRAMME

The AGM held on 25 April 2018 resolved to offer staff a new share-related incentive programme based on warrants. This programme includes 500,000 warrants and a duration of three years.

SHAREHOLDERS

The schedule of shareholders and ownership structure of Formpipe is based on data from Euroclear as of 28 December 2018. The twenty largest shareholders represent 70.7 (70.9) per cent of the equity. In all, Formpipe had approximately 2,800 shareholders as of the date above.

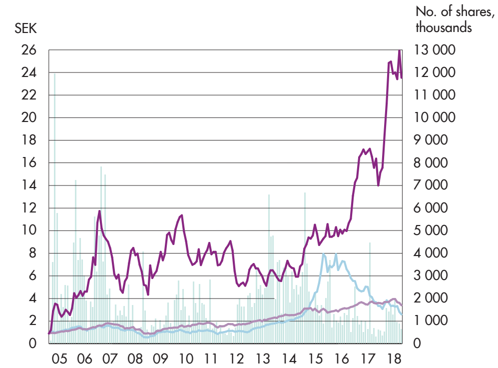
DEVELOPMENT OF SHARE CAPITAL

Year	Month	Transaction	Number of shares	Total number SEK	Total number of shares	Par value/ share
2004	Oct	Share capital	100,000	100,000	100,000	1.00
2004	Nov	Split 10:1	900,000	–	1,000,000	0.10
2004	Dec	In kind share issue	4,799,970	479,997	5,799,970	0.10
2005	Dec	New share issue Digital Diary AB	615,000	61,500	6,414,970	0.10
2005	Dec	Offset share issue	1,917,909	191,791	8,332,879	0.10
2006	Sep	New share issue ALP Data i Linköping AB	454,545	45,455	8,787,424	0.10
2007	Sep	New share issue EFS Technology A/S	1,011,236	101,124	9,768,660	0.10
2008	Sep	New share issue EBI System AB	1,937,521	193,752	11,736,181	0.10
2010	Mar	New share issue share option redemption	268,323	26,832	12,004,504	0.10
2011	Mar	New share issue share option redemption	229,143	22,914	12,233,647	0.10
2012	Jul	New share issue - pre-emptive rights	36,700,941	3,670,094	48,934,588	0.10
2014	Jul	In kind share issue	1,208,814	120,881	50,143,402	0.10
2016	Jul	New share issue share option redemption	1,130,206	113,020.60	51,273,608	0.10
2017	Jun	New share issue share option redemption	599,417	59,941.70	51,873,025	0.10
2018	May	In kind share issue	699,805	69,980.50	52,572,830	0.60
2018	Jun	New share issue share option redemption	314,576	31,457.60	52,887,406	0.10
		Share capital, 31 Dec. 2018	**52,887,406**	**5,288,740.60**	**52,887,406**	**0.10**

Ownership structure total shares 31/12/2018

Shareholders	Holdings, no.	Holdings, %
Aktiebolaget Grenspecialisten	5,396,351	10.20
Swedbank Robur Microcap	4,063,848	7.68
UBS Switzerland AG, w8imy	3,634,836	6.87
Humle Småbolagsfond	3,047,500	5.76
Wernhoff, Thomas	2,620,000	4.95
Försäkringsaktiebolaget Avanza Pension	2,414,844	4.57
Andra AP-fonden	2,339,762	4.42
Handelsbankens Nordiska Småbolagsfond	2,064,063	3.90
Carnegie Micro Cap	2,027,000	3.83
SEB Life International, Client account	1,985,000	3.75
SEB Life International, Client account	1,191,442	2.25
SEB sv småbol chans/risk	1,135,524	2.15
Sundin, Christian	1,003,840	1.90
Alfredson, Joakim	787,000	1.49
SIX SIS AG, w8imy	757,370	1.43
Andersson, Willmar	731,235	1.38
Hugemark, Staffan	588,000	1.11
Bank Julius Baer & Co Ltd, w8imy without	570,000	1.08
Gunnarsson, Mikael	550,000	1.04
Alcur Select	500,000	0.95
Blomdahl, Håkan	500,000	0.95
SEB Life International, Client account	498,506	0.94
BNY Mellon SA/NV (former BNY), w8imy	495,119	0.94
Alcur	430,665	0.81
Nordnet Pensionsförsäkring AB	413,651	0.78
Jonsson, Christer	405,260	0.77
AB Wallinder & Co	376,632	0.71
Svenska Handelsbanken AB for PB	359,620	0.68
Colmtown Management Limited	345,800	0.65
Nordlander, Bo	318,159	0.60
Other	11,336,379	21.46
Total	**52,887,406**	**100.00**

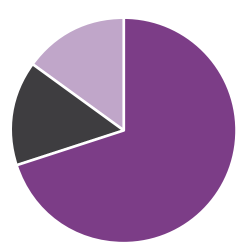
The Formpipe share – total return



Source: Six & Web Financial Group

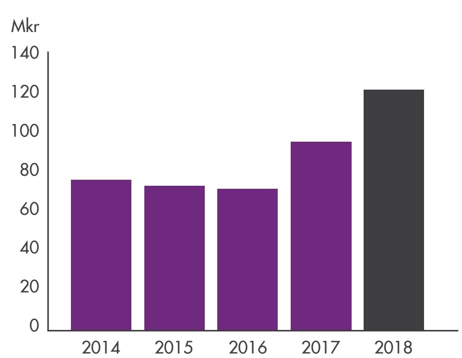
- Formpipe (Total return)
- SIX Return Index
- SIX Software (eff.)
- Turnover total shares, 1,000s per month

Distribution of shareholdings

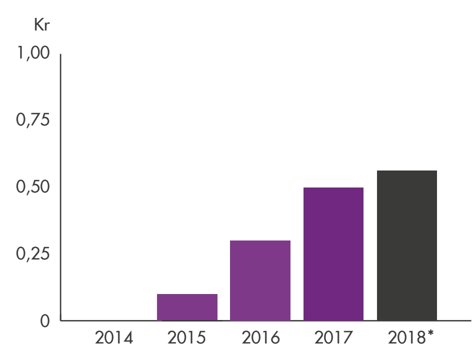


- > 500,000 shares 70%
- 100,000-500,000 shares 15%
- < 100,000 shares 15%

Earnings per share



Dividend per share



* Proposed dividend

Key ratios

MSEK	2018	2017	2016	2015	2014
Sales					
Net sales	406.4	390.2	378.7	349.3	307.0
Software revenue	267.8	248.3	248.2	236.0	214.8
Recurring revenues	223.2	194.8	177.1	168.7	152.6
Licensing	44.6	53.1	69.6	67.5	62.3
SaaS	30.8	18.8	9.9	10.9	9.5
Maintenance and Support	192.4	176.0	167.2	157.8	143.1
Consulting and other	138.6	142.4	132.0	113.0	92.1
Growth and distribution					
Sales growth, %	4.1%	3.0%	8.4%	13.8%	11.2%
Growth in software revenues, %	7.9%	0.0%	5.2%	9.8%	12.8%
Growth in recurring revenues, %	14.6%	10.0%	4.9%	10.6%	4.3%
Share of net sales, software revenue, %	65.9%	63.6%	65.5%	67.6%	70.3%
Share of net sales, recurring revenues, %	54.9%	49.9%	46.8%	48.3%	49.8%
Margins					
Operating margin before depreciation and items affecting comparability (EBITDA), %	24.5%	22.0%	23.2%	21.1%	21.2%
Operating margin (EBIT), %	13.1%	9.7%	7.8%	5.7%	6.6%
Profit margin, %	9.8%	6.4%	6.0%	5.2%	5.9%
Return on capital					
Return on operating capital employed, %	14.8%	9.8%	7.5%	4.8%	4.9%
Return on capital employed, %	11.5%	8.9%	7.3%	4.6%	4.7%
Return on equity, %	10.6%	7.0%	6.9%	5.8%	6.3%
Return on total capital, %	7.7%	5.7%	5.1%	3.2%	5.4%
Capital structure					
Operating capital	344.1	373.9	393.5	397.6	425.1
Capital employed	467.9	456.6	454.4	435.2	453.2
Equity	391.0	363.1	346.2	315.1	307.6
Interest bearing net debt (+)/cash (-)	-46.7	9.4	45.6	79.1	116.9
Debt/equity ratio, %	55.7%	53.7%	53.3%	51.0%	46.7%
Cash flow and liquidity					
Cash flow from operating activities	121.4	95.1	72.2	73.6	76.8
Cash flow from investing activities	-40.6	-41.3	-35.7	-39.9	-45.5
Cash flow from financing activities	-40.1	-32.3	-13.0	-22.0	-26.1
Cash flow for the year	40.6	21.5	23.6	11.7	5.2
Free cash flow	80.8	53.9	33.4	29.8	38.7
Cash and cash equivalents	123.8	82.7	60.9	37.7	26.0
Personnel					
Total staff, annual average, count	227	231	235	242	236
Total staff at year-end, count	222	231	230	239	245
Share data					
Total shares at year-end, thousands	51,873	51,873	51,274	50,143	50,143
Average total shares before dilution, thousands	52,523	51,623	50,803	50,143	49,539
Average total shares after dilution, thousands	52,881	52,128	51,203	50,592	49,539
Earnings per share before dilution, SEK	0.76	0.48	0.43	0.35	0.37
Earnings per share after dilution, SEK	0.75	0.48	0.43	0.35	0.37
Dividend per share	0.60	0.50	0.30	0.10	
Equity per average total shares, SEK	7.44	7.03	6.82	6.28	6.21

Management Report

The Board of Directors and the Chief Executive Officer of Formpipe Software AB (publ), registration number 556668-6605, hereby present their Management Report for the fiscal year 2018.

GROUP STRUCTURE

Formpipe Software AB (publ) is the Parent Company in a Group with nine wholly owned subsidiaries: Formpipe Intelligo AB, Formpipe Software Holding A/S, Formpipe Software A/S, Formpipe Lasernet A/S, Formpipe Lasernet GMBH, Formpipe Lasernet Ltd., Formpipe Software Benelux B.V., Formpipe Life Science Ltd., and Formpipe Inc.

Formpipe Software AB (publ) is listed on the NASDAQ Stockholm exchange, with the short name FPIP.

ABOUT FORMPIPE

Formpipe develops and provides high quality information management software and solutions. The Company focuses on enterprise content management (ECM) products for document and records management, e-archiving and customer communications management (CCM). Offering outstanding product quality and stability allows Formpipe to help its customers realise cost savings and efficiencies. Formpipe offers a unique position to the ECM market, with a stable and profitable customer base that provides resources for investing in new markets and developing new offerings. High-quality products, along with a deep understanding of effective information management, differentiate Formpipe from its competitors.

The Company focuses its offerings on the public sector, where it is the market leader, and on the Life Sciences industry and Legal sector. The Company is also focusing on industry-independent offerings with regard to Customer Communications Management.

Business model

Formpipe's business model is based on concluding long-term licences and maintenance agreements, as well as assisting customers with implementing and customising the Company's software to the customer's specific needs. Formpipe reports its revenues in three categories: licence revenue, support and maintenance revenue and delivery revenue. Customers pay for the licence on concluding the agreement, and the maintenance agreement (which entitles the customer to upgrades) and software support are paid annually in advance. A growing part of Formpipe's revenue comes from sales of our OnDemand Services (Cloud services or Software as a Service, SaaS), where the customer pays a regular fee for licence rights and the maintenance contract. Delivery revenues are continuously recognised during the project.

In addition to its own delivery organisation, Formpipe has a wide network of certified partners that install and sell the Company's products. Through this partner network, the Company reaches customers it would be unable to cultivate with its own resources, bringing greater sales and more leverage for profitability in the Company's business model. This way, Formpipe can achieve greater sales and market penetration without having to increase its own workforce at the same rate, improving its ability to control operational business risk.

The majority of Formpipe's customers are in the public sector, a sector that has come a long way in its use of ECM products. The principle of public access to official documents and the "24-hour authority" have been strong driving forces in the digitisation of the public administration. Formpipe also has offers directed at private actors, mainly in the industries Life Science and Legal, which like the public sector have high demands on documentation and traceability, and an entirely industry-independent offering in Customer Communication Management.

FINANCIAL YEAR 2018

The 2018 financial year continued the trend of the transition of new sales from traditional licences with maintenance agreements to Software as a Service (SaaS, cloud, OnDemand, etc.). Formpipe has long offered its software as SaaS, but it was not until 2017 that the customers' preference clearly shifted over, which continued in 2018. This shift is in line with Formpipe's strategy as it over the longer term entails higher recurring revenues per customer at the same time that Formpipe has a strong history of retaining its customers for a long time.

During the year, all of the Group's units performed better than the previous year which means that the operating profit increased by 41 per cent, even if sales growth was only 4 per cent. The shift to SaaS sales still has a negative net effect on sales and profit, but the positive effects from earlier year's sales are beginning to become visible and will be strengthened the further the development progresses. The development of the Company's revenue mix clarifies this, where the recurring revenues have increased by MSEK 28, while other revenues decreases by MSEK 12 from the previous year.

Sweden

After a strong beginning of the year in Formpipe's public sector business in Sweden, a slowdown was noted in new sales. This is a trend that has been noted in previous election years, that the periods before and after the election see a reduced activity in the form of IT investments. Despite the subsequent drawn-out government formation, the business saw positive signals in the important fourth quarter, which saw higher sales activity than earlier quarters.

Extensive focus during the year has been directed at the area for digital long-term preservation and the product Long-Term Archive. The public sector's demands on security requirements for digital long-term preservation stabilised during the year after the turbulent period that followed in the wake of the scandal at the Swedish Transport Agency the year before. Formpipe perceives continued extensive interest from the public sector in this area, which was also apparent in the large procurement that the State Service Center (SSC) carried out on behalf of Swedish government agencies. The procurement aimed to establish a common offering for digital long-term archiving for all of Sweden's government agencies to connect to. The procurement set extensive requirements on software, operations, security and delivery. After a long evaluation, it turned out that only Formpipe's tender matched the demands set, at which time SSC chose to recall the procurement on the basis of deficient competition. SSC will probably come out with a new procurement in the future, where Formpipe will then be a strong actor with good conditions, or we see a development where individual agencies go out in their own procurements for e-archives.

Denmark

Denmark is still the segment where the SaaS transition is the most distinct, mainly for the product Lasernet, but also in the public sector where the increase is being driven by new framework agreements opening for buying software under this model. The negative financial effect is, however, smaller in 2018 than 2017 in that the revenues from contracts sold in 2017 are recognised on a continuous basis. The segment's annual rate of SaaS revenues at the beginning of 2018 was MDKK 7.2 and at the end of the year was MDKK 13.3. At the beginning of 2017, there were no revenues from SaaS in the Denmark segment.

In 2018, the product Lasernet (Customer Communications Management, CCM) experienced a strong transition towards SaaS sales, driven by Microsoft's explicit stake on Dynamics365 and Azure. For the past few years, Lasernet has been developed to be offered in cloud environments, which has entailed a clear advantage over existing competitors. In 2018, this development was amplified and an ever closer cooperation with Microsoft has been established and the product is offerd in Microsoft's AppSource today. Lasernet continues to develop strongly internationally, driven by the successes for Microsoft's ERP systems: Dynamics365, Dynamics AX, Dynamics NAV and Business Central. Lasernet makes it possible for business documents to be delivered in exactly the format and layout wanted. This way, future requirements on format, delivery and archiving of business documents are met. The product, which is an integrated plug-in to the aforementioned ERP systems, is seen today as a natural part of the introduction project and is to-date much appreciated by both customers and partners.

Formpipe's business directed at the Danish municipal market accounts for a strong profitability growth during the year. The internal structural measures carried out in recent years are now established and the business is being run more efficiently, at the same time that an increased demand has been noted. It is also positive that an ever larger share of new sales are made in the form of SaaS contracts.

Grants Management is largely comprised of Formpipe's largest customer, the Danish Agricultural Agency, and their solution for automated grant management for national EU grants. The Danish AgriFish Agency is the best in class in terms of incorporating and complying with the directives that are continuously updated regarding the EU agriculture grants. Several agriculture authorities in Europe regularly fail to pay out the correct grant on time, which leads to large penalties. A lack of an automated system makes it virtually impossible to live up to the EU's changing demands. Most countries have tried and failed to build system support for this process and are now looking at the Danish solution that Formpipe built.

Life Sciences

Thanks to a good cost control and continuously increasing recurring revenues, the Life science business area is presenting a profit for the first time for full-year 2018. Beginning in 2019, operations will be included in the newly established Private Sector segment, which is described below.

OUTLOOK FOR 2019

To increase the growth of the Group's offerings outside the public sector, a reorganisation was carried out from the beginning of the year with the aim of gathering these offerings in a business area that better utilises synergies and already existing capacity. The product areas that from the beginning of the year comprise the Private Sector business area are: Lasernet, Life Science and Legal. In connection with this, the other business areas are also becoming more streamlined: Public Sector Sweden and Public Sector Denmark.

Through this organisational change, an opportunity is offered to more effectively focus on the areas that have the greatest need and demand. Formpipe sees extensive growth potential for Lasernet, which needs more resources to meet the challenges it entails to attract ever larger and more internationally spread customers. The cooperation with Microsoft is deemed to be potentially very interesting and can facilitate Formpipe's growth in the private sector and internationally. By gathering the products that are suitable as Cloud offerings, the partnership with Microsoft becomes even more interesting. As yet, the cooperation has mainly been about Lasernet, which is already approved and available in Microsoft AppSource, but there are also good chances of adding further products that drive volume to Microsoft Azure.

The trend from previous years with increasing SaaS sales is deemed to continue both in the private and public sectors. In the short term, the Company's sales and earnings are negatively affected, but towards the end of 2019, we see that the net effect will begin to even out and the higher recurring revenues compensate for the loss of traditional licence income.

Demand in the public sector is expected to remain relatively stable in the future. Formpipe is focusing on meeting the need of its existing customer base through continuous development of new modules and solutions. The objective is to get the customers to increase their use of the products by increasing the number of users and digitising a larger number of advanced processes. The IT procurements in the public sector have seen ever higher demands on security, both in the actual products and among suppliers and subcontractors as operating partners, etc. This trend essentially means greater expense to Formpipe and other IT providers to the public sector, in the form of higher product development expenses, more expensive and complex infrastructure solutions, more in-depth background checks of subcontractors and their staff, etc. Given Formpipe's historically high rate of development, where security has been an important component, the Company is well positioned to meet these demands. The procurements of the recent years have show that Formpipe is the first choice when the customers have high requirements and ambitions with their IT agenda.

Formpipe has historically been a sole provider to the Danish Agricultural Agency's solution for the management of EU grants (Public Sector Denmark / Grants Management). This solution consists of three framework agreements, Product Development, Customisations and Configuration, of which the first pertains to development and maintenance of the software and the latter two are pure hourly consulting. During the year, the work regarding the agreement for Customisations was transferred to another supplier, whereby Formpipe's consulting revenues will gradually decrease. The agreement for Customisations is not of long-term strategic interest to the Company, but has historically had a turnover of around MDKK 13 on an annual basis and provided a positive earnings contribution to the business.

MARKET

The digitisation of information creates new and growing flows of information from a number of different sources. Being able to handle these has become one of the most important challenges for companies and organisations.

Formpipe's products are used to create, store, distribute, automate, relocate, archive and manage information, data and metadata regarding e.g. scanned documents, e-mail, reports, records, business documents or information from other source systems. The goal is to be able to refine and analyse content from one or more sources, to thereby provide the right insights by the right people receiving relevant information when they need it. It is in the ECM/Content Services market that Formpipe has grown to become the market leader in the public sector and a strong challenger in the private sector.

The growth in the market is fuelled in large part by the organisational and corporate-wide need to streamline operations and meet legal requirements and regulations. To be able to get the value out of the collective amount of information at companies and organisations, applications and services are needed – in order to securely – collaborate, search, analyse, process and distribute data and content. Growth drivers tend to continually gain strength as the amount of data and information increases.

Analyst and consulting firm Gartner's forecast for the global market is an average annual growth of 8.6 per cent in 2017-2022. The Content Services market is forecast in 2019 at USD 8.3 billion in system revenues[1].

TRANSITION TO SOFTWARE AS A SERVICE

Development in the market is moving increasingly towards cloud-based solutions, where the customers pay for what is used and where costs for development, operations, maintenance, upgrade and support are included in the running agreement. The transition to Saas is taking place very quickly now and Gartner estimates that the SaaS revenues will reach up to 40 per cent of the total sales of software in 2022.

1) Source Gartner: Enterprise Application Software, Worldwide, 2016-2022, 4Q18 Update

This development is well in line with Formpipe's strategy and reality where growing numbers of the Company's customers choose to shift to Formpipe's cloud services for the standard products and with the Company's development of service modules that can process information both from Formpipe's existing systems and other systems.

BUSINESS AREAS

Danish public sector

Digital solutions and automation create opportunities to meet the growing welfare needs and at the same time increase the service to the citizens. The employers' organisation Dansk Industri believes that a modernisation and digitalisation of the public sector can free up DKK 20 billion[2] by 2025. Money that can then be fed back to the public sector and contribute to increasing the level of service. Formpipe is a leading software provider in the Danish public sector and has extensive knowledge of the opportunities and challenges that the Danish public sector is facing in the future.

Swedish public sector

In the Swedish Public Sector area, Formpipe has a stable customer base among municipalities, county councils and authorities. Around SEK 45 billion is invested in IT in the public sector in Sweden every year. The Swedish Government's ambition is for government agencies, municipalities and county councils to be the best in the world at using the possibilities of digitalisation to create an efficient public sector – a simpler daily life for private individuals and companies, more jobs and greater welfare. Digital solutions and automation are an important component to meet the growing welfare needs and at the same time increase the service to the citizens. Formpipe is the market leader and has extensive knowledge of the opportunities and challenges that Sweden's municipalities, county councils and agencies are facing in the future.

Private sector

In the Private Sector area, Formpipe has a stable foundation in the CCM product, Lasernet. The global Customer Communications Management (CCM) market is mainly driven by a greater need for automation of customer communication in various channels. The software revenues in the global market are expected to increase at an annual growth rate of 13.4% from 2017 to 2025[3]. With CCM products, content is produced, individualised, formatted and distributed from different systems and data sources to the format that best suits the Company in its communication with customers or other business partners.

Through the successful cooperation with Microsoft, Formpipe has established Lasernet as a cloud service through the global market places Azure Marketplace and AppSource. By expanding the cooperation to concern more products from Formpipe, the possibility is opened up for a significantly larger market.

SIGNIFICANT EVENTS DURING THE YEAR

Annual General Meeting 2018

- The Annual General Meeting re-elected the Board members Bo Nordlander (Chairman), Martin Henricson and Peter Lindström, Åsa Landén Ericsson and Annikki Schaeferdiek.
- The employee incentive programme offered after the AGM was fully subscribed.
- SEK 0.50 per share (0.30) was distributed to shareholders, comprising a dividend totalling SEK 25,936,512,50 (15,382,082,40).

Higher number of shares

By utilising warrants issued to the staff in the programme from 2015, a total of 314,576 new shares were issued.

During the year, the minority interest in Formpipe Intelligo AB was acquired through a non-cash issue of 699,805 new shares.

After these increases, the number of shares and votes in the Company amounted to 52,887,406 and the Company's share capital was SEK 5,288,740.60.

Significant orders

Formpipe received many orders throughout the year, of which several were fairly larger, with a subsequent positive effect on the year's earnings.

COMMENTS ON THE INCOME STATEMENT

Historic development

Formpipe's first financial year was 2005. A five-year summary shows that the Company had a historically strong sales increase, partly driven by acquisitions, with retained high profitability. However, 2010 shows declining sales and profitability. This is partially explained by the Company's choice of strategy to become a pure product company and thereby refrain from consulting revenues for the benefit of its partners. The first full-year with a completed transition was 2011 and system revenues amounted to 94 per cent of the revenues. The acquisition of the Traen Group, which was consolidated as of 1 August 2012, entailed strongly increased net sales in 2012 as well as 2013 when it was included for the full year. In 2014, a minor acquisition was made that contributed to growth, but also the underlying organic growth was good, which also continued in 2015 and 2016. In 2017 and 2018, both sales and profitability were negatively impacted by the transition of parts of the Company's new sales towards SaaS, where the licence revenues are allocated to periods over the contract's duration instead of recognising income at contract signing.

Revenues

Net sales for the period totalled MSEK 406.4 (390.2), which is equivalent to an increase of 4 per cent. Software revenue increased by 8 per cent over the previous year, amounting to MSEK 267.8 (247.9). Total recurring revenues for the period increased by 15 per cent from the previous year and amounted to MSEK 223.2 (194.8), corresponding to 55 per cent of

Earnings per share	2018	2017
Total outstanding shares at year-end	52,887,406	51,873,025
Average total shares before dilution	52,523,064	51,873,025
Average total shares after dilution	52,880,568	52,187,501
Profit or loss for the year attributable to Parent's shareholders, KSEK	39,890	24,832
Earnings per share attributable to shareholders of the Parent Company:		
- per number of shares outstanding, SEK	0.75	0.48
- per average total shares before dilution, SEK	0.76	0.48
- per average total shares after dilution, SEK	0.75	0.48

2) https://www.danskindustri.dk/politik-og-analyser/di-mener/digitalisering/digitalisering-af-den-offentlige-sektor/
3) https://www.credenceresearch.com/report/customer-communication-management-ccm-market

net sales. Currency exchange rate effects have had a positive effect of MSEK 13.8 on net sales compared with the previous year.

Expenses

Operating expenses were unchanged from the previous year, amounting to MSEK 353.2 (353.0).

A large part of Formpipe's operating expenses are linked with staff, and staff expenses for the year totalled MSEK 215.0 (208.6), an increase of 3 per cent. The number of employees at year-end was 222 (231), and the average for the year was 227 (231). The distribution of personnel along with salaries and other remunerations appears in Note 8.

Cost of sales totalled MSEK 50.9 (61.0) and consists primarily of third-party providers of consulting and products and sales commissions to partners.

Other expenses amounted to MSEK 75.0 (71.7).

Capitalised development work at the Company's own expense during the year amounted to MSEK 34.3 (36.9).

Depreciation for the year amounted to MSEK 46.5 (48.5).

Net financial items amounted to an expense of MSEK 2.3 (4.8) and consist of interest expenses of MSEK 2.8 (3.9) and exchange-rate differences as an income of MSEK 0.5 (expense: 0.9).

Tax expense for the year amounted to MSEK 11.0 (8.1).

Profit

Operating profit before depreciation and items affecting comparability (EBITDA) for the year amounted to MSEK 99.7 (85.8), with an EBITDA margin of 24.5 (22.0) per cent. Currency exchange rate effects have had a positive effect of MSEK 2.9 on EBITDA compared with the previous year (see Note [10]).

Operating profit for the year totalled MSEK 53.2 (37.7), which corresponds to an operating margin of 13.1 (9.7) per cent.

Profit before tax was MSEK 50.9 (32.9), corresponding to a margin of 12.5 (8.4) per cent.

Profit for the year totalled MSEK 39.9 (24.8), which corresponds to a profit margin of 9.8 (6.4) per cent and is distributed per share according to the table below.

Parent Company

Net sales for the Parent Company totalled MSEK 153.4 (152.8), and profit for the year was MSEK 20.1 (16.0).

COMMENTS ON THE STATEMENT OF FINANCIAL POSITION

Investments and business combinations

Total investments for the period January-December amounted to MSEK 40.1 (41.3), excluding potential acquisitions and divestments of operations.

Intangible assets

Formpipe continually invests resources in product development for new and existing applications. A total of MSEK 37.1 (37.9) has been invested in intangible assets over the year, primarily in respect of capitalised development costs.

The goodwill items were valued in the accounts and it was confirmed that no cash flow generating units have booked value in excess of the recoverable amount, whereby no impairment requirements exist as at year-end.

Property, plant and equipment and financial assets

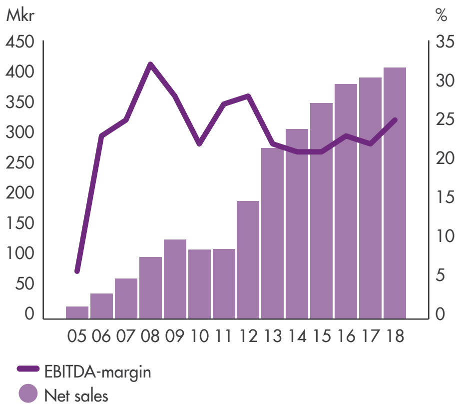
Investments in property, plant and equipment and financial assets amounted to MSEK 3.0 (3.4) and mainly comprised computer and office equipment, and deposits for rented premises.

Financial position and liquidity

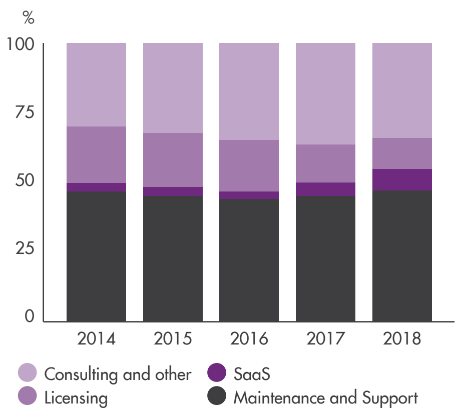
Cash and cash equivalents

Cash and cash equivalents amounted to MSEK 123.8 (82.7) at the end of the period. The Company has an overdraft facility totalling MSEK 34.2

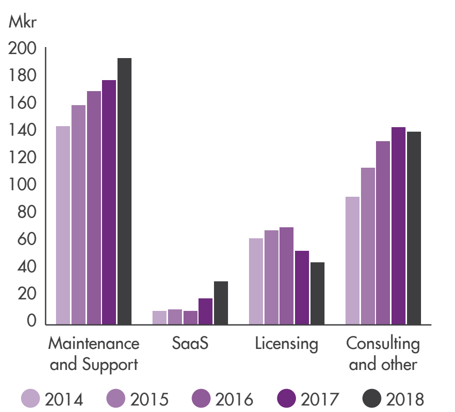
Net sales and profitability



Sales revenue distribution



Sales growth by revenue type



(10.0 and MDKK 17.6), which at the end of period was unused (MSEK 0.0). Formpipe had interest-bearing debt at year-end totalling MSEK 77.1 (92.5), after which the Company's net cash was MSEK 46.7 (9.4).
The Company has a strong cash flow, and under the current circumstances no need for additional external financing is perceived. A strong negative inflow of orders may have an impact on operating cash flow, and so a short-term financing requirement can never be ruled out. However, the management believes that no such need will arise in future periods.

Deferred tax assets

The Group's deferred tax asset pertaining to accumulated tax loss carryforwards amounted to MSEK 9.4 (14.9) at the end of the period. At the end of the period, the Group has accumulated loss carryforwards of MSEK 1.8 (1.8) which are not yet capitalised.

Equity

Equity at year-end was MSEK 391.0 (363.1), corresponding to SEK 7.39 (7.00) per outstanding share. Value changes in the Swedish krona has impacted the value of the Group's net assets in foreign currency by MSEK 9.5 (6.4) from the previous year-end.

Interest-bearing liabilities

In connection with the acquisition of the Traen Group in 2012, Formpipe took out an interest-bearing loan of MSEK 63.0 and MDKK 103.2 for the purpose of refinancing the existing loan debt at Traen and to finance portions of the transaction. In 2015, the loan was renegotiated because the debt had become considerably less and with the aim of providing Formpipe greater flexibility in the use of its positive cash flow. According to the new agreement, the loan will be repaid in an amount of MSEK 5.2 and MDKK 8.6 per year. The loan falls due for payment on 30 April 2019 and will either be refinanced to some extent or repaid in its entirety.

At year-end, interest-bearing debt totalled MSEK 77.1 (92.1), allocated as MSEK 23.6 (28.9) and MDKK 38.7 (47.3).

Debt/equity ratio

The Group's equity ratio was 56 (54) per cent at year-end.

COMMENTS ON THE CASH FLOW STATEMENT

Cash flow from operations amounted to SEK 121.4 (95.1) million.

Annual cash flow from investing activities amounted to MSEK -40.6 (-41.3), investments in intangible assets amounted to MSEK 37.1 (37.9) and investments in tangible assets amounted to MSEK 3.5 (3.4).

Cash flow from financing activities amounted to MSEK -40.1 (-32.3) and is comprised of repayments of interest-bearing liabilities of MSEK 16.6 (17.3), paid-in proceeds for shares as a result of redemption of the personnel's warrant programme of MSEK 3.0 (3.8), paid proceeds for the buy-back of warrants of MSEK 0.9 (3.3), paid-in premiums from a new warrant programme for the personnel of MSEK 0.4 (0.4) and paid dividends totalling MSEK 25.9 (16.0) including minority interests.

The Group's total cash flow for the year amounted to MSEK 40.6 (21.5).

SIGNIFICANT RISKS AND UNCERTAINTY FACTORS

The most obvious uncertainty factors in Formpipe's operations concern company sales and the Company's ability to attract and retain skilled staff.

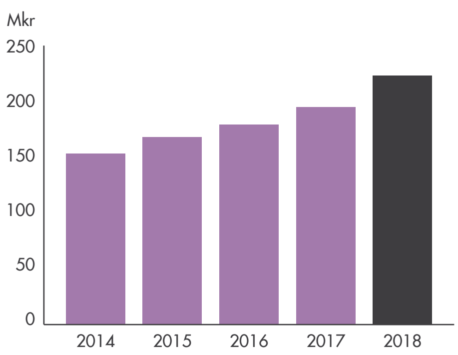
Recurring revenues constituted 55 (50) per cent of Formpipe's net sales of MSEK 406.4 (390.2). Recurring revenues recur each year and thus constitute a stable and secure base for company earnings. The remaining revenues come from new licence sales and supply function projects, and are subject to greater uncertainty as they are affected by short-term customer demand and changing market conditions. A significant shift was noted in 2017 when more and more customers choose to buy licences based on a SaaS model rather than a traditional licence with associated annual maintenance. This shift continued in 2018 and affected the Company's sales, earnings and cash flow negatively during the financial year, although to a lesser extent than the previous year. The negative earnings effects are expected to continue during 2019 as well, but gradually be dampened. Beyond 2019, the positive effects of the higher recurring revenues from SaaS are forecast to begin exceeding the negative effects from the unrealised revenues from traditional licences. In the long term, this is very positive for the Company as it increases the share of recurring revenues and thereby reduces the fluctuation and the risk in earnings and profit.

Projects for our new delivery operations relate to the Company's own product portfolio, and therefore the risk in this type of consulting activity can be considered low. Large portions of this activity concern upgrades which are simple to plan and implement, and which in turn contribute to an operation that is stable over the long term. The delivery organisation is primarily found in the Group's Danish operations. The Danish market has greater flexibility and better opportunities to quickly redeploy the workforce based on changes in demand, which is a more manageable risk for the Group.

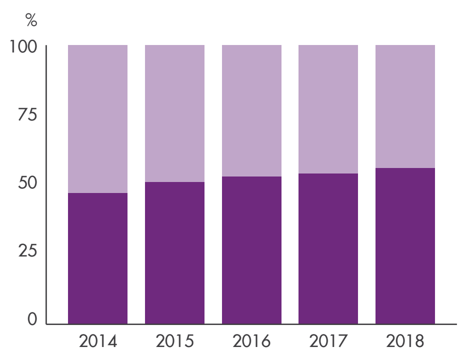
Formpipe's human resources are important, and the availability of skilled personnel is a critical success factor. The Company satisfies this by offering its staff market-adjusted and competitive compensation packages. Over time, however, the availability of staff with the right skills varies, which can lead to cost increases for the Company.

The sensitivity analysis at the top of 38 describes the effect on Formpipe's pre-tax profit, which amounted to MSEK 50.9 (32.9), with changes to several factors:

Recurring revenues



Debt/equity ratio



Sensitivity analysis	Change	Effect on pre-tax profit, MSEK
Demand for licences	+/- 5%	+/- 2.2
Demand for delivery	+/- 5%	+/- 6.9
Staff expenses	+/- 5%	+/- 10.8
STIBOR/CIBOR*	+/- 100 bps	+/- 0.8
DKK/SEK	+/- 5%	+/- 1.2
EUR/SEK	+/- 5%	+/- 0.2
GBP/SEK	+/- 5%	+/- 3.9
USD/SEK	+/- 5%	+/- 0.0

* The change in the reference interest rate for the loan (STIBOR and CIBOR) is calculated as the full-year effect based on interest-bearing debt at year-end.

Further explanation of the risks and uncertainty factors to which the Company is exposed can be found under Note 4.

GUIDELINES ON REMUNERATION FOR SENIOR EXECUTIVES

The AGM resolved to approve the proposal of the Board for guidelines to remuneration for the Company's Chief Executive Officer and other senior executives as follows. The AGM resolution principally agrees with previously applied policies for remuneration. The guidelines apply for agreements that are made after the 2018 Annual General Meeting, or where a change in remuneration occurs thereafter. The Board has not appointed a separate remuneration committee; instead, the Board in its entirety deals with issues relating to remuneration and other conditions of employment.

The Company shall offer market-adjusted terms which allow the Company to recruit and retain skilled personnel. Remuneration to senior executives shall consist of basic salary, variable remuneration, a long-term incentive programme, pensions, severance terms and other customary benefits. The remuneration is based on the individual's commitment and performance in relation to targets defined in advance, both individual targets and shared targets for the Company as a whole. There is continuous evaluation of individual performance. The basic salary is usually reviewed once a year and must take into account the quality of the individual's performance.

The basic salary for the Managing Director and other senior executives must be competitive. The variable remuneration shall take into account the individual's level of responsibility and degree of influence. The extent of the variable remuneration is related to the extent by which financial objectives established by the Group's Board of Directors are met. The variable remuneration shall constitute no more than 40 per cent in addition to the basic salary. All variable remuneration plans have defined maximum allocation and outcome limits. A provision is made in the annual accounts for variable remuneration attributable to the financial year when applicable and is disbursed in close connection with the Annual General Meeting. The Company has stock-related incentive programmes directed at the entire staff (including the Chief Executive Officer and other senior executives) that is intended to promote the Company's long-term interests. The Board continuously evaluates whether additional option programmes or any other form of stock-related or stock price-related incentive programme should be proposed to the Annual General Meeting. The Chief Executive Officer and other senior executives shall have defined contribution pension agreements. Retirement occurs at age 65 for the Chief Executive Officer and the senior executives. Pension provisions are based solely on the budgeted salary. In the event of termination of the employment of the Chief Executive Officer, six months' notice of termination and six months' severance pay will apply if the contract is terminated by the Company. Other income which the Chief Executive Officer receives during the period for which severance pay is paid will be subtracted from the severance pay. If the Chief Executive Officer terminates the contract, six months' notice must be given. A mutual notice period of 3 to 6 months applies between the Company and the other senior executives. In the event the Company is the object of a public takeover bid that results in at least 30 per cent of the Company's shares ending up in the possession of one and the same shareholder, the Chief Executive Officer is entitled, upon termination of employment by the Company or the Chief Executive Officer, to special severance pay corresponding to 12 basic monthly salaries at the time notice is given. Such severance pay is not subject to deduction for other income, shall be paid in its entirety upon the cessation of the employment and replaces the severance pay to which the Chief Executive Officer is normally entitled according to his or her employment contract.

The Annual General Meeting provided the Board of Directors with an opportunity to deviate from the proposed guidelines above in the event there are particular grounds for doing so in specific cases.

The guidelines proposed to the 2019 Annual General Meeting for remuneration to senior executives remain unchanged from 2018.

SHARE STRUCTURE

Formpipe's shares are traded under the short name FPIP on Nasdaq Stockholm. Each share in Formpipe entitles the holder to one vote at the Annual General Meeting and entails an equal right to the Company's assets and income.

Formpipe's share capital was SEK 5,288,740.60 at year-end 2018, allocated to 52,887,406 shares.

As of 31 December 2018, Formpipe had three warrant programmes outstanding for a total of 1,500,000 warrants registered for employees. The warrants can increase the total shares outstanding and voting rights in the Company by a maximum of 2.8 per cent. A new share issue in connection with the redemption of the 2016/2019 warrant programme may result in an increase in share capital by no more than SEK 50,000 and 500,000 shares. A new share issue in connection with the redemption of the 2017/2020 warrant programme may result in an increase in share capital by no more than SEK 50,000 and 500,000 shares. A new share issue in connection with the redemption of the 2018/2021 warrant programme may result in an increase in share capital by no more than SEK 50,000 and 500,000 shares.

Formpipe held no treasury shares at the end of 2018.

At the end of 2018, there were no agreements limiting the right to transfer shares.

PROPOSED APPROPRIATION OF PROFIT

Appropriation of profits, SEK	
The following retained earnings are at the disposal of the Annual General Meeting:	
Non-restricted reserves	198,729,531
Profit for the year	20,117,850
	218,847,381
The Board of Directors proposes:	
To pay a dividend of SEK 0.60 per share to shareholders, totalling	31,732,444
To be carried forward	187,114,937
	218,847,381

The Board of Directors proposes that the Annual General Meeting on 26 April 2019 resolve to approve a dividend of SEK 0.60 (0.50) per share, which entails a total dividend of SEK 31,732,443.60 (25,936,512.50).

As a basis for its proposal to carry the retained profit forward, the Board has assessed the Parent Company and Group consolidation requirements, liquidity and financial position otherwise as well as the ability to meet its commitments on the short and long terms in accordance with Chapter 17 Section 3 Paragraphs 2-3 of the Swedish Companies Act. The Board of Directors assesses that the proposed appropriation of profits is well-adjusted to the business' nature, scope and risks and the Parent Company's and the Group's capital requirements.

This annual report shows that the equity ratio for the Parent Company was 53 (48) per cent.

Group equity was MSEK 391.0 (363.1) at the end of the period and net cash was MSEK 46.7 (9.4).

CORPORATE GOVERNANCE REPORT

The Formpipe Corporate Governance Report is on page 77 of this Annual Report.

Sustainability Report

This is Formpipe's statutory sustainability report for the 2018 financial year. The report comprises the Parent Company Formpipe Software AB and its subsidiaries. Information on the corporate structure and business model is on page 33 in the Management Report.

A DRIVING ACTOR IN DIGITALISATION

Formpipe has the ambition to be a driving actor in the digitisation of public administrations and private organisations. Through Formpipe's offerings, the long-term conditions are improved for our customers, our customers' customers and the environment. By utilising modern information technology, working life and the day-to-day are made more efficient and easier. Time is freed up for individuals, which in the long term provides a higher quality of life. The environmental footprint decreases as a result of less travel and lower resource utilisation in the form of paper, printing, storage, transports, etc.

Formpipe's operations are run from a long-term sustainable perspective where all of the Company's stakeholders' needs are met. With customers in public administration, Life Science and Legal, high standards are set on good business ethics, IT security and data integrity. An inability to meet these standards leads to worse financial circumstances and in the short term also negative consequences for the Company's continued existence. Through its high product quality, Formpipe is on the forefront in terms of developing and providing software and solutions for high-quality and secure information management. Through continuous development work, it is ensured that the customers' and society's growing demands are met.

STEERING DOCUMENTS

Guidance for compliance in the sustainability area are in the Company's policies regarding: Corporate Social Responsibility (CSR), the Personnel Handbook, Salaries, Equality Plan, Sexual harassment preparedness plan, Information Security, IT Security and Quality Assurance.

CORE VALUES

Formpipe's core values form the basis for our Code of Conduct and are of major significance to the entire organisation. They permeate our way of acting, interacting, making decisions and managing the work in the future.

In 2018, a development effort was carried out that resulted in new core values.

PASSION FOR PEOPLE

We are proud of who we are and put people first

UNDERSTANDING OUR CUSTOMERS

We listen and create true business value

RESPECT AND TRUST

We are open-minded and we are honest

PERFORM WITH QUALITY

We take ownership and we act professionally

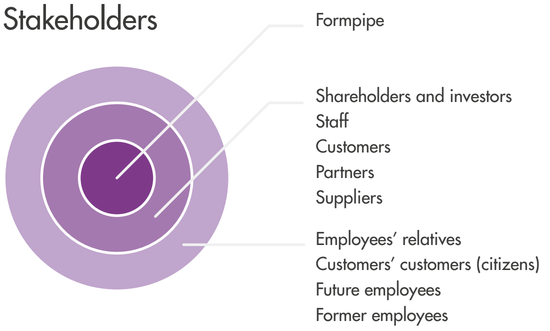
LEAD BY EXAMPLE

We are value driven and we support each other

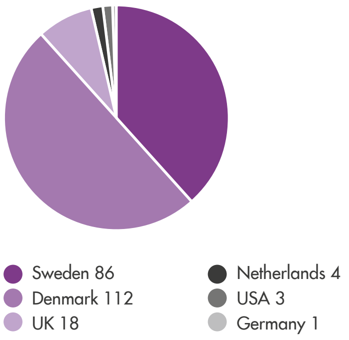
ENGAGE AND HAVE FUN

We have a unique team spirit and we love what we do

Stakeholders



Employees by country



CUSTOMER SATISFACTION AND PRODUCT QUALITY

Good customer satisfaction and product quality are a prerequisite for being the customers' first choice and a long-term actor in a competitive market. The respective business area formulates and conducts an annual customer survey to strengthen our offering in the long term and meet our customers' business needs. In the customer surveys, space is provided for future-oriented suggestions from customers on product improvements or product development. Besides customer surveys, there are also active user associations that contribute to the products' development through a set process.

BUSINESS ETHICS AND IT SECURITY

Formpipe's customers set high standards on good business ethics, IT security and data integrity. These areas are important success factors for the Company's long-term financial conditions and survival.

IT security and data integrity

Formpipe is and has been successful in its work in IT and information security and uses recognised guidelines and standards such as ISO 27001. Through its high product quality, the Company is on the forefront in terms of developing and providing software and solutions for high-quality and secure information management. Through continuous development work, it is ensured that the customers' and society's growing demands are met.

Corruption, bribes and money laundering

Formpipe does not offer, does not request and does not accept bribes or other illegal payments to win or keep business. The Company strives to only do business with business partners who conduct business that is consistent with legislation and whose business is financed in a legal manner. Formpipe does not promote money laundering and follows the general guidelines on combating money laundering that exist in applicable laws and conventions.

Human rights

Formpipe supports and respects human rights regardless of where we work and we follow the UN Guiding Principles on Business and Human Rights and the UN framework for reporting guiding principles.

EMPLOYEES AND SOCIAL INVOLVEMENT

At Formpipe, we safeguard each other and live according to our core values. Both managers and employees have a responsibility to contribute to creating a good working climate and resolving any problems that may arise. An inability to offer a good working environment contributes to worse possibilities to attract and keep skilled personnel, which has a negative effect on the Company's continued development.

By our employees thriving and having fun together, we create conditions to supply good products and maintain a good relationship to our customers. In the long term, this will also lead to us achieving better financial results and Formpipe will remain in the market as the high-quality supplier we are.

Working environment

Formpipe strives to create a good work environment where our employees thrive, can influence their work situation and be given the opportunity for personal development. We measure our employees commitment, motivation and satisfaction by annually conducting an employee survey.

Target: The employee index (EI) shall always be within 10% higher than the EI for comparable IT companies.

Results 2018: The target was not achieved in 2018. In 2019, we will carry out Project ONE, a project that focuses on bringing the entire Group together to one Formpipe and increase the cooperation between the various business areas. The project is expected to have a positive effect on the employee index.

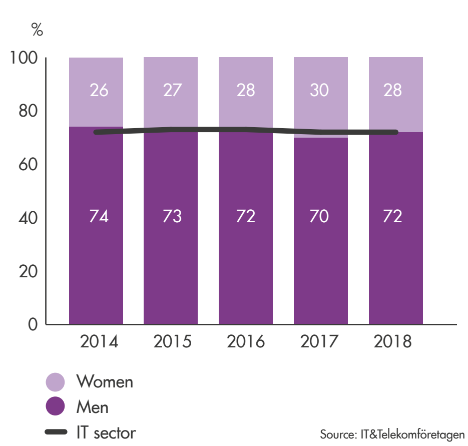
Gender distribution, diversity and non-discrimination

Formpipe's basic philosophy is that we will recruit qualified employees and promote equal rights and opportunities regardless of gender, cross-gender identity or expression, ethnic identity, religion or other beliefs, disability, sexual orientation or age. This approach permeates the entire company. Formpipe permits no form of discrimination, whether direct or indirect.

Target: The percentage of women shall be above the average for the IT industry.

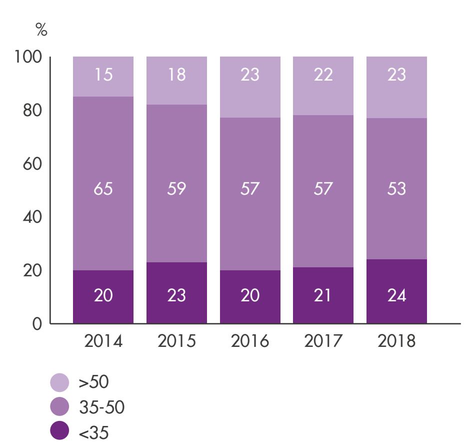
Results: The target was achieved in 2018. The percentage of women at the end of the year was 29 per cent compared with 28 per cent in the industry.

Percentage women and men



Source: IT&Telekomföretagen

Employees by age group



Diversity on the Board

Formpipe strives to meet the guidelines in the Swedish Corporate Governance Code, which is administered by the Swedish Corporate Governance Board (SCGB), with regard to the Board of Director's composition. The SCGB's target for listed companies is an even gender distribution where the boards consist of at least 40 per cent women by 2020.

Target: An even gender distribution with at least 40 per cent women.

Results: The target was achieved in 2018. The percentage of women on the Board was 40 per cent at year-end.

Community involvement

Every year, Formpipe allocates an amount for charity. This amount is distributed during the year based on what happens in the outside world. In 2018, Formpipe made donations to UNICEF for example.

ENVIRONMENTAL IMPACT

Formpipe strives to safeguard a sustainable environment for current and future generations by limiting negative environmental and climate impact to the furthest extent possible in the scope of our operations. Formpipe's products shall also make it easier for the customer and the customer's customer to minimise their environmental impact.

Sustainable IT

By maintaining the IT equipment, we increase its lifespan and reduce the need to invest in new equipment. All electronic waste is collected and source sorted to be recycled in the best way. Centralised operations with virtual servers reduce the energy use and save resources

Travel

We strive to travel as little as possible and use web meetings, webinars, etc. We mainly provide support remotely, which further reduces our need to travel and means that we can be even faster and more efficient in finding solutions for our customers. In the cases we nonetheless need to travel, these journeys shall take place in an environmentally friendly and cost-effective manner.

Energy use

In our work to safeguard the environment, we endeavour to make conscientious choices and to reduce electricity consumption by, for example:

- using suppliers who offer green electricity
- turning off computers, screens and lighting when not used
- using premises of the right size

Materials and recycling

Formpipe has a deliberate environmental thinking with regard to the purchase of office materials, food and other products. The Company strives to purchase energy-saving office machines and products that are environmentally labelled, organic, locally produced and recyclable. Formpipe works for greater recycling of materials and source sorting of e.g. paper and glass. The Company strives to choose environmentally adapted packaging and to not used disposable items.


Formpipe.

Consolidated income statement

KSEK	Note	2018	2017
Net sales	5, 6	**406,412**	**390,240**
Operating expenses			
Cost of sales	5, 6	-50,941	-61,036
Other costs	5, 7	-75,021	-71,710
Staff expenses	5, 8	-215,004	-208,604
Own work capitalised		34,286	36,869
Operating profit before depreciation and items affecting comparability (EBITDA)		**99,732**	**85,759**
Items affecting comparability	14, 27	-	398
Depreciation		-46,518	-48,482
Operating profit (EBIT)		**53,214**	**37,674**
Income from financing activities	9, 11	574	226
Expenses from financing activities	9, 11	-2,882	-5,006
Profit/loss after financial items		**50,906**	**32,894**
Tax on profit/loss for the year	10, 23	-11,016	-8,057
Profit/loss for the year		**39,890**	**24,837**
Of which attributable to:			
Shareholders of the Parent Company		*39,890*	*24,832*
Non-controlling interests		*-*	*5*
Total		*39,890*	*24,837*
Other comprehensive income			
Items that may be reclassified to profit/loss			
Currency differences		9,499	6,393
Other comprehensive income for the period, net after tax		9,499	6,393
Total comprehensive income for the year		**49,390**	**31,230**
Of which attributable to:			
Shareholders of the Parent Company		*49,390*	*31,225*
Non-controlling interests		*-*	*5*
Total		*49,390*	*31,230*

KSEK		2018	2017
Earnings per share, calculated on earnings attributable to shareholders of the Parent Company during the year (expressed in SEK per share)	12		
– before dilution		0.76	0.48
– after dilution		0.75	0.48
Average total shares before dilution, thousands		52,523	51,623
Average total shares after dilution, thousands		52,881	52,128

Consolidated statement of financial position

KSEK	Note	31/12/2018	31/12/2017
ASSETS			
Non-current assets			
Intangible assets	14		
Capitalised expenditure		130,937	133,758
Goodwill		338,237	329,045
Other intangible non-current assets		768	2,267
Total intangible non-current assets		**469,942**	**465,071**
Property, plant and equipment	15		
Other equipment		5,740	4,596
Total property, plant and equipment		**5,740**	**4,596**
Financial assets			
Other financial assets	16	1,510	2,964
Other non-current receivables	6, 16	4,708	-
Total non-current financial assets		**6,218**	**2,964**
Non-current receivables	23		
Deferred tax assets		9,373	14,937
Total non-current receivables		**9,373**	**14,937**
Total non-current assets		**491,273**	**487,567**
Current receivables			
Trade and other receivables	17, 18	62,837	66,898
Other receivables		613	288
Accruals and prepaid income	6, 19	23,410	38,866
Total current receivables		**86,860**	**98,743**
Cash and cash equivalents	17, 20	123,782	82,663
Total non-current assets		**210,642**	**188,715**
TOTAL ASSETS		**701,915**	**676,281**

KSEK	Note	31/12/2018	31/12/2017
EQUITY			
Share capital	21	5,289	5,187
Other paid-in capital		207,767	194,729
Revaluation reserves		18,770	17,892
Retained earnings		159,197	145,243
Total equity attributable to shareholders of the Parent		**391,023**	**363,051**
Non-controlling interests		-	2,079
Total equity		**391,023**	**365,130**
LIABILITIES			
Non-current liabilities			
Borrowing from credit institutions	22	-	74,828
Deferred tax liabilities	23	20,636	21,691
Other non-current liabilities	17	180	618
Total non-current liabilities		**20,817**	**97,137**
Current liabilities			
Borrowing from credit institutions	22	76,883	16,625
Trade and other payables	17	26,651	24,106
Current tax liabilities		4,484	3,730
Other liabilities	24	8,179	20,384
Accrued expenses and deferred income	6, 25	173,878	149,168
Total current liabilities		**290,075**	**214,013**
Total liabilities		**310,891**	**311,150**
TOTAL EQUITY AND LIABILITIES		**701,915**	**676,281**

Consolidated statement of changes in equity

		Equity attributable to shareholders of the Parent						
KSEK	Note	Share capital	Other paid-in capital	Revaluation reserves	Retained earnings	Total	Non-controlling interests	Total equity
Equity on 1 January 2017		**5,127**	**193,829**	**11,499**	**135,793**	**346,249**	**2,706**	**348,954**
Comprehensive income								
Earnings for the period		-	-	-	24,832	24,832	5	24,837
Other comprehensive income items		-	-	6,393	-	6,393	-	6,393
Total comprehensive income		**-**	**-**	**6,393**	**24,832**	**31,225**	**5**	**31,230**
Transactions with shareholders								
Dividends	12	-	-	-	-15,382	-15,382	-632	-16,014
New warrant issue	21	60	3,782	-	-	3,842	-	3,842
Warrant buy-back	21	-	-3,282	-	-	-3,282	-	-3,282
Paid-in premiums for staff share option programme	21	-	400	-	-	400	-	400
Total transactions with shareholders		**60**	**900**	**-**	**-15,382**	**-14,422**	**-632**	**-15,054**
Equity on 31 December 2017		**5,187**	**194,729**	**17,892**	**145,243**	**363,051**	**2,079**	**365,130**
Equity on 1 January 2018		**5,187**	**194,729**	**17,892**	**145,243**	**363,051**	**2,079**	**365,130**
Comprehensive income								
Earnings for the period		-	-	-	39,890	39,890	-	39,890
Other comprehensive income items		-	-	9,499	-	9,499	-	9,499
Total comprehensive income		**-**	**-**	**9,499**	**39,890**	**49,390**	**-**	**49,390**
Transactions with shareholders								
Acquired non-controlling interests		-	-	-8,621	-	-8,621	-2,079	-10,700
Dividends	12	-	-	-	-25,937	-25,937	-	-25,937
In kind share issue	21	70	10,630	-	-	10,700		10,700
New warrant issue	21	31	2,970	-	-	3,001	-	3,001
Warrant buy-back	21	-	-916	-	-	-916	-	-916
Paid-in premiums for staff share option programme	21	-	355	-	-	355	-	355
Total transactions with shareholders		**101**	**13,038**	**-8,621**	**-25,937**	**-21,418**	**-2,079**	**-23,497**
Equity on 31 December 2018		**5,289**	**207,767**	**18,770**	**159,197**	**391,023**	**-**	**391,023**

Income statement – Parent

KSEK	Note	2018	2017
Net sales		**153,423**	**152,794**
Operating expenses			
Cost of sales		-16,732	-24,119
Other costs	7	-35,960	-32,072
Staff expenses	8	-72,511	-66,399
Depreciation		-6,029	-6,246
Total operating expenses		**-131,233**	**-128,836**
Operating profit/loss		**22,190**	**23,958**
Profit from participating interests in Group companies	9, 11	-	1,168
Income from financing activities	9, 11	572	5,283
Expenses from financing activities	9, 11	-3,301	-3,407
Profit/loss after financial items		**19,461**	**27,003**
Appropriations		6,601	-6,601
Tax on profit/loss for the year	10, 23	-5,943	-4,356
Profit/loss for the year		**20,118**	**16,046**

The Parent Company has no items to report under Other comprehensive income, hence this is not reported.

Statement of financial position – Parent

KSEK	Note	31/12/2018	31/12/2017
ASSETS			
Non-current assets			
Intangible assets	14		
Capitalised expenditure		3,514	1,639
Goodwill		-	108
Customer contracts		8,684	13,106
Total intangible non-current assets		**12,198**	**14,852**
Property, plant and equipment	15		
Other equipment		1,185	967
Total property, plant and equipment		**1,185**	**967**
Financial assets			
Shares in subsidiaries	16	275,586	257,137
Interest-bearing loans to group companies	16	-	67,167
Other non-current receivables	6, 16	4,708	-
Total non-current financial assets		**280,294**	**324,304**
Total non-current assets		**293,677**	**340,123**
Current assets			
Current receivables			
Interest-bearing loans to group companies	16	44,087	11,376
Trade and other receivables	18	21,858	21,551
Loans to group companies		13,389	25,239
Other receivables		613	72
Accruals and prepaid income	19	14,744	21,201
Total current receivables		**94,690**	**79,439**
Cash and cash equivalents	20	64,116	65,908
Total non-current assets		**158,806**	**145,347**
TOTAL ASSETS		**452,482**	**485,470**

KSEK	Note	31/12/2018	31/12/2017
EQUITY			
Restricted equity			
Share capital	21	5,289	5,187
Other contributed capital		17,691	17,691
Total restricted equity		**22,979**	**22,878**
Non-restricted equity			
Distributable reserves		176,620	163,582
Retained earnings		22,109	32,000
Profit/loss for the year		20,118	16,046
Total non-restricted equity		**218,847**	**211,628**
Total equity		**241,827**	**234,505**
Untaxed reserves			
Tax allocation reserves		-	6,601
Total untaxed reserves		**-**	**6,601**
LIABILITIES			
Non-current liabilities			
Borrowing from credit institutions	22	-	74,828
Total non-current liabilities		**-**	**74,828**
Current liabilities			
Borrowing from credit institutions	22	76,883	16,625
Trade and other payables		19,502	14,613
Tax liability		6,228	4,923
Liabilities to group companies		16,291	43,788
Other liabilities	24	2,533	13,628
Accrued expenses and deferred income	25	89,218	75,958
Total current liabilities		**210,655**	**169,536**
Total liabilities		**210,655**	**250,965**
TOTAL EQUITY AND LIABILITIES		**452,482**	**485,470**

Statement of changes in equity – Parent

		Restricted equity		Non-restricted equity		
KSEK	Note	Share capital	Other contributed capital	Distributable reserves	Other non-restricted equity	Total equity
Equity on 1 January 2017		**5,127**	**17,691**	**162,682**	**47,382**	**232,882**
Comprehensive income						
Profit/loss for the year		-	-	-	16,046	16,046
Total comprehensive income		**-**	**-**	**-**	**16,046**	**16,046**
Transactions with shareholders						
Dividends	12	-	-	-	-15,382	-15,382
New warrant issue	21	60	-	3,782	-	3,842
Warrant buy-back	21	-	-	-3,282	-	-3,282
Paid-in premiums for staff share option programme	21	-	-	400	-	400
Total transactions with shareholders		**60**	**-**	**900**	**-15,382**	**-14,422**
Equity on 31 December 2017		**5,187**	**17,691**	**163,582**	**48,046**	**234,505**
Equity on 1 January 2018		**5,187**	**17,691**	**163,582**	**48,046**	**234,505**
Comprehensive income						
Profit/loss for the year		-	-	-	20,118	20,118
Total comprehensive income		**-**	**-**	**-**	**20,118**	**20,118**
Transactions with shareholders						
Dividends	12	-	-	-	-25,937	-25,937
In kind share issue	21	70	-	10,630	-	10,700
New warrant issue	21	31	-	2,970	-	3,001
Warrant buy-back	21	-	-	-916	-	-916
Paid-in premiums for staff share option programme	21	-	-	355	-	355
Total transactions with shareholders		**101**	**-**	**13,038**	**-25,937**	**-12,797**
Equity on 31 December 2018		**5,289**	**17,691**	**176,620**	**42,227**	**241,827**

Cash flow statement

		Group		Parent Company	
KSEK	**Note**	**2018**	**2017**	**2018**	**2017**
Cash flow from operating activities					
Operating profit/loss		53,214	37,674	22,190	23,958
Items not affecting cash flows					
– Depreciation		46,518	48,481	6,029	6,246
– Other items		117	-1,156	-482	284
Other items affecting liquidity					
Profit from participating interests in Group companies		-	-	-	1,168
Interest revenue		68	271	572	4,363
Interest expense		-2,882	-4,054	-2,819	-2,548
Income tax paid		-6,389	-5,880	-4,639	649
Cash flow from operating activities before changes in working capital		**90,646**	**75,336**	**20,850**	**34,119**
Increase (-)/decrease (+) in work in progress		8,309	1,398	-	-
Increase (-) / decrease (+) trade receivables		5,612	-3,486	-87	8,074
Increase (-) / decrease (+) other current receivables		4,406	-7,678	11,707	-10,917
Increase (+) / decrease (-) trade payables		2,267	8,987	6,353	6,165
Increase (+) / decrease (-) non-current liabilities		10,119	20,584	-5,663	620
Cash flow from changes in working capital		**30,714**	**19,804**	**12,310**	**3,942**
Cash flow from operating activities		**121,360**	**95,140**	**33,161**	**38,061**
Cash flow from investing activities					
Investment in intangible non-current assets	14	-37,084	-37,881	-2,813	-674
Investment in property, plant, and equipment	15	-3,049	-2,147	-780	-371
Investment in financial assets	16	-464	-1,235	6,707	12,277
Cash flow from investing activities		**-40,597**	**-41,263**	**3,114**	**11,232**
Cash flow from financing activities					
New share issue	21	3,001	3,842	3,001	3,842
Issue of warrants	21	355	400	355	400
Warrant buy-back		-916	-3,282	-916	-3,282
Repayment of loans	22	-16,637	-17,275	-14,570	-14,332
Dividend paid	13	-25,937	-16,014	-25,937	-15,382
Cash flow from financing activities		**-40,134**	**-32,329**	**-38,067**	**-28,753**
Cash flow for the year		**40,629**	**21,549**	**-1,792**	**20,539**
Currency translation differences for cash and cash equivalents		490	224	-	-
Cash and cash equivalents at start of year		82,663	60,890	65,908	45,369
Cash and cash equivalents at year-end	20	**123,782**	**82,663**	**64,116**	**65,908**

Notes

All amounts in these notes are stated in SEK thousands (KSEK) unless otherwise specified. The closing date is 31 December 2018.

NOTE 1 GENERAL INFORMATION

Formpipe Software AB (Parent Company) and its subsidiaries (jointly, the Group) sell software and consulting services used to capture, manage and distribute information.

The Group has offices in Sweden, Denmark, the Netherlands, Germany, the UK and the USA and primarily sells its products in Sweden and Denmark.

The Parent is a Limited Liability company registered and domiciled in Sweden. The Company address is Formpipe Software AB (publ), Box 231 31, SE-104 35 Stockholm. The visiting address is Sveavägen 168, Stockholm.

The Parent is listed on the Nasdaq Stockholm Stock Exchange.

On 2 April 2019, the Board of Directors approved the consolidated financial statements for publication on 4 April 2019.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The significant accounting policies used in preparing these Consolidated and Parent financial statements are stated below. These policies have been consistently applied for all represented years, unless otherwise stated.

BASIS FOR PREPARING THE REPORTS

The consolidated annual report for the Formpipe Group was prepared in compliance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation Supplementary Accounting Rules for Groups (RFR 1), as well as International Financial Reporting Standards (IFRS) and the IFRC interpretations as adopted by the EU. The consolidated financial reports were prepared using the cost method except for financial assets valued at fair value through profit and loss.

The Parent's financial statements were prepared in compliance with the Swedish Annual Accounts Act and RFR 2. The accounting policies in the Parent are considered to follow the Group's except the parts below. No other differences between the consolidated and Parent accounting policies are considered to be material.

- In the acquisition of subsidiaries, value arises in the Parent in the form of shares in subsidiaries at the value of the purchase consideration and no goodwill thereby arises in the Parent in connection with the acquisition of subsidiaries. The value of the shares in subsidiaries is a difference from the consolidated financial statements as they are eliminated in the consolidated statement of financial position. Acquisition expenses are booked to the balance in the Parent, but expensed in the Group.
- The goodwill that may arise in the Parent statement of financial position is not attributable to acquisition of shares in subsidiaries, but arises in case of acquisitions of assets and liabilities and mergers of subsidiaries, so called goodwill from net asset acquisition and merger good will. All merger goodwill or other asset-acquisition goodwill that arose internally in the Group is eliminated in the Group's consolidation and thereby does not affect consolidated goodwill in the statement of financial position.
- Goodwill in the Parent is considered to have a limited economic useful life and is subject to amortisation over the Parent's income statement. Consolidated goodwill is not subject to amortisation.

Preparation of financial statements in accordance with IFRS requires using several significant accounting estimates. Management is also required to make certain judgements when applying the Group accounting policies. Information about the areas that are complex or involve a high proportion of assumptions and estimates, or areas where accounting estimates are of key significance to the consolidated financial statements are stated in Note 4.

New or amended standards applied by the Group

On 1 January 2018, the Group began to apply the following new accounting standards and amendments.

- IFRS 9 "Financial Instruments" regulates the classification, measurement and recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. IFRS 9 replaces parts of IAS 39 that handle classification and valuation of financial instruments. There will be three measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

  How an instrument is to be classified depends on the Company's business model and the characteristics of the instrument. Investments in debt instruments are measured at amortised cost if: a) the business model is to obtain contractual cash flows and b) the contractual cash flows only consist of interest and repayments. All other debt and equity instruments, including investments in complex instruments, are to be recognised at fair value.

  All fair value changes in financial assets are recognised through profit and loss, except for investments in equity instruments not held for trading and for debt instruments that are only capital amounts and interest, but have a business model to sell and collect contractual cash flows, for which there is an alternative to recognise fair value changes through other comprehensive income. No reclassification to the income statement will then take place upon divestment of the instrument. For financial liabilities measured at fair value, companies shall recognise the part of the value change that is due to changes in the Company's own credit risk in other comprehensive income.

  IFRS 9 also introduces a new model for the calculation of the credit loss provision, which is based on expected credit losses. The new model for impairments contains a three-step model that is based on changes in the credit quality of the financial assets. The different steps govern how a company values and recognises impairments and how they are to apply the effective interest method. For financial assets without a significant financing component, such as regular trade receivables and leasing receivables, there are simplification rules that mean that the Company can recognise a provision for the entire receivable's duration directly and does not thereby need to capture when a significant impairment of the credit worthiness has occurred.

  The part of the introduction of IFRS 9 that the Group has deemed to be the most material and that may affect the Group is the new model for the calculation of credit loss provisions regarding expected credit losses attributable to trade receivables. The Group has evaluated the effects of IFRS 9 and concluded that the standard has no material impact. The Group has the business model for its financial assets to collect contractual cash flows that are only comprised of capital amounts and interest. The Group's financial assets are thereby classified and recognised at amortised cost, which is no difference from IAS 39 even if there are new names for the categories.

  The new impairment rules have not affected the Group materially. An evaluation has been done of historical losses and prospective

NOTE 2 Summary of significant accounting policies, cont.

information where the Group deemed that a provision calculated in accordance with IFRS 9 does not have any material impact, whereby no adjustment of the provision for bad debt losses have been recognised in the transition to IFRS 9.

- IFRS 15 "Revenue from Contracts with Customers" regulates how recognition of revenue shall be done and is the new standard for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts, as well as SIC and IFRIC associated therewith. The principles on which IFRS 15 is based must provide users of financial statements with more useful information on Company revenues. The extended disclosure obligation means that information must be submitted on revenue type, time, for regulation, uncertainties linked with revenue reporting and cash flow attributable to the Company's customer contracts. According to IFRS 15, a revenue should be recognised when the customer gains control over the sold good or service and has the opportunity to use and receive benefit from the good or service, which differs from before when revenues were to be recognised when significant risks and benefits were transferred to the customer.

  The model for the Group's assessment of the effects followed the basic principle in IFRS 15 where revenue recognition shall occur in the manner that best reflects the transfer of the promised service to the customer. In its assessment, the Group gets help from the standard's five-step model where a revenue shall be recognised in the manner that best reflects the transfer of the promised good or service to the customer:

  Step 1: identify the contract with the customer
  Step 2: identify the various performance commitments in the contract
  Step 3: determine the transaction price
  Step 4: allocate the transaction price to the performance commitments
  Step 5: recognise revenue once the performance commitment is fulfilled

  The Group's contracts with customers can look different today, depending on the circumstances of the counterparty, but where all of the Group's contracts are divided into components where the following can be included in a contract with the customer and how these classes of revenue today and historically have been reported. The various revenue classes are assessed separately.

  1. Licences – Revenue recognition at on specific time
  2. Software as a service – Revenue recognition over time
  3. Support and maintenance – Revenue recognition over time
  4. Implementation – Revenue recognition after time spent

  The effect the Formpipe Group has noted after the evaluation work that will affect the Group's revenue recognition is mainly future agreements with customers. Formpipe sees that customers will increasingly strive for a different invoicing model in relation to the agreements and the actual transfer of control. Upon such deviations, revenue recognition is adjusted from the invoicing model to meet the principles of IFRS 15. It will also place new requirements on the Group's agreement management, processes and controls, as well as compensation and bonuses attributable to agreement that will deviate from the invoicing model.

  The Group has not noted any transition effects on any comparative figures in the transition to IFRS 15.

New standards, or amended or changed interpretations of current standards where the change has not come into force are not applied in advance by the Group.
A number of new standards and interpretations will come into force for financial years commencing after 1 January 2019 and have not been applied at the time of the compilation of this financial statement. None of these is expected to have any significant impact on the Group's financial statements, with the exception of the one specified below:

- IFRS 16 "Leasing" replaces IAS 17 "Leases" and its related interpretations. The new standard is applied as of 1 January 2019. The new standard removes the classification of leases as operating or finance, for the lessee, as required in IAS 17, and instead introduces an individual model for recognition.

  According to the new model, all leases result in the lessee receiving a right to use (ROU) an asset during the assessed leasing period and, if payments are made over time, also receives financing. Formpipe's long-term operating leases will be recognised as fixed assets and financial liabilities in the consolidated balance sheet. Instead of operating leases, Formpipe will recognise depreciation and interest expenses in the consolidated income statement. Formpipe has identified leases primarily attributable to office premises.

  Formpipe will apply the new standard by using the modified retroactive transition method, which means that the comparative figures will not be restated. The accumulated effect of applying IFRS 16 will be recognised on 1 January 2019. The leasing liabilities attributable to leases previously classified as operating leases under IAS 17 will be measured at the present value of the remaining leasing payments, discounted by using the marginal loan rate as of 1 January 2019. Formpipe will recognise an ROU at an amount that corresponds to the leasing liability, adjusted for the amount for any prepaid or accrued payments attributable to the lease, recognised as at 31 December 2018. Accordingly, the transition to IFRS 16 will not have any material impact on Group equity. Formpipe will apply the practical exceptions to recognise payments attributable to short-term leases and leases for low-value assets as an expense in the income statement. Non-leasing components will be expensed and not recognised as a part of the ROU or leasing liability. The transition to IFRS 16 will have the following effects on the consolidated balance sheet at the transition date, 1 January 2019, and are described further in Note 26.

Financial leasing asset:	MSEK 34.6
Financial leasing liability:	MSEK 33.1
Prepaid leasing	MSEK 1.7

  No other IFRS or IFRIC interpretations that are not in force are expected to have any significant impact on the Group's financial reporting.

CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries
Subsidiaries are all of the companies (including companies for special purposes) where the Group is entitled to govern financial and operational strategies in a manner usually pursuant to shareholdings amounting to more than half of the voting rights. The occurrence and effect of potential voting rights that are currently possible to utilise or convert are observed in the assessment of whether the Group exercises control over another company. The Group also assesses if controlling influence exists although it does not have shareholdings amounting to more than half of the voting rights, but nonetheless has the possibility to control financial and operating strategies through de facto control. De facto control can arise under circumstances where the share of the Group's voting rights in relation to the size and spread of other shareholders' voting rights give the Group the possibility to control financial and operating strategies, etc. Subsidiaries are consolidated in the financial statements on the date control is transferred to the Group. They are de-consolidated on the date that control ceases.

Business combinations for the Group are accounted for using the acquisition method. The cost of an acquisition comprises the fair value of assets transferred, the liabilities the Group incurred or assumed in regard to the previous owners, and equity instruments issued at the transfer date. The purchase price also includes the fair value of all assets or liabilities that result from any agreement for contingent consideration. Identifiable acquired assets and assumed liabilities and contingent liabilities in a business combination are measured initially at their transfer-date fair value. For each business combination, the Group determines whether non-con-

NOTE 2 Summary of significant accounting policies, cont.

trolling interests in the acquired business are reported at fair value or at the proportionate share of the carrying amount of the identifiable net assets in the acquired business. Profit/loss from subsidiaries acquired or divested during the year is included in the consolidated income statement as of the date of acquisition or until the date of divestment. This date is the day that the Group receives or loses control over a subsidiary.

Non-controlling interests in the subsidiaries' earnings and equity are recognised separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet.

Transaction expenses attributable to the acquisition are recognised as incurred.

When the business combination is taken in more than one step, the previous equity stakes in the acquired business are remeasured at their fair value at the transfer date. Any profit or loss is reported in the income statement.

Every contingent consideration to be transferred by the Group is recorded at fair value at the transfer date. Subsequent changes to the fair value of contingent consideration that was classified as an asset or liability is accounted for in accordance with IAS 39 in either the income statement or other comprehensive income. Contingent consideration classified as equity is not revalued and subsequent settlement is recognised in equity.

Goodwill is initially recognised as the amount whereby the total cost and fair value of the holding without control exceeds the fair value of the net identifiable assets of the acquired assets and assumed liabilities. If the cost is lower that the fair value of the net identifiable assets of the business, the difference is recognised immediately in the income statement.

Intra-group transactions, and balances, and gains or costs on intra-group transactions are eliminated. Profit or loss arising from intra-group transactions and that are recorded as assets are also eliminated. The accounting policies of subsidiaries have been amended, when necessary, to ensure consistent application of Group policies.

Group contributions from the Parent to subsidiaries are recognised as an increase in the holding in the subsidiary, while at that time an assessment is made as to whether there is objective evidence that the shares may be impaired. Group contributions received by the Parent are recognised using the same policies as regular dividends from subsidiaries, as financial income.

Foreign currency translation

Functional and presentation currency

Items in the individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in Swedish kronor (SEK), which is the Parent's functional and presentation currency.

Transactions and balance items

Foreign currency transactions are translated into the functional currency according to the exchange rates prevailing on the date of the transaction or the date on which the items are revalued. Exchange gains and losses arising from the settlement of these transactions, and when translating foreign currency monetary assets and liabilities at the closing rate on the statement of financial position date are recognised in the income statement.

Currency exchange rate gains and losses attributable to loans and cash and cash equivalents are reported in the income statement as financial revenues or expenses.

Translation differences for non-monetary financial assets and liabilities are recognised at fair value of profit or loss.

Group entities

The results and financial position of all Group entities that have a different functional currency than the Group's presentation currency are translated into the Group's presentation currency as follows:

a) Assets and liabilities in each of the statements of financial position are translated at the closing rate,
b) Income and expenses for each income statement are translated at the average rate (to the extent the average rate is not a reasonable approximation of the accumulated effect of the applicable rates on the transaction date, in which case income and expenses are translated at the transaction date rate), and
c) All exchange rate differences that arise are recognised in Other comprehensive income.

In consolidation, exchange rate differences arising due to translation of net investment in foreign operations are recorded as Other comprehensive income. When disposing the foreign operation, wholly or in part, exchange rate differences recognised as Other comprehensive income are recorded in the income statement and recognised as part of the capital gain or loss.

Goodwill and changes to fair value that arise in acquisition of a foreign business are treated as assets and liabilities of the operations and translated on the statement of financial position date.

Note 10 presents the exchange rates used in the Group's consolidation for the financial year and for the comparison year.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method.

REVENUE

A revenue is recognised when the customer receives control of the sold good or service, a principle that replaces the earlier principle that revenues are recognised when risks and benefits have been transferred to the buyer. The basic principle in IFRS 15 is that the Group recognises revenue in the way that best reflects the transfer of control of the promised good or service to the customer. This recognition in the Group takes place with the aid of a five-step model applied to all customer contracts.

- Identify the contract with the customer
- Identify the various performance commitments in the contract
- Determine the transaction price
- Allocate the transaction price to the performance commitments
- Recognise revenue once the performance commitment is fulfilled

Using the above five-step model, the Group's contracts with customers can contain various performance obligations that are identified as Licences, SaaS (Software as a Service), Support and maintenance agreements and consultancy services. A revenue can be recognised only when the control over the sold good or service can be considered to have been transferred to the customer for the respective type of revenue class/performance obligation.

Revenues include the fair value of the consideration received or receivable for sold goods and services in the Group's ongoing operations. Revenues are recognised excluding VAT, returns, discounts and after eliminations for internal Group transactions.

The accounting principles that the Group applies to these performance obligations are presented below.

Sales of licences

The Group develops and sells software. Sales of licence rights are recognised as revenue upon completed delivery according to agreement and once the customer has obtained control over the purchased licences and that no substantial obligations remain after the delivery date. If a licence is sold and the invoicing model deviates from when the customer obtained control over the licences delivered, the Group reserves a licence revenue and a receive that is dissolved against the invoicing during the agreement's duration. In such cases, the Group makes an assessment whether there is a material financing component that must be recognised in the balance sheet and if there is an interest component that must be recognised under financial items instead of as a regular revenue. The transaction price is thereby adjusted for the effects of a significant financ-

NOTE 2 Summary of significant accounting policies, cont.

ing component. The receivable that is on the balance sheet is divided up into a long-term component and a short-term component based on the time frame financed towards the customer when the invoicing model differs from the revenue recognition.

Sales of Software as a service (SaaS)

The Group sells software as a service by taking care of the operation of software as cloud-based services. The software is then not installed on the customer's own servers, but rather on servers the Formpipe Group manages the operations from. This service, which includes licence, support & maintenance and operation, is continuously received by the customer during the period of the agreement and it is recognised as revenue on a straight-line basis over the contract period as the control is transferred to the customer continuously during the period of the agreement. These services are normally invoiced between three to 12 months in advance of which the Group's remaining obligations re recognised in the balance sheet as a prepaid income under other current liabilities.

Sales of Support and maintenance agreements

The Group sells Support and maintenance agreements for the software. Such agreements are signed in connection with the sale of licences or SaaS (Software as a Service). Revenues from Support and maintenance agreements are invoiced in advance and recognised as revenue on a straight-line basis over the contract period as the control is transferred to the customer continuously during the period of the agreement. These services are normally invoiced between three to 12 months in advance of which the Group's remaining obligations re recognised in the balance sheet as a prepaid income under other current liabilities.

Sale of services

The Group sells consulting and training services that are provided on open account or fixed price agreements. Revenues for on-account agreements are recognised at the agreed rates as the agreed hours are delivered.

Sales revenues from fixed price agreements regarding services are recognised using the completion method. The completion method means that revenues are recognised based on the proportion of services that have been performed compared to the total services to be performed (percentage completion). Sales revenues from fixed price agreements for services are normally recognised in the period the services are delivered, on a straight-line basis over the agreement period.

When circumstances arise that can change the original estimated revenues, expenditures or completion percentage, these estimations are retested. Retesting can result in the increase or decrease of estimated revenues or expenditures, and will impact revenues for the period when company managers became aware of the circumstances causing the change.

Contract assets, receivables and contract liabilities

Formpipe Software distinguishes between asset classes and receivables based on whether or not the right to compensation is conditional on anything other than the time value of money. Contract assets are primarily attributable to transactions where Formpipe Software fulfils a performance obligation to transfer a licence, which is a part of the packaged offering to the customer, but the right to payment for the licence is dependent on Formpipe Software fulfilling other performance obligations in the agreement, such as support and maintenance. Contract assets are transferred to receivables when the right becomes unconditional, meaning when only the time value of money is required before compensation falls due for payment.

Contract liabilities relate to advance payments received from customers.

The Group offers certain agreements where customers can purchase licences including one year of service. For such multiple element agreements, the revenue recognised from the sale of the licence is the amount of the fair value of the licence element in relation to the fair value of the whole agreement. Revenues from the service portion, corresponding to the service element in relation to the fair value of the sales agreement, are allocated over the period of service. Fair value for each element is measured based on market prices of these elements when sold separately.

Interest income

Finance income is recognised as revenue allocated over the term using the effective interest method.

Current and deferred income tax

The tax expense for the period comprises current tax calculated on the period's tax profit according to current tax rates. The current tax expense is adjusted with changes in deferred tax assets and liabilities related to temporary differences and unutilised tax loss carryforwards.

Tax cost is calculated based on the applicable tax rates enacted or substantively enacted by the statement of financial position date and in the countries where the Parent's subsidiaries operate and generate taxable income. Management regularly assesses the claims made in tax returns regarding circumstances where applicable tax regulations are subject to interpretation and makes provisions for amounts that will likely be paid to tax authorities, when deemed appropriate.

Deferred tax is recognised fully, using the statement of financial position liability method for all temporary differences that arise between the taxable amount of assets and liabilities and their recognised amounts in the consolidated financial statements. However, deferred tax is not recognised when it arises from a transaction that is the first reporting of an asset or liability that is not a business combination and which, at the transaction date does not affect reported or taxable income. Deferred income tax is calculated by applying the tax rates (and regulations) that are enacted as of the statement of financial position date and are expected to apply when the affected deferred tax asset is sold or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent it is probable that anticipated future income will be available against which the temporary differences can be utilised.

Deferred tax is calculated on the temporary differences that arise in shares of subsidiaries and related companies, except when the date for settling the temporary difference can be controlled by the Group and it is probable that the temporary differences will not be reversed in the foreseeable future.

INTANGIBLE ASSETS

Goodwill

Goodwill is the amount by which the cost exceeds the acquisition date fair value of the Group's share of the acquired subsidiary's net identifiable assets. Goodwill on acquisitions of subsidiaries is reported under intangible assets. Goodwill that is recognised separately is tests annually or more often if events or changed circumstances indicate a possible loss in value, to identify possible impairment requirements. Goodwill is recognised at cost less accumulated impairment losses. Goodwill impairment is not reversed. Gain or loss arising from disposal of the unit include the remaining carrying amount of the goodwill related to that unit.

In impairment testing, goodwill acquired in a business combination is allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill has been allocated corresponds to the lowest level in the Group at which the goodwill in question is monitored for internal management, which for the Formpipe Group is the operating segment level.

Customer relations

Acquired customer relationships are recognised at cost. Customer relationships have a determinable useful life and are recognised at cost less accumulated depreciation and impairment loss. Depreciation is linear in order to allocate the cost of customer relationships over their estimated useful life (5 years).

NOTE 2 Summary of significant accounting policies, cont.

Technology
Acquired technology is recognised at cost. Technology has a determinable useful life and is recognised at cost less accumulated depreciation and impairment loss. Depreciation is linear in order to allocate the cost of technology over its estimated useful life (3 years).

Brand names
Acquired brand names are recognised at cost. Acquired brand names have a determinable useful life and are recognised at cost less accumulated depreciation and impairment loss. Depreciation is linear in order to allocate the cost of brand names over their estimated useful life (3 years).

Patents
Acquired patents are recognised at cost. Patents have a determinable useful life and are recognised at cost less accumulated depreciation and impairment loss. Depreciation is linear in order to allocate the cost of patents over their estimated useful life (3–5 years).

Proprietary software
Costs for maintaining software are recognised when they arise. Development costs that are directly attributable to development and testing of identifiable and unique software products under the Group's control, are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so it is available for use,
- the Company intends to complete the software and to use or sell it,
- conditions are present to use or sell the software,
- it can be demonstrated how the software will generate probable future economic benefits,
- adequate technological, financial, and other resources are available to complete
- development and to use or sell the software, and
- the expenses directly attributable to the software during its development can be measured reliably

Directly attributable expenses that are capitalised as part of the software include staff costs and an reasonable proportion of indirect cost.

Other development costs that do not meet these criteria are charged as they arise.

Previously recognised development costs are not reported as an asset in subsequent periods.

Development costs for software recognised as an asset are depreciated over its estimated useful life (3–7 years).

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment is recognised at cost less depreciation. The cost comprises expenses that are directly or indirectly attributable to acquisition of the asset.

Additional expenses are added to the asset's carrying amount or recognised as a separate asset, depending on the most appropriate, only when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount for the replaced part is derecognised in the statement of financial position. All other forms of repair and maintenance are recognised as expenses in the income statement in the period in which they arise.

Depreciation of assets is linear in order to allocate their cost or revalued amount to their estimated residual value for their useful life, as follows:

– Computer equipment	3 years
– Other equipment	3-5 years

The residual values and useful life of all assets are tested annually on the statement of financial position date and adjusted as necessary.

Impairment loss is recognised immediately for assets when their carrying amount exceeds the recoverable amount for the asset where the loss equals the difference in amounts.

Gain or loss arising on disposal is the difference between the selling income and the asset's carrying amount, and is recognised as other income/expense – net in the income statement.

IMPAIRMENT OF NON-FINANCIAL ASSETS
Goodwill and intangible assets that have an indefinite useful life or intangible assets that are not ready for use are not amortised, but rather impairment tested annually or upon an indication of a value decrease. Assets that are subject to depreciation are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The impairment made corresponds to the amount by which the book value of the asset exceeds its recovery value. The recoverable amount is the higher of the asset's fair value less selling cost or its value in use. For impairment testing, assets are grouped at the lowest levels at which there are separate identifiable cash flows (cash generating units). All assets, except financial assets and goodwill, that have been previously impaired are tested annually on the statement of financial position date to determine if they should be reversed.

FINANCIAL ASSETS AND LIABILITIES
The Group classifies its financial assets and liabilities into the following categories: financial assets at fair value through profit or loss; financial assets and liabilities measured at amortised cost. The classification of financial assets is governed by the business model to collect the contractual cash flows and whether or not the contractual cash flows are only comprised of capital amounts and interest. Financial liabilities are classified as and recognised at amortised cost unless they are derivatives. Derivatives are recognised at fair value with real value changes recognised in profit or loss.

(a) Financial assets and liabilities measured at amortised cost
Financial assets measured at amortised cost are held in a business model where the financial assets are held to collect contractual cash flows. There are no sales of receivables and receivables are not evaluated on a fair value basis. The contractual cash flows are only comprised of capital amounts and interest. They comprise Trade receivables, Other receivables and Cash and cash equivalents included in current assets unless the item has a settlement date more than 12 months after the statement of financial position date, in which case they are classified as non-current assets. Financial liabilities measured at amortised cost comprise Borrowings and Trade payables in the balance sheet where cost is its fair value at acquisition date. Borrowings correspond to the amount received less any transaction costs.

Financial assets and liabilities measured at amortised cost are recognised after the acquisition date at amortised cost applying the effective interest method.

(b) Financial assets and liabilities measured at fair value through profit and loss
Financial assets measured at fair value through profit or loss are either derivatives, equity instruments not designed to be recognised at fair value through other comprehensive income or debt instruments not held in a business model consisting of collecting contractual cash flows or to both collect contractual cash flows and sell the financial assets, such as debt instruments whose contractual cash flows are not only comprised of capital amounts and interest. Financial liabilities in this category are derivatives. Assets and liabilities in this category are classified as current assets or current liabilities unless the item has a settlement date more than 12 months after the statement of financial position date, in which case they are classified as non-current assets or non-current liabilities. The items, as reported in the consolidated statement of financial position, include derivative instruments that do not meet the criteria for hedge accounting and liabilities in foreign currencies to other than a financial institution.

NOTE 2 Summary of significant accounting policies, cont.

Financial assets and liabilities measured at fair value through profit and loss are recognised after the acquisition date at fair value.

Purchases and sales of financial assets and liabilities are recognised on the trade date; that is, the date the Group commits itself to purchase or sell the asset. Financial instruments are measured initially at fair value plus transaction costs, which applies to all financial assets and liabilities that are not recognised through fair value through profit and loss. Financial assets and liabilities measured at fair value through profit and loss are initially recognised at fair value, while attributable transaction costs are recognised in the income statement. Financial assets and liabilities are derecognised in the statement of financial position when the right to receive or the obligation to pay cash flows from the instrument has expired or been transferred and the Group has transferred substantially all the risks and rewards associated with ownership or obligation.

Gain or loss due to changes in fair value for the category of financial assets and liabilities measured at fair value through profit and loss, are reported in the income statement in the period when the arise and are included in the Financial income and expenses – net.

If the market for a financial assets is not active, the Group determines the fair value through application of measurement techniques such as using information from recently completed arm's length transactions, using the fair value of a different financial instrument that is materially similar, assessment of the discounted cash flow, or derivative valuation models. Market information is used for this to the greatest extent possible, and company specific information is used the least extent possible.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially reported at fair value and thereafter at amortised cost applying the effective interest method less provision impairment. The carrying amount, after any impairments, for trade receivables is presumed to correspond to their fair value, since these items are current in their nature.

For trade receivables, the Group applies the simplified impairment model and recognises expected bad debt losses for the remaining duration. The assessment is based on there being significant financial difficulties at the debtor, the likelihood the debtor will enter bankruptcy or financial reconstruction, late or non-payment, payment history and assumptions about prospective information. Changes in the provision for expected bad debt losses are recognised as Selling expenses. When the trade receivable is deemed non-collectable, it is written off against the provision account for trade receivables. Recovery of any amount previously written off is added to sales expenses in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances, and other short-term investments with original maturity of three months or less from the acquisition date. Utilised overdraft facilities are reported as borrowings under current liabilities in the statement of financial position.

SHARE CAPITAL

Common shares are classified as equity.

Transaction expenses directly attributable to the new share issue or warrants are recorded, net of tax, in equity as a deduction from the issue proceeds.

TRADE PAYABLES AND OTHER LIABILITIES

Trade and other payables are initially reported at fair value and thereafter at amortised cost applying the effective interest method. The amounts are not hedged and most often paid within 30 days. Trade payables and other liabilities are classified as current liabilities if they are due for payment within one year or less. If not, they are taken up as non-current liabilities. The carrying amount for trade payables and other liabilities is presumed to correspond to their fair value, since these items are current by nature.

BORROWINGS

Borrowing is initially recognised at fair value, net after transaction costs. They are subsequently recognised at amortised cost and any differences between the amount received (net transaction costs) and the repayment amount is recognised in the income statement over the borrowing period using the effective interest method.

Fair value for the debt portion of convertible debentures is measured using market rates for an equivalent non-convertible debenture. This amount is reported as a liability at amortised cost until the debt is extinguished through conversion or maturity The remaining portion of the received amount is attributable to the option. This is recognised as equity, net after tax.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

EMPLOYEE BENEFITS

Post-retirement obligations

The Group has defined contribution pension plans. Defined contribution retirement plans are those where the Group pays fixed fees to a separate legal entity. The Group has no legal or informal obligations to pay additional fees if this legal entity does not have sufficient resources to pay all the benefits to employees that are related to their service in the current or previous periods. The fees are recognised as staff expenses when due for payment. Prepaid fees are recognised as an asset to the extent that cash repayment or reduction of future payments can flow to the Group.

Warrant programme

The Group implements from time to time share-based compensation plans. A premium corresponding to the fair value of the options is paid by the employee on the grant date. Share option premium is recorded as Other paid-in capital. Payments received for the shares, after deducting any directly attributable transaction expenses, are added to share capital (par value) and Other paid-in capital when the options are exercised.

The consideration paid by the staff for all outstanding options is based on market prices determined using the Black-Scholes Pricing Model. No benefits or remuneration are paid to the staff, and therefore no staff expenses arise in the income statement in compliance with IFRS 2.

Benefits on termination of employment

Termination benefits are paid when the employee's employment is terminated before the normal retirement date or when the employee decides to accept voluntary redundancy in exchange for those benefits. The Group recognises severance pay when, and only when, it is demonstrably committed to either terminate the employment of the employee in accordance with a detailed formal plan for the termination and is without realistic possibility of withdrawal, or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Benefits that fall due more than 12 months after the statement of financial position date are discounted to present value.

Profit-sharing and bonuses

The Group recognises a liability and an expense for bonuses and profit-sharing plans based on a formula that includes the profit that is attributable to the Parent shareholder after adjustment. The Group recognises a provision when a legal or informal obligation based on prior practice arises.

PROVISIONS

Provisions for restructuring expenses and legal requirements are recognised when the Group when a legal or informal obligation based on previous events arises, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured. Provisions for restructuring include costs for terminating leasing agreements and termination benefits. No provisions are made for future operating losses.

NOTE 2 Summary of significant accounting policies, cont.

Provisions are discounted at present value of the expenditures expected to be required to settle the obligation. This uses a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the provision. The increase in the provision due to time passing is recognised as an interest expense.

LEASING

Operating leases are where the lessor retains substantially all the risks and advantages of ownership. Payments made during the lease period (after deducting any incentives provided by the lessor) are charged to the income statement on a straight-line basis over the lease period. The Group has entered only operating leases.

DIVIDENDS

Dividends to the Parent's shareholders are recognised as a liability in the Group financial reporting for the period for which the dividend is approved by these shareholders.

ITEMS AFFECTING COMPARABILITY

Items affecting comparability are recognised separately in the financial reporting when necessary in order to explain Group results. Items affecting comparability refer to material income or expense items that are recognised separately due to the significance of their nature or amounts when they are considered to fall outside the ordinary operations and are of a non-recurring nature and thereby impede the comparison of the Company's development in the financial reporting. In order for an item to be considered an item affecting comparability, it must be material relative to the line in the income statement that the item is recognised separately from. For additional information regarding these items, refer to Note 27.

NOTE 3 FINANCIAL RISK MANAGEMENT

FINANCIAL RISKS

The Group is exposed in its operations to many financial risks: market risk (currency risk, fair value interest risk, cash flow interest risk and price risk. The overall Group risk management policy concentrates on the unpredictability of the financial markets and strives to minimise potentially negative effects on the financial results of the Group. The Group may holds no derivative instruments to hedge risk exposures.

Risk management is done by a central finance unit following policies established by the Board of Directors. The Formpipe Software Finance Policy is approved by the Board for one year at a time. The Finance Policy sets the guidelines for managing financial risks within the Group. The Formpipe Software Finance Policy is designed to produce the highest possible returns on the Company's liquid assets, or the lowest possible borrowing costs when the Company has a net debt, while closely limiting and controlling risk levels and maintaining appropriate payment readiness in order to be able to meet all the Company payment obligations at all times.

The Group finance unit identifies, assesses and hedges financial risks in close co-operation with Group operating units. The Board establishes the written policies for both overall risk management and for specific considerations such as currency risk, credit risk, use of derivatives and non-derivative financial instruments, and investing excess liquidity.

(a) Market risk

(i) Currency risk

The Group operates internationally and is exposed to currency risks arising from various currency exposures, primarily in regard to DKK, but also in regard to GBP, EUR and USD. Currency risk arises through future business transactions, recognised assets and liabilities and net investments in foreign operations.

The Group risk management policy is to hedge known material future cash flows. The Group had no hedges through forward contracts or other hedges at the end of the 2017 financial year or at the end of the 2018 financial year.

The Group holds foreign operations whose net assets are exposed to currency risk. Currency exposure arises when the net assets in Group foreign operations are primarily managed through borrowing in the specific foreign currencies.

If the SEK had been weakened/strengthened by 10 per cent relative to the reporting currencies in the Group's foreign subsidiaries, with all other variables constant, the profit for the year and equity for the Group for 2018 and 2017 would have been affected as per the table below.

	2018		2017	
KSEK	Profit/loss for the year	Equity	Profit/loss for the year	Equity
SEK strengthened by 10%	-1,878	-28,535	554	-27,034
SEK weakened by 10%	1,878	28,535	-554	24,956

(ii) Price risk

The Group holds no investments in shares and therefore has no exposure to price risk. The Group is not exposed to price risk for basic materials or commodities.

(iii) Interest rate risk regarding cash flows and fair value.

The Group holds no material interest-bearing assets, and therefore Group revenues and cash flows from ongoing operations are substantially independent of changes in market interest rates in relation to its assets.

Group interest rate risk arises through long-term borrowing. Borrowings that use variable interest rates expose the Group to interest rate risk in regard to cash flows. Borrowings that use fixed interest rates expose the Group to interest rate risk in regard to cash flows.

At year-end, interest-bearing borrowing totalled KSEK 23,632 (28,880) with a variable interest rate linked to STIBOR and KDKK 38,700 (47,300) with a variable interest rate linked to CIBOR. A change of 10 bps in the underlying reference interest rate would have changed profit for the year and equity by plus or minus KSEK 85 (98).

(b) Credit risk

Credit risk is managed at Group level. Credit risk arises through cash and equivalents at banks or financial institutions or through credit exposure to customers including outstanding receivables and agreed transactions. If the customer credit rating is determined by an independent agency, these ratings are used. When no independent credit rating is available, a risk assessment is made of the customer's creditworthiness in which their financial position is considered as well as previous experience and other factors. Individual risk limits are established based on internal and external credit assessments in accordance with the limits established by the Board of Directors. Use of credit limits is monitored regularly.

Formpipe has significant sales to the public sectors in Sweden and Denmark, whereby the risk related to these trade receivables is nearly non-existent. The Group has a portion of sales to the private sector, mainly in Sweden and Denmark. However, these deals are smaller in size and greater in number, whereby the credit risk for these receivables is widely spread. Customer losses for the Group are negligible.

NOTE 3 Financial risk management, cont.

(c) Liquidity risk

Liquidity risk is managed by the Group maintaining sufficient levels of cash and equivalents and short-term investments on liquid markets, available financing through agreed credit facilities and the capability to close market positions.

Management also closely follows rolling forecasts of Group liquidity reserves on the basis of anticipated cash flows.

In the following table, the Group's financial liabilities are analysed according to the period which remains on the balance sheet date until the contractual maturity date. The amounts specified in the table are the agreed, non-discounted cash flows. The amounts due within 12 months agree with the recorded amounts, as discounting effects are negligible.

The bank loan's amounts in the table below relate to the values based on the closing day rate in 2018. The bank loan achieves a bullet time at 30 April 2019, which occurs in interval number one, where these bank loans are repaid in their entirety. As of the end of the 2017 financial year, the assumption was made that the bank loan as of the bullet time would be renegotiated and a new repayment time decided for the remainder of the bank loan.

The trade payables and other liabilities within the interval < 1 year in the table below falls due for payment in full within 2019.

The Company's net debt (interest-bearing liabilities less cash and cash equivalents) amounted to KSEK 46,719 (9,409) at year-end.

KSEK	< 1 yr	1-2 yrs	2-5 years	< 5 years
2018				
Bank borrowings	76,883	-	-	-
Trade payables and other liabilities	39,314	-	-	-
Total	**116,197**	**-**	**-**	**-**
2017				
Bank borrowings	16,625	16,625	49,872	8,331
Trade payables and other liabilities	48,220	-	-	-
Total	**64,845**	**16,625**	**49,872**	**8,331**

CAPITAL RISK MANAGEMENT

Capital is defined as total equity. The Group objective with regard to capital is to ensure its capability to continue operations long term, in order to generate returns to the shareholders and continued benefit to other stakeholders; and to maintain an optimal capital structure that minimises capital costs.

To maintain or change its capital structure, the Group can change dividends issued to the shareholders, return capital to the share holders, issue new shares or sell assets to reduce debt. The Board determines when to change the capital structure based on assessment of the maximum long-term return to the shareholders.

As the Group strategy is currently based to a certain extent on acquisition, Group debt levels will fluctuate significantly from year to year. Therefore, the Board and senior executives continually assess future payment obligations and decide based on a comprehensive assessment of how to administer Group assets.

ESTIMATING FAIR VALUE

The fair value of financial instruments traded on an active market (as with financial assets valued at fair value through profit and loss) are based on quoted market prices on the statement of financial position date. The quoted market prices used for Group financial assets is the bid price.

Financial instruments (Note 17) are measured according to classification in the fair value hierarchy as follows:

1. Quoted prices (unadjusted) on active markets for identical assets or liabilities.
2. Other observable inputs about the asset or liability than quoted prices in level 1, either directly (prices) or indirectly (derived from prices)
3. Inputs for the asset or liability that are not based on observable market date (unobservable inputs).

At year-end 2018 the Group held no (MSEK –) financial derivative instruments. The Group's financial instruments measured at fair value through profit or loss are included in hierarchy three.

The carrying amount, after any impairments, for trade receivables and trade payables is presumed to correspond to their fair value, since these items are current in their nature. Fair value of financial liabilities are measured, for informational purposes, by discounting future contractual cash flows at current market interest rates that are available to the Company for similar financial instruments.

NOTE 4 SIGNIFICANT ACCOUNTING ESTIMATES AND ESTIMATES FOR ACCOUNTING PURPOSES

Accounting estimates and judgements are regularly assessed and based on historical experience and other factors, including expectations about future events that are considered reasonable in the present circumstances.

The Group makes judgements and assumptions concerning the future. These result in accounting estimates, which, by definition, rarely correspond with actual outcome. The estimates and assumptions that involve a noteworthy risk of significant adjustments to the book values of assets and liabilities during the next financial year are discussed below.

IMPAIRMENT TESTING OF GOODWILL

The Group conducts annual impairment testing of goodwill. The recoverable amount for cash-generating units is measured by calculating value in use. Value in use is judged based on forecast future cash flows for each of the cash-generating units. Impairment testing involves assumptions about expected growth, gross margins and discount rates, as specified in Note 14.

CUSTOMER RELATIONSHIPS, TECHNOLOGY AND BRAND NAMES

The Group has made judgements about useful life for customer relationships, technology, and brand names as identified in the acquisition analyses, which affects recognised expenses for depreciation in the income statement and valuation of assets in the statement of financial position.

CAPITALISED EXPENDITURE

Development expenses are capitalised based on the policies described under 'Intangible Assets' in Note 2. The Group has made assessments regarding useful life, which affects recognised expenses for depreciation in the income statement and valuation of assets in the statement of financial position.

DEFERRED TAX ASSETS

Deferred tax assets are capitalised based on the policies described under 'Intangible Assets' in Note 2. The Group has made assessments regarding the extent to which it is probable that future taxable income will be available against which tax loss carryforwards can be utilised.

NOTE 4 Significant accounting estimates and estimates for accounting purposes, cont.

PERIOD-ALLOCATION OF REVENUES

Group revenues are linked to contracts where the underlying fair value of various kinds of revenues do not always agree with the contract formulation, which requires assessments. These cases can arise in connection with procurements where the procurement basis is formulated in such a way that the contract's designations and divisions differ from the fair value of the respective type of revenue. In these cases, the Group also goes through the agreements, pricing and delivery times and delivery acceptances. Thereafter, the fair value of the revenue type is assessed and the agreed price is distributed over the contractual period and recognised in revenue.

NOTE 5 SEGMENT INFORMATION

Operating segments are reported in compliance with the internal reporting structure as provided to the chief operating decision-maker for the entity. The chief operating decision-maker is the function responsible for allocation of resources and assessment of the operating segments' profit or loss. In the Group, this function is identified as the Group Chief Executive Officer.

The highest executive decision-maker assesses the operations based on geographic and industry perspectives, Sweden, Denmark and the Life Science business area. The segments have the same operations and business model, that is to develop and sell software and services with Enterprise Content Management – ECM. ECM is a comprehensive term describing the technologies, products and systems that capture, process, store, archive and deliver information in a systematic, controlled manner. The segments Sweden and Denmark have the same structure with regard to customers in public and private sectors, but differ geographically. The Life Science segment differs from the other segments as the operation exclusively works towards customers in the Life Science industry.

The operating segments are assessed based on net sales and income using the metric known as EBITDA. This metric is defined as operating income before depreciation, transaction related expenses, and other non-recurring items affecting comparison.

The Group's segments are divided according to what country the companies have their registered offices in and by which products are recognised as revenue. The segments are divided into Sweden, Denmark and Life Science. The Sweden segment consists of the Swedish companies and their products, the Denmark segment consists of the Danish companies and their subsidiaries that sell the Denmark segment's products. The Life Science segment is comprised of the Group's collective sales to Life Science with regard to the Group's products specifically developed for Life Science companies. Revenues attributable to Life Science are thereby recognised separately under its own segment and are not thereby included in the other segments' recognised revenue.

The table below presents how the Group's legal entities care divided in the segment reporting

		2018			2017		
Company name	**Domicile**	**Sweden**	**Denmark**	**Life Sciences**	**Sweden**	**Denmark**	**Life Sciences**
Formpipe Software AB	Sweden	x	x	x	x		x
Formpipe Software Intelligo AB	Sweden	x			x		
Formpipe Software Holding A/S	Denmark		x			x	
Formpipe Software A/S	Denmark		x			x	
Formpipe Software Lasernet A/S	Denmark		x			x	
Formpipe Lasernet Benelux BV	Netherlands		x			x	
Formpipe Lasernet Ltd.	England		x			x	
Formpipe Lasernet GMBH	Germany		x			x	
Formpipe Life Science Ltd	England			x			x
Formpipe Inc.	USA	x	x	x	x	x	x

INCOME STATEMENT BY SEGMENT

To clarify the effects of the divestment of the operations for customer-specific consulting services in Denmark as per 11 December 2015, revenues and expenses for these operations have been separately recognised in their own column below. The operations previously belonged to the segment Denmark. The specification for divested units includes only direct revenues and expenses.

2018	**Sweden**	**Denmark**	**Life Sciences**	**Eliminations**	**Group**
Sales, external	165,191	227,515	13,707	-	406,412
Sales, internal	6,323	1,362	3,469	-11,153	-
Total sales	**171,513**	**228,877**	**17,176**	**-11,153**	**406,412**
Expenses, external	-116,789	-178,045	-11,847	-	-306,681
Expenses, internal	-4,324	-3,433	-3,396	11,153	-
Total expenses	**-121,113**	**-181,478**	**-15,243**	**11,153**	**-306,681**
EBITDA	**50,400**	**47,398**	**1,933**	**-**	**99,732**
Depreciation					-46,518
EBIT					**53,214**
Net financial items					-2,307
Tax					-11,016
Profit/loss for the year					**39,890**

NOTE 5 Segment information, cont.

2017	Sweden	Denmark	Life Sciences	Eliminations	Group
Sales, external	170,308	208,870	11,062	-	390,240
Sales, internal	4,960	3,776	677	-9,413	-
Total sales	**175,268**	**212,646**	**11,739**	**-9,413**	**390,240**
Expenses, external	-120,001	-172,288	-12,192	-	-304,481
Expenses, internal	-4,785	-3,944	-684	9,413	-
Total expenses	**-124,786**	**-176,233**	**-12,876**	**9,413**	**-304,481**
EBITDA	**50,482**	**36,414**	**-1,137**	**-**	**85,759**
Items affecting comparability					398
Depreciation					-48,482
EBIT					**37,674**
Net financial items					-4,780
Tax					-8,057
Profit/loss for the year					**24,837**

ASSETS

The operating segments are not assessed based on management of assets and liabilities, beyond the presentation made below. Other assets and liabilities are managed by the asset management.

2018	Sweden	Denmark	Life Sciences	Group
Capitalised expenditure	58,272	67,924	4,741	130,937
Goodwill	96,521	233,767	7,948	338,237
Other intangible assets	-	-	768	768
Total	**154,793**	**301,692**	**13,457**	**469,942**

2017	Sweden	Denmark	Life Sciences	Group
Capitalised expenditure	56,787	72,578	4,392	133,758
Goodwill	96,521	224,746	7,778	329,045
Other intangible assets	-	-	2,267	2,267
Total	**153,309**	**297,325**	**14,437**	**465,071**

GROUP-WIDE INFORMATION

A breakdown of the external revenues from all products and services are identified as follows:

2018	Sweden	Denmark	Life Sciences	Group
Licences	17,927	25,429	1,262	44,617
SaaS	14,696	13,648	2,458	30,801
Maintenance and Support	100,152	89,068	3,162	192,382
Delivery services	32,416	99,371	6,825	138,612
Total	**165,191**	**227,515**	**13,707**	**406,412**

2017	Sweden	Denmark	Life Sciences	Group
Licences	23,947	28,103	1,002	53,053
SaaS	12,576	4,717	1,552	18,845
Maintenance and Support	93,047	79,940	3,002	175,990
Delivery services	40,738	96,110	5,506	142,353
Total	**170,308**	**208,870**	**11,062**	**390,240**

NOTE 5 Segment information, cont.

GEOGRAPHIC DISTRIBUTION OF EXTERNAL REVENUES

A geographic breakdown of the external revenues from all products and services are identified as follows:

2018	Sweden	Denmark	Life Sciences	Group
Nordic region	151,682	184,187	5,041	340,910
UK	55	15,033	5,941	21,029
Rest of Europe	1,471	25,731	805	28,007
North America	11,882	1,593	1,920	15,395
Rest of world	100	971	-	1,071
Total	**165,190**	**227,515**	**13,707**	**406,412**

2017	Sweden	Denmark	Life Sciences	Group
Nordic region	154,232	175,619	3,856	333,707
UK	43	14,690	5,612	20,344
Rest of Europe	1,662	17,128	232	19,023
North America	14,340	932	1,362	16,635
Rest of world	32	500	-	532
Total	**170,308**	**208,870**	**11,062**	**390,240**

INFORMATION ABOUT CUSTOMERS

The Group is domiciled in Sweden. Revenues from external customers in the Sweden segment amount to KSEK 165,190 (170,308), total revenues from external customers in the Denmark segment amount to KSEK 227,515 (208,870) and total revenue from external customers in the Life Science segment amount to KSEK 13,707 (11,062). Revenues of KSEK 82,674 (84,835) refer to a single external customer and are attributable to the Denmark segment.

NOTE 6 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's revenues relate almost solely to revenues from contracts with customers. The majority of the contracts include multiple components and various performance obligations of which revenue recognition takes place through four different revenue classes where the time of recognition can vary between the revenue classes. The agreements can be broken down into the various revenue classes to allocate the revenues to the correct component and performance obligation under the agreement and thereby ensure that revenue recognition takes place at the right time. The Group also has a smaller number of agreements with customers that only contain the component and the performance obligation of consulting revenues. The respective revenue classes are described in more detail in Note 2, pages 54-55. The four different revenue types are presented below and the time at which revenue recognition occurs.

Licences	At one time
Software as a service (SaaS)	Over time
Maintenance and Support	Over time
Consulting and other services	At one time

The revenue classes where the Group's revenue recognition can be affected by the introduction of IFRS 15 is when the revenue recognition concerning Licences differs from the agreed invoicing model. In such cases, the Group recognises a revenue and a long-term and a short-term contract receivable that is dissolved over the contract period as invoicing takes place.

The revenue types of SaaS and Support and Maintenance where the control is transferred to the customer on straight-line basis over the contract period are almost solely invoiced 3-12 months in advance, from which the Group in the balance sheet builds up a current contractual liability in the balance-sheet item prepaid income.

In the cases when the Consulting Revenues differ from the agreed invoicing model, the Group reserves an income in connection with the delivered hour and in the balance sheet builds up a current receivable under the balance sheet item accrued income.

The Group has no non-current receivables or liabilities attributable to the revenue types Saas, Support and Maintenance and Consulting Revenues.

CONTRACT ASSETS

The Group's contract assets pertain to the agreements with customers where the invoicing model differs from the revenue recognition for sold Licences where the control has been transferred to the customer with the invoicing taking place over the duration of the contract. The Group recognises the following contract assets:

Type of contract asset	Balance sheet item	Note reference	2018	2017
Contract assets long-term component	Other non-current receivables		4,708	-
Contract assets short-term component	Accrued expenses and deferred income	Note 19	1,449	-
			6,156	**-**

The contract assets increased from zero to KSEK 6,156 between 2017 and 2018 as the Group did not previously have any material agreements where the invoicing model was materially different from the revenue recognition. In 2018, the Group noted the first cases where Licences were sold and where control was transferred to the customer but where the invoicing takes place over the agreement's duration. Such agreements are assumed by the Group to gradually increase over time as customers set different demands on the invoicing structure of the agreement.

CONTRACT LIABILITIES

The Group's contract liabilities refer to all advance invoicing to customers. The Group invoices all SaaS and Support and Maintenance revenues in advance. These are invoiced almost solely 3-12 months in advance. Certain advance invoicing also takes place with regard to consulting hours that are subsequently settled against delivered hours in the course of the year. All advance invoicing is classified as short-term as no significant long-term advance invoicing occurs in the Group.

NOTE 6 Revenue from contracts with customers, cont.

Type of contract liability	Balance sheet item	Note reference	2018	2017
Contract liability, short-term component	Accrued expenses and deferred income	Note 25	127,508	111,503
			127,508	**111,503**

The increase in the contract liabilities from 2017 to 2018 is a combination of an increased contract stock, but above all that the Group is experiencing a shift from traditional licence sales to the customers buying the Group's products as a service through SaaS where the control is transferred monthly to the customer. Licence sales are recognised as revenue at one point in time and SaaS is recognised as revenue on a straight-line basis over the contractual period and invoiced 3-12 months in advance from which a contract liability arises.

Of the revenues invoiced in advance that constitute the Group's contract liability at the beginning of the financial year, all have essentially been recognised as revenue in 2018.

REMAINING LONG-TERM AGREEMENTS

The average contract period for new customers amounts to 3-5 years where the Group has contracted recurring revenues during the contract period. Agreements that have run through the contract period have an automatic extension period of 1 year.

The Group assesses that agreements with a remaining duration will be recognised as revenue in an amount of KSEK 249,305 during the 2019 financial year.

RECOGNISED ASSETS FROM EXPENSES FOR OBTAINING AGREEMENTS

The Group has a partner network that sells the Group's products. When a partner wins a new customer where the Group stands as the supplier of the end customer, in some cases a kickback may be payable to the partner on either licences sold, one-year's worth of SaaS or the annual value of Support and Maintenance. The material part of expensed kickbacks pertains to traditional licences, which are expensed at a certain point in time. Kickbacks regarding SaaS and Support and Maintenance are allocated to periods over one year as the kickback essentially is based on one year's value. The Group therefore has no long-term components attributable to expenses for obtaining agreements:

NOTE 7 AUDITOR'S REMUNERATION

	Group		Parent Company	
	2018	2017	2018	2017
PricewaterhouseCoopers AB				
Audit assignment	1,015	785	420	240
Auditing services other than audit assignment	292	238	61	106
Tax consultancy	-	55	-	55
Other services	-	80	-	80
Total PricewaterhouseCoopers AB	**1,307**	**1,158**	**481**	**481**
Other auditors				
Audit assignment	410	244	-	-
Group total	**1,717**	**1,402**	**481**	**481**

The audit assignment refers to fees charged for the statutory required audit, that is work necessary to prepare the auditor's report, and auditing advice provided in connection thereto.

The audit assignment amounts to KSEK 1 426, of which KSEK 480 is for PwC Sweden. Audit activities in addition to the audit assignment amount to KSEK 292, of which KSEK 61 is for PwC Sweden.

NOTE 8 STAFF, MANAGEMENT AND BOARD OF DIRECTORS

Salaries and other employee benefits for all employees identified for the Parent Company and subsidiaries	2018	2017
Parent Company		
Salaries and other benefits	41,997	41,447
Pension cost	4,899	4,752
Social security contributions	15,392	14,738
Subsidiaries		
Salaries and other benefits	132,422	126,601
Pension cost	8,272	7,718
Social security contributions	4,495	4,684
Group	**2018**	**2017**
Salaries and other benefits	174,420	168,048
Pension cost	13,170	12,470
Social security contributions	19,887	19,422

NOTE 8 Staff, management and Board of Directors, cont.

	Group		Parent Company	
Number of employees at year-end	**2018**	**2017**	**2018**	**2017**
Formpipe Software Stockholm	73	77	73	77
Formpipe Software Lasernet A/S, DK	12	12	-	-
Formpipe Software A/S, DK	100	109	-	-
Formpipe Lasernet Ltd, UK	4	3	-	-
Formpipe Intelligo AB, Stockholm	11	12	-	-
Formpipe Life Science Ltd, UK	14	11	-	-
Formpipe Software Benelux B.V., NL	4	3	-	-
Formpipe Inc, USA	3	3	-	-
Formpipe Lasernet GmbH, DE	1	1	-	-
Total staff	**222**	**231**	**73**	**77**
Average staff	**227**	**231**	**75**	**75**

Salary and employee benefits – Board, senior executives	**Basic salary/ Director's fee**	**Variable remuneration**	**Retirement expenses**	**Other remunerations**	**Total**
2018					
Bo Nordlander (Chair)	350	-	-	-	350
Peter Lindström	175	-	-	-	175
Martin Henricson	175	-	-	-	175
Annikki Schaeferdiek	175	-	-	-	175
Åsa Landén Ericsson	175	-	-	-	175
Christian Sundin (CEO)	2,070	828	525	166	3,589
Other senior executives, 3 persons	4,805	1,191	457	30	6,483
Total 2018	**7,925**	**2,019**	**982**	**196**	**11,122**
2017					
Bo Nordlander (Chair)	350	-	-	-	350
Peter Lindström	175	-	-	-	175
Martin Henricson	175	-	-	-	175
Annikki Schaeferdiek	175	-	-	-	175
Åsa Landén Ericsson	175	-	-	-	175
Christian Sundin (CEO)	2,040	221	518	124	2,903
Other senior executives, 3 persons	4,556	189	358	56	5,160
Total 2017	**7,646**	**410**	**877**	**180**	**9,113**

Senior executives refer to Managing Directors for the Group's different segments and the Group's CFO. For the Sweden segment, the Managing Director is the Group's CEO Christian Sundin, who is reported on a separate line and thereby not a part of the senior executive line.

	Group		Parent Company	
Members, Board of Directors	**2018**	**2017**	**2018**	**2017**
Women	2	2	2	2
Men	3	3	3	3

Boards of Directors for subsidiaries	**Women 2018**	**Men 2018**	**Women 2017**	**Men 2017**
Formpipe Software Lasernet A/S, DK	-	3	-	3
Formpipe Software Holding A/S, DK	-	3	-	3
Formpipe Software A/S, DK	-	3	-	3
Formpipe Lasernet Ltd, UK	-	3	-	3
Formpipe Intelligo AB, SE	-	3	-	3
Formpipe Software Benelux B.V., NL	-	2	-	2
Formpipe Life Science Ltd, UK	-	1	-	1
Formpipe Inc, USA	-	1	-	1
Formpipe Lasernet GmbH, DE	-	2	-	2

NOTE 8 Staff, management and Board of Directors, cont.

The Board of Directors in subsidiaries received no remuneration for 2017.
There are no post-retirement obligations for Board members, nor do Board members receive remuneration on leaving their mandate.

CEO and Board of Directors annually set basic salaries for senior managers and determine any changes. All changes to remuneration take effect on 1 January.

	Group		Parent Company	
Senior Management, including CEO	**2018**	**2017**	**2018**	**2017**
Women	-	-	-	-
Men	2	2	2	2

CHIEF EXECUTIVE OFFICER

The CEO retains a performance-based variable remuneration in addition to his basic salary. The size of the performance-based remuneration is related to the degree by which financial targets established by the Group's Board of Directors are met. The performance-based remuneration can constitute 40 per cent of the basic salary. The CEO retains no Board fees.

BOARD OF DIRECTORS' FEES

The members of the Board of Directors who invoice the amount of their Board fees through a separate company may add to their invoice an amount corresponding to social security contributions. The social security contributions that are thereby included in the invoiced amount are not greater than payroll taxes which the Company would otherwise have paid. New rules regarding Board fees began to apply after the 2018 AGM when the fee may not be invoiced in the future. Compensation for the Board fee is subsequently handled through the Company's regular salary administration.

VARIABLE REMUNERATION

The Company has both a basic salary and performance-based remuneration for all senior executives, and sales commission for employed salespeople. The extent of the earnings-based remuneration of senior executives is related to the extent by which financial objectives established by the Group's Board of Directors are met. The performance-based remuneration shall constitute an addition of no more than 30 to 40 per cent of the basic salary. All variable remuneration plans have defined maximum allocation and outcome limits.

PENSION COST

Retirement occurs at age 65 for the CEO. The CEO retirement programme corresponds to 25 per cent of the basic salary.

OTHER REMUNERATIONS

Other remuneration includes holiday pay, car allowance and other benefits and sales commissions.

SEVERANCE PAY

In the event of termination of the employment of the Chief Executive Officer, six months' notice of termination and six months' severance pay will apply if the contract is terminated by the Company. Other income which the Chief Executive Officer receives during the period for which severance pay is paid will be subtracted from the severance pay. If the Chief Executive Officer terminates the contract, six months' notice must be given. A mutual notice period of 3 to 6 months applies between the Company and the other senior executives. In the event the Company is the object of a public takeover bid that results in at least 30 per cent of the Company's shares ending up in the possession of one and the same shareholder, the Chief Executive Officer is entitled, upon termination of employment by the Company or the Chief Executive Officer, to special severance pay corresponding to 12 basic monthly salaries at the time notice is given. Such severance pay is not subject to deduction for other income, shall be paid in its entirety upon the cessation of the employment and replaces the severance pay to which the Chief Executive Officer is normally entitled according to his or her employment contract.

NOTE 9 FINANCIAL INCOME AND EXPENSES

	Group		Parent Company	
	2018	**2017**	**2018**	**2017**
Income from financing activities				
Dividends received from subsidiaries	-	-	-	1,168
Interest income	68	226	572	5,003
Exchange rate differences	507	-	-	280
Total financial revenues	**574**	**226**	**572**	**6,452**

	Group		Parent Company	
	2018	**2017**	**2018**	**2017**
Expenses from financing activities				
Interest expense bank borrowings	-2,199	-2,525	-2,199	-2,525
Other interest expenses	-501	-341	-487	-181
Exchange rate differences	-	-917	-482	-
Other financial expenses	-182	-1,222	-133	-700
Total financial expenses	**-2,882**	**-5,006**	**-3,301**	**-3,407**

NOTE 10 INCOME TAX

	Group		Parent Company	
	2018	**2017**	**2018**	**2017**
Current tax	4,801	6,528	5,943	4,356
Deferred tax	6,215	1,529	-	-
	11,016	**8,057**	**5,943**	**4,356**

Deferred tax refers to capitalisation of tax loss carryforwards of KSEK 68 (1,363), utilisation of accumulated tax loss carryforwards from previous years totalling KSEK -6,272 (-1,894) and deferred tax expenses attributable to intangible assets of KSEK -1,111 (-551) and revaluation effects of a changed tax rate of KSEK 1,100 (-446).

At the end of the period, the Group has accumulated losses of MSEK 8.4 (8.7) where that related to loss carryforwards are not capitalised in the Group. All other loss carryforwards in the Group are capitalised as deferred tax assets, also refer to Note 23.

Income tax on consolidated earnings before tax differs from the theoretical amount that would have been obtained when using the weighted average tax rate for the profit/loss recognised in the consolidated entities as follows:

	Group		Parent Company	
	2018	**2017**	**2018**	**2017**
Profit/loss before tax	50,906	32,894	26,061	20,402
Anticipated tax rate according to the current Swedish tax rate of 22 per cent	11,199	7,237	5,733	4,488
Effect of other tax rates for foreign subsidiaries	4,133	-1,646	-	-
Non-taxable income	-3,523	-275	-	-275
Non-allowable expenses	545	192	210	143
Difference between accounting and tax depreciation	-814	2,536	-	-
Tax attributable to previous years	-456	379	-	-
Tax attributable to intangible assets	1,111	551	-	-
Effect of subsidiaries' tax rates	-1,111	446	-	-
Capitalised loss carryforwards	-68	-1,363	-	-
Tax expense	**11,016**	**8,057**	**5,943**	**4,356**

The weighted effective tax rate was 21.6 (24.5) per cent.

NOTE 11 EXCHANGE RATE DIFFERENCES – NET

	Average price January–December		Closing day rate, 31 December	
	2018	**2017**	**2018**	**2017**
DKK	1.38	1.29	1.38	1.32
EUR	10.26	9.63	10.28	9.85
GBP	11.59	10.99	11.35	11.10
USD	8.69	8.54	8.97	8.23

Exchange rate differences were recognised in the income statement as follows:

	Group		Parent Company	
	2018	**2017**	**2018**	**2017**
Other revenues and expenses – net	-262	-242	-269	7
Financial items – net	507	-917	-482	280

NOTE 12 EARNINGS PER SHARE

BEFORE DILUTION

Earnings per share before dilution is calculated by dividing the profit/loss attributable to shareholders of the Parent Company by the weighted average outstanding common shares for the period excluding repurchased shares held as treasury shares in the Parent Company.

	2018	**2017**
Profit or loss for the year attributable to shareholders of the Parent	39,890	24,832
Weighted average outstanding common shares (thousands)	52,523	51,623
Earnings per share before dilution (SEK per share)	**0.76**	**0.48**

NOTE 12 Earnings per share, cont.

AFTER DILUTION

In calculating earnings per share after dilution, the weighted average total outstanding common shares before dilution effects to all potential common shares. The Parent owns one category of potential common shares that have a dilution effect – stock options. In calculating share options, the total shares that could have been purchased at fair value (calculated as the average market price of shares in the Parent Company for the entire year), for an amount corresponding to the monetary value of the subscription rights that are tied to outstanding share options. The total shares calculated as above is compared to the total shares that could have been issued (assuming all share options are exercised).

	2018	**2017**
Weighted average outstanding common shares (thousands)	52,523	51,623
Adjustments for:		
– share options 2014 to 2017 (thousands)	-	221
– share options 2015 to 2018 (thousands)	95	150
– share options 2016 to 2019 (thousands)	215	134
– share options 2017 to 2020 (thousands)	48	-
– share options 2018 to 2021 (thousands)	-	-
"Weighted average total common shares used in calculating earnings per share after dilution (thousands)"	52,881	52,128
Earnings per share after dilution (SEK per share)	**0.75**	**0.48**

NOTE 13 DIVIDEND PER SHARE

The Board of Directors proposes that the Annual General Meeting on 26 April 2019 resolve to approve a dividend of SEK 0.60 (0.50) per share, which entails a total dividend of SEK 31,732,443.60 (25,936,512.5).

Refer to the management report for the appropriation of profits and the Board's reasoned statement as per Chapter 17 Section 3 Paragraphs 2-3 of the Swedish Companies Act.

NOTE 14 INTANGIBLE ASSETS

CONSOLIDATED	**Goodwill**	**Capitalised expenditure**	**Customer relations**	**Technology**	**Brand names**	**Total**
Financial year 2017						
Opening carrying amount	327,307	134,688	7,402	554	444	470,396
Exchange rate differences	5,991	1,923	-9	-6	-8	7,891
Purchases	-	37,881	-	-	-	37,881
Depreciation	-	-40,734	-5,456	-218	-436	-46,844
Impairment losses	-4,253	-	-	-	-	-4,253
Closing carrying amount	**329,045**	**133,758**	**1,937**	**330**	**-**	**465,070**
At 31 December 2017						
Cost	329,045	427,339	51,883	3,285	6,759	818,310
Accumulated depreciation	-	-293,580	-49,946	-2,955	-6,759	-353,240
Carrying amount	**329,045**	**133,758**	**1,937**	**330**	**-**	**465,071**

	Goodwill	**Capitalised expenditure**	**Customer relations**	**Technology**	**Brand names**	**Total**
Financial year 2018						
Opening carrying amount	329,045	133,758	1,937	330	-	465,071
Exchange rate differences	9,192	2,986	71	12	-	12,261
Purchases	-	37,100	-	-	-	37,100
Depreciation	-	-42,906	-1,352	-230	-	-44,489
Closing carrying amount	**338,237**	**130,937**	**656**	**112**	**-**	**469,942**
As of 31 December 2018						
Cost	**338,237**	**474,794**	**53,733**	**3,395**	**6,943**	**877,102**
Accumulated depreciation	-	-343,857	-53,077	-3,283	-6,943	-407,160
Carrying amount	**338,237**	**130,937**	**656**	**112**	**-**	**469,942**

Capitalised expenditures represent essentially only product development.

NOTE 14 Intangible assets, cont.

PARENT COMPANY	Goodwill	Capitalised expenditure	Customer contracts	Total
Financial year 2017				
Opening carrying amount	255	2,053	17,548	19,856
Purchases	-	674	-	674
Depreciation	-147	-1,088	-4,443	-5,678
Closing carrying amount	**108**	**1,639**	**13,106**	**14,852**
At 31 December 2017				
Cost	60,785	32,112	22,019	114,916
Accumulated depreciation	-60,677	-30,473	-8,914	-100,064
Carrying amount	**108**	**1,639**	**13,106**	**14,852**
Financial year 2018				
Opening carrying amount	108	1,639	13,106	14,852
Purchases	-	2,813	-	2,813
Depreciation	-108	-938	-4,422	-5,468
Closing carrying amount	**-**	**3,514**	**8,684**	**12,198**
As of 31 December 2018				
Cost	60,785	34,925	22,019	117,729
Accumulated depreciation	-60,785	-31,411	-13,335	-105,531
Carrying amount	**-**	**3,514**	**8,684**	**12,198**

IMPAIRMENT TESTING OF INTANGIBLE ASSETS AND GOODWILL FOR THE GROUP

Group goodwill at year-end was KSEK 338,237 (329,045). Goodwill is not amortised according to plan, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate possible impairment. Goodwill is tracked by the Group financial administration. For impairment testing, assets are allocated to the smallest level for which identifiable cash flows can be determined (cash-generating units), that is per segment within the Group. Allocation of Group goodwill to these cash-generating units shows KSEK 96,521 (96,521) for Sweden, KSEK 233,767 (224,746) for Denmark and KSEK 7,948 (7,778) Life Science.

During the 2018 financial year, no impairment requirements were noted for any of the Group's cash generating units. In the second quarter of the 2017 financial year, an impairment was made of the remaining purchase consideration recorded attributable to the acquisition of GXP Ltd., now Formpipe Life Science Ltd., of GBP 0.5 million, corresponding to KSEK 5,507. In connection with this, impairment tests were done where an impairment requirement was noted with regard to goodwill related to the Life Science segment and amounted to GBP 0.4 million, equivalent to KSEK 4,314. In connection with the Group's impairment test in the fourth quarter, no impairment requirement was noted for any of the Group's cash generating units, which relate to the Group's segments.

Impairment testing for all units is based on calculating value in use. This value is based on future cash flow forecasts where the five first years are based on the business plan established by the senior company management.

Critical variables and the method of estimating these values for the five-year explicit forecast period are described below.

FORECAST AND LONG-TERM GROWTH RATE

The explicit forecasting period is five years. The cash flows in addition to the explicit forecast period have been assigned a growth rate of 2 (2) per cent, which is somewhat higher than the expected general GDP growth and is motivated by the fact that the Company is active in a growth industry with a continued good outlook for high growth beyond the explicit forecast period.

EXPLICIT GROWTH AND MARGINS

The growth rate in income and expenses, i.e. the margin trend, during the first five years is based on a balanced overall assessment of external analyses of relevant markets for our operations and the experience of senior executives and an assessment of the Company's market position and the Group's business plan.

DISCOUNT FACTORS

Discount factors are calculated as the Group's weighted average cost of capital including risk premium after tax (WACC). The risk premium differs between the segments as they act on different markets and the certainty of the forecasts varies.

WACC	2018	2017
Segment		
Sweden, %	8%	11%
Denmark, %	11%	11%
Life Science, %	18%	18%

SENSITIVITY ANALYSIS

For all units and the Sweden, Denmark and Life Science segments, the recoverable amount exceeds the carrying amounts. Senior Management has tested and assesses that a reasonable and supportable change (+/1 percentage point) in the critical variables above would not have such a large effect that they would individually or together reduce the recoverable amounts to a value lower their carrying amounts.

NOTE 15 PROPERTY, PLANT AND EQUIPMENT

	Group		Parent Company	
	Other equipment	Total	Other equipment	Total
Financial year 2017				
Opening carrying amount	4,075	4,075	1,164	1,164
Exchange rate differences	84	84		
Purchases	2,147	2,147	371	371
Divestment and disposals	-1,930	-1,930		
Depreciation	-1,637	-1,637	-568	-568
Reversed accumulated depreciation on disposals	1,858	1,858		
Closing carrying amount	**4,596**	**4,596**	**967**	**967**
At 31 December 2017				
Cost	19,789	19,789	9,185	9,185
Accumulated depreciation	-15,193	-15,193	-8,218	-8,218
Carrying amount	**4,596**	**4,596**	**967**	**967**
Financial year 2018				
Opening carrying amount	4,596	4,596	967	967
Exchange rate differences	137	137		
Purchases	3,049	3,049	780	780
Divestment and disposals	-19	-19		
Depreciation	-2,029	-2,029	-562	-562
Reversed accumulated depreciation on disposals	7	7		
Closing carrying amount	**5,740**	**5,740**	**1,185**	**1,185**
As of 31 December 2018				
Cost	23,201	23,201	9,965	9,965
Accumulated depreciation	-17,461	-17,461	-8,780	-8,780
Carrying amount	**5,740**	**5,740**	**1,185**	**1,185**

NOTE 16 FINANCIAL ASSETS

	Parent Company	
Shares in subsidiaries	**2018**	**2017**
Opening cost	257,137	262,644
Shareholder contribution	7,750	-
Transaction-related changes	10,700	-
Impairment of shares in subsidiaries	-	-5,507
Closing accumulated cost	**275,586**	**257,137**

	Group		Parent Company	
Other non-current financial assets	**2018**	**2017**	**2018**	**2017**
Interest-bearing loans to group companies	-	-	-	67,167
Other financial assets	1,510	2,964	-	-
Other non-current receivables	4,708	-	4,708	-
Closing value, financial assets	**6,218**	**2,964**	**280,294**	**324,304**

During the 2017 financial year, the remainder of the contingent purchase consideration regarding the 2014 acquisition of GXP Limited (now Formpipe Life Science Ltd) was impaired by the remaining GBP 0.5 million, corresponding to KSEK 5,507. The contingent purchase consideration was booked as a non-current liability on the Parent Company balance sheet. The impairment of the remainder of the liability for the contingent purchase consideration in the Parent Company entailed a corresponding adjustment of the book value of the shares in Formpipe Life Science Limited.

Pledged assets refer to shares in subsidiaries as security for loans.

	Group		Parent Company	
Pledged assets	**2018**	**2017**	**2018**	**2017**
Mortgages	326,762	310,329	326,762	310,329

NOTE 16 Financial non-current assets, cont.

The Group had the following subsidiaries at the end of the period.
All subsidiaries are consolidated in the Group.

Subsidiaries	Domicile	Business	Legal form	Co. reg. no.	Owner-ship %	Carrying amount
Formpipe Software Lasernet A/S	Denmark	Development, sale and consultancy services, software	LLC	26366216	100%	61,048
Formpipe Software Benelux B.V.	Netherlands	Software sales	LLC	853770153	100%	-
Formpipe Lasernet Limited.	UK	Software sales	LLC	06377974	100%	-
Formpipe Lasernet GMBH	Germany	Software sales	LLC	141866	100%	-
Formpipe Holding A/S	Denmark	Holding company, subgroup	LLC	20811307	100%	161,705
Formpipe Software A/S	Denmark	Development, sale and consultancy services, software	LLC	29177015	100%	-
Formpipe Intelligo AB	Sweden	Development, sale and consultancy services, software	LLC	556411-3479	100%	27,477
Formpipe Life Science Limited	UK	Development, sale and consultancy services, software	LLC	05797675	100%	25,356
Formpipe Inc.	USA	Software sales	LLC	141194334	100%	-

During the 2018 financial year, Formpipe Software AB acquired the remaining 35.1 per cent of the shares in the subsidiary Formpipe Intelligo AB through a non-cash issue. The acquisition was conditional on the Annual General Meeting's approval on 25 April 2018. The minority owner was employed in the Group which is why the acquisition was to be viewed as a related-party transaction and thereby required approval of 90% of the number of votes at the Meeting. The Annual General Meeting resolved to approve the Board's proposal that a non-cash issue should finance the acquisition of the remaining 35.1 per cent of the shares from the minority owner of the subsidiary Formpipe Intelligo AB. Net sales for Formpipe Intelligo AB throughout the 2017 financial year amounted to KSEK 25,160. The minority share in the profit for the year and share of accumulated profit is specified in the Group's income statement and statement of financial position.

NOTE 17 FINANCIAL INSTRUMENTS BY CATEGORY

31 December 2018	Measured at amortised cost	Measured at fair value through profit and loss (Hierarchy 3)	Total
Assets in the statement of financial position			
Trade receivables and other receivables excluding prepayments	63,450	-	63,450
Cash and cash equivalents	123,782	-	123,782
Total	**187,232**	-	**187,232**
Liabilities in the statement of financial position			
Borrowings	76,883	-	76,883
Other non-current liabilities	-	180	180
Trade receivables and other liabilities excluding non-financial liabilities	26,651	-	26,651
Total	**103,534**	**180**	**103,714**

31 December 2017	Measured at amortised cost	Measured at fair value through profit and loss	Total
Assets in the statement of financial position			
Trade receivables and other receivables excluding prepayments	67,186	-	67,186
Cash and cash equivalents	82,663	-	82,663
Total	**149,849**	**-**	**149,849**
Liabilities in the statement of financial position			
Borrowings	91,453	-	91,453
Other non-current liabilities	-	618	618
Trade receivables and other liabilities excluding non-financial liabilities	24,106	-	24,106
Total	**115,559**	**618**	**116,178**

NOTE 17 Financial instruments by category, cont.

Credit ratings for the loans and trade receivables cannot be assessed based on external credit ratings. Impairments for trade receivables are historically very rare. Liquid assets are entirely cash and cash equivalents.

Borrowings in the group relate to the bank loan excluding prepaid financing charges.

The Group holds no financial instruments in the balance sheet that are classified as held for trade.

NOTE 18 TRADE RECEIVABLES

	Group		Parent Company	
	2018	**2017**	**2018**	**2017**
Trade and other receivables	62,837	66,898	21,858	21,551
Total	**62,837**	**66,898**	**21,858**	**21,551**

The Group has no non-current trade receivables. Fair value regarding current trade receivables equals the carrying amount.

As at 31 December 2018, trade receivables were KSEK 62,837 (66,898). They were distributed as follows: KSEK 23,350 (22,998), KDKK 23,990 (29,216), KGBP 135 (197), KEUR 334 (261) and KUSD 169 (60). Of these trade receivables of KSEK 62,837, none were considered to be material expected credit losses, which is why no impairment provision exists. The age analysis of trade receivables is as follows:

As at 31 December 2018, the Group had no material doubtful debts so no provisions for expected credit losses are thereby reported as at 31 December 2018.

For other classes of trade receivables and other receivables, there are no assets for which there are expected future credit losses.

The maximum exposure for credit risk on the statement of financial position date is the fair value in each class of receivable identified above. The Group has no pledge as collateral.

	Group		Parent Company	
Past due trade receivables on the statement of financial position date	**2018**	**2017**	**2018**	**2017**
Less than 3 months	23,546	13,341	7,761	3,903
More than 3 months	32	-50	-	-476
Total	**23,577**	**13,290**	**7,761**	**3,427**

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2018	**2017**	**2018**	**2017**
Pre-paid insurance	619	815	459	694
Prepaid IT expenses	8,692	7,552	4,225	3,459
Prepaid rent	988	1,927	879	968
Prepaid sales and marketing expenses	3,255	365	2,789	19
Accrued income*	4,978	25,820	4,071	15,856
Accrued income (Contract asset)	1,449	-	1,449	-
Other	3,430	2,387	873	206
Total	**23,410**	**38,866**	**14,744**	**21,201**

* The item "Work in progress" was reclassified for the 2017 financial year to the item Accrued income in an amount of KSEK 7,309. The reclassification only applies to the Group. Work in progress referred to reserved income attributable to delivered licences and consulting hours not yet invoiced to the customer at the end of the 2017 financial year in accordance with the agreed invoicing schedule.

NOTE 20 CASH AND CASH EQUIVALENTS

	Group		Parent Company	
	2018	2017	2018	2017
Cash and cash equivalents	123,782	82,663	64,116	65,908
Total	**123,782**	**82,663**	**64,116**	**65,908**

Approved overdraft facilities total KSEK 10,000 and KDKK 17,600, and these were not utilised at year-end.

NOTE 21 SHARE CAPITAL

	Total shares (thousands)
At 31 December 2016	**51,274**
New share issue - share option redemption	599
At 31 December 2017	**51,873**
New share issue - share option redemption	315
In kind share issue	700
As of 31 December 2018	**52,887**

Total shares outstanding are 52,887,406 (51,873,025), par value SEK 0.1 (0.1) per share. All shares issued are fully paid up.

NEW SHARE ISSUE – SHARE OPTION REDEMPTION

On 25 May 2018, the Company issued 314,576 shares for redemption by the staff warrant programme 2015/2018.

IN KIND SHARE ISSUE

On 17 May 2018, the Company issued 699,805 shares through a non-cash issue as financing for the acquisition of the remaining 35.1 per cent of the shares from the minority owner of the subsidiary Formpipe Intelligo AB.

SHARE-RELATED COMPENSATION

On 26 April 2018, Company staff were offered the opportunity to acquire warrants for Company shares. A total of 500,000 warrants were issued. Each warrant entitles the holder to subscribe for one new share in the Company during the period from 10 May 2021 to 21 May 2021 at a price of SEK 17.90 per new share. The paid-in option premiums totalling SEK 355,000 were recognised as an increase in Other paid-in capital.

On 26 April 2017, Company staff were offered the opportunity to acquire warrants for Company shares. A total of 500,000 warrants were issued. Each warrant entitles the holder to subscribe to one new share in the Company during the period from 11 May 2020 to 22 May 2020 at a price of SEK 15.80 per new share. The paid-in option premiums totalling SEK 400,000 were recognised as an increase in Other paid-in capital.

On 6 May 2016, Company staff were offered the opportunity to acquire warrants for Company shares. A total of 500,000 warrants were issued. Each warrant entitles the holder to subscribe for one new share in the Company during the period from 6 May 2019 to 17 May 2019 at a price of SEK 9.97 per new share. The paid-in option premiums totalling SEK 265,000 were recognised as an increase in Other paid-in capital.

On 8 May 2015, Company staff were offered the opportunity to acquire warrants for Company shares. A total of 500,000 warrants were issued. Each warrant entitles the holder to subscribe to one new share in the Company during the period from 9 May 2018 to 20 May 2018 at a price of SEK 9.54 per new share. The paid-in option premiums totalling SEK 245,000 were recognised as an increase in Other paid-in capital.

The consideration paid by the staff for all outstanding options is based on market prices determined using the Black-Scholes Pricing Model. No benefits or remuneration are paid to the staff, and therefore no staff expenses arise in the income statement in compliance with IFRS 2.

Changes to the total number of outstanding share options and the weighted average exercise price are as follows:

	2018		2017	
	Average exercise price, SEK per share	Share options (total)	Average exercise price, SEK per share	Share options (total)
At 1 January	**11.77**	**1,500,000**	**8.08**	**2,000,000**
+ Allocated	17.90	500,000	15.80	500,000
– Forfeited	-	-	-	-
– Exercised	9.54	-314,576	6.41	-599,417
– Expired	9.54	-185,424	6.41	-400,583
As of 31 December	**14.56**	**1,500,000**	**11.77**	**1,500,000**

At the period end, the Company has three (three) outstanding warrant programmes with the following expiry date and exercise prices:

		Share options	
	Exercise price	2018	2017
20/05/2018	9.54	-	500,000
17/05/2019	9.97	500,000	500,000
22/05/2020	15.80	500,000	500,000
21/05/2021	17.90	500,000	-
		1,500,000	**1,500,000**

The weighted average fair value of the options allocated during 2018, determined using the Black-Scholes Pricing Model, was SEK 0.71 (0.80) per option. Significant input data to the model included the weighted average share price of SEK 14.92 (13.17) as of the grant date, exercise of the exercise price of SEK 17.90 (15.80) per new share, volatility of 25 (25) per cent, estimated time to expiry of the warrants of 1,085 (1,086) days and annualised risk free interest of 0.00 (0.00) per cent. The options do not carry a right to payment of dividend, which is included in the calculation.

NOTE 22 BORROWINGS

Non-current	2018	2017
Bank borrowings	-	74,828
Total non-current	**-**	**74,828**
Currency		
Bank borrowings	76,883	16,625
Total current	**76,883**	**16,625**
Total borrowings	**76,883**	**91,453**

The bank borrowings are assigned to the Parent Company and mature on 30 April 2019 with variable interest. At year-end the average variable interest rate was 2.94 (2.93) per cent. The borrowing in SEK is linked to STIBOR and the borrowing in DKK is linked to CIBOR. Security for bank borrowings is in shares in subsidiaries. Furthermore, these bank borrowings are subject to regular terms and conditions primarily in regard to EBITDA against net debt.

Carrying amounts agree with the fair values when the discount rate is the same as the borrowing interest rate.

The amount recognised, per currency, for Group borrowings are as follows in SEK:

	2018	2017
DKK	53,251	62,573
SEK	23,632	28,880
Total	**76,883**	**91,453**

Between the Group and the bank, there are a number of agreed covenants that the Group must fulfil. Continuous follow-up takes place of these covenants with the bank and no covenants have been broken during the term of the bank loan.

The Group has credit facilities totalling KSEK 34,218 (33,283), allocated to KSEK 10,000 (10,000) and corresponding to KDKK 17,600 (17,600). The credit facilities were not utilised at year-end (KSEK -). The credit facilities have variable interest rates.

Below is the Group's reconciliation of liabilities originating from the financing activities in the Group's cash flow statement, which pertains to the column Liabilities to credit institutions, and a reconciliation of the Group's net debt. Liabilities to credit institutions affected the cash flow as per below.

	Cash and cash equivalents	Borrowing from credit institutions	Other non-current liabilities	Total
Net debt at 31 December 2016	**60,890**	**105,482**	**1,034**	**-45,626**
Cash flow	21,549	-16,297	-416	38,261
Exchange rate differences	224	-978	-	1,202
Other non-cash items	-	3,246	-	-3,246
Net debt at 31 December 2017	**82,663**	**91,453**	**619**	**-9,409**
Cash flow	40,629	-17,061	-445	**58,135**
Exchange rate differences	490	2,491	7	-2,008
Other non-cash items	-	-	-	-
Net cash as of 31 December 2018	**123,782**	**76,883**	**180**	**46,719**

NOTE 23 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legal right to set-off for the tax assets and liabilities in question and when the deferred taxes are for the same tax agency.

The Group has no offset tax assets or liabilities.

	2018	2017
Deferred tax assets	9,373	14,937
Deferred tax liabilities	20,636	21,691

Gross changes to deferred tax assets are as follows:	2018	2017
Opening balance	**14,937**	**17,332**
Change due to reclassification	-	-1,658
Unutilised loss carryforwards	-6,141	-1,894
Loss carried forward, not reported previously	68	1,363
Revaluation due to changed tax rates in USA	-	-446
Exchange rate differences	509	240
Closing balance	**9,373**	**14,937**

The deferred tax assets are deemed to be able to be utilised within the next five-year period.

Gross changes to deferred tax assets allocated to asset type:	Loss carryforwards	Other	Total
At 31 December 2016	**17,332**	**-**	**17,332**
Change due to reclassification	-1,658	-	-1,658
Unutilised loss carryforwards	-1,894	-	-1,894
Loss carried forward, not reported previously	1,363	-	1,363
Revaluation due to changed tax rates in USA	-446	-	-446
Exchange rate differences	240	-	240
At 31 December 2017	**14,937**	**-**	**14,937**
Unutilised loss carryforwards	-6,141	-	-6,141
Loss carried forward, not reported previously	68	-	68
Exchange rate differences	509	-	509
As of 31 December 2018	**9,373**	**-**	**9,373**

Deferred tax assets are recognised as tax loss carryforwards to the extent to which it is probable that they can be utilised against future taxable profit. As of the end of the year, there are tax loss carryforwards amounting to KSEK 86 (-) in the Sweden segment, KSEK 1,317 (2,224) in Denmark and KSEK 7,008 (6,407) in Life Science where a related tax loss carryforward is not capitalised in the Group. In 2018, KSEK 6,141 (1,894) of the tax loss carryforwards were utilised, and KSEK 68 (1,363) was capitalised. The entire amount capitalised during the year is deemed to be able to be used next year after joint taxation in Denmark. In addition, the changed tax rates have required a revaluation of the capitalised tax loss carryforward by KSEK - (-446). The taxable amount at 31 December 2018 was KSEK 9,373 (14,937).

Gross changes to deferred tax liabilities are as follows:	2018	2017
Opening balance	**21,691**	**20,366**
Change due to reclassification	-	1,658
Recognised in income statement	-2,535	-551
Revaluation due to changed tax rates	1,111	-
Exchange rate differences	369	217
Closing balance	**20,636**	**21,691**

Of the deferred tax liabilities of KSEK 20,637, a total of KSEK 2,892 is expected to be used in the next 12-month period. The remaining amount will be used within the next five-year period.

NOTE 23 Deferred tax, cont.

Gross changes to deferred tax liabilities allocated to asset type:	Intangible assets	Other	Total
At 31 December 2016	**20,366**	**-**	**20,366**
Change due to reclassification	1,658	-	1,658
Recognised in income statement	-551	-	-551
Exchange rate differences	217	-	217
At 31 December 2017	**21,691**	**-**	**21,691**
Recognised in income statement	-2,535	-	-2,535
Revaluation due to changed tax rates	1,111	-	1,111
Exchange rate differences	369	-	369
As of 31 December 2018	**20,636**	**-**	**20,636**

Deferred taxes recognised as intangible assets refers to fair value adjustments for acquired assets, as well as capitalised development expenses.

A dissolution of deferred tax liabilities attributable to amortisation of acquired intangible assets for the year totalled KSEK 1,266 (1,266) and attributable to amortisation of capitalised development expenses to KSEK 4,288 (4,288). Own work capitalised increased the deferred tax liability by KSEK 4,396 (4,396).

NOTE 24 OTHER LIABILITIES

	Group		Parent Company	
Current liabilities	**2018**	**2017**	**2018**	**2017**
Value-added tax	6,024	18,403	1,496	12,466
Other current liabilities	2,155	1,980	1,038	1,162
Total other current liabilities	**8,179**	**20,384**	**2,533**	**13,628**

NOTE 25 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2018	**2017**	**2018**	**2017**
Staff-related accrued expenses	36,917	30,571	14,310	12,939
Prepaid income	127,508	111,503	68,374	59,149
Other accrued expenses	9,453	7,093	6,534	3,871
Total	**173,878**	**149,168**	**89,218**	**75,958**

NOTE 26 LEASES

Commitments regarding operational leasing where one group company is the tenant.

The Group rents several premises and offices, with notice periods of between 1 and 5 years.

The lease agreements have different terms and conditions, index clauses and right to extension.

The Group also leases various type of office equipment and cars under operational leasing agreements subject to cancellation. The notice period for cancellation for the Group in regard to these agreements is 1 month.

Leasing expenses amount to KSEK 7,554 (9,727), which includes office premises, office machines and vehicles.

Total future minimum leasing fees for operational leasing agreements not subject to cancellation are as follows:

	2018	**2017***
Within 1 year	6,453	5,863
Between 1 and 5 years	12,341	6,335
More than 5 years	-	-
Total	**18,794**	**12,198**

* The comparative figures for 2017 have been adjusted to include rented office spaces.

IFRS 16 replaces IAS 17 and its related interpretations. The new standard is applied as of 1 January 2019. The new standard removes the classification of leases as operating or finance, for the lessee, as required in IAS 17, and instead introduces an individual model for recognition.

According to the new model, all leases result in the lessee receiving a right to use (ROU) an asset during the assessed leasing period and, if payments are made over time, also receives financing. Formpipe's long-term operating leases will be recognised as fixed assets and financial liabilities in the consolidated balance sheet.

NOTE 26 Commitments, cont.

Formpipe will apply the new standard by using the modified retroactive transition method, which means that the comparative figures will not be restated. The accumulated effect of applying IFRS 16 will be recognised on 1 January 2019. The leasing liabilities attributable to leases previously classified as operating leases under IAS 17 will be measured at the present value of the remaining leasing payments, discounted by using the marginal loan rate as of 1 January 2019.

Formpipe will recognise an ROU at an amount that corresponds to the leasing liability, adjusted for the amount for any prepaid or accrued payments attributable to the lease, recognised as at 31 December 2018. Accordingly, the transition to IFRS 16 will not have any material impact on Group equity. The transition to IFRS 16 will have the following effects on the consolidated balance sheet at the transition date, 1 January 2019:

Commitments for operating leases as at 31 December 2018	**18,794**
Discounting with the Group's weighted average loan interest rate	-1,838
Plus: liabilities for finance leases as at 31 December 2018	180
Minus: prepaid leasing invoices	-1,658
Minus: leases for which the underlying asset is of low value that are expensed straight-line	-72
Minus: leases reclassified to service agreements	-2
Plus/minus: adjustments due to other handling of options to extend and cancel agreements	17,706
Plus/minus: adjustments due to changes in index or price attributable to variable fees	-
Lease liabilities recognised as per 1 January 2019	**33,111**

NOTE 27 ITEMS AFFECTING COMPARABILITY

	Group	
	2018	**2017**
Provision for restructuring	-	-863
Revaluation of purchase consideration	-	5,574
Impairment of goodwill	-	-4,314
Total	**-**	**398**

Provisions for restructuring were made during the year in an amount of KSEK - (863) with regard to organisational changes in the Danish operations.

During the 2017 financial year, the remainder of the supplemental purchase consideration from the acquisition of GXP Ltd., now Formpipe Life Science Ltd, was revalued by MGBP -0.5, corresponding to KSEK -5,574 which is why no supplemental purchase consideration was listed as a liability after than. In connection with this, impairment tests were done where an impairment requirement was noted with regard to goodwill related to the Life Science segment and amounted to GBP 0.4 million, equivalent to KSEK 4,314.

In 2018, no impairment requirements were noted attributable to intangible or tangible fixed assets.

NOTE 28 RELATED PARTY DISCLOSURES

RELATED PARTIES REFERS TO:

- Companies that directly or indirectly (through one or more agents) exert a controlling influence on Formpipe Software AB.
- Natural persons (and family members thereof) who directly or indirectly own a significant proportion of voting shares in Formpipe Software AB such that they exert a significant influence on the Company.
- Key individuals who are responsible for planning and managing activities, such as members of the Board of Directors and senior executives.

During the 2018 financial year, Formpipe Software AB acquired the remaining 35.1 per cent of the shares in the subsidiary Formpipe Intelligo AB through a non-cash issue. The acquisition was conditional on the Annual General Meeting's approval and was approved at the Annual General Meeting on 25 April 2018, which was passed. The minority owner is employed in the Group which is why the acquisition was to be viewed as a related-party transaction and thereby required approval of 90% of the number of votes at the Meeting.

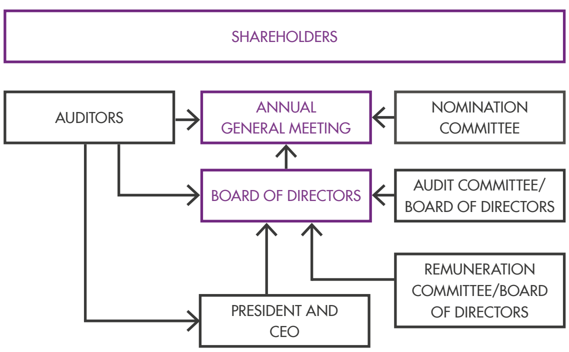
Formpipe Software has no noted transactions with related parties as defined in IAS 24 Related party disclosure (as above) to report except the acquisition of the minority interest shares in Formpipe Intelligo AB, mentioned above, and that stated in Note 7 Staff, management and Board of Directors.

Transactions between subsidiaries in the Group are regulated by the Company Transfer Pricing policy and are conducted at arms length.

Corporate governance report

INTRODUCTION

Formpipe Software AB (publ) ("Formpipe") is a Swedish Public Limited company domiciled in Stockholm. In 2018, the Group had operations in Sweden, Denmark, the Netherlands, the United Kingdom, Germany and the USA. Governance, management and control of Formpipe is divided between the shareholders at the Annual General Meeting, the Company Board of Directors, and the CEO in accordance with the Swedish Companies Act, the current Articles of Association, Nasdaq Stockholm Issuer Rules and the Swedish Code of Corporate Governance. The Formpipe Corporate Governance Report for 2018 describes the corporate governance, management, administration and internal controls for financial reporting within the Company. The Swedish Code of Corporate Governance is based on the 'Comply or explain' principle, which permits companies using the code to choose an alternative to compliance with specific rules as long as the alternative is described and the reasons for choosing it are fully explained.



Corporate governance is essentially about how the Company is to be managed and operated from the shareholder's perspective. Corporate governance at Formpipe is regulated by external regulations and internal steering documents.

These external regulations include:

- Swedish Companies Act
- The Nasdaq Stockholm Rule Book for Issuers
- Applicable accounting legislation
- Swedish Corporate Governance Code
- EU Market Abuse Regulation (MAR)

Examples of internal regulations

- Articles of Association
- The instructions and work plan for the CEO and the Board
- Internal policies, handbooks and guidelines

SHAREHOLDERS

On 31 December 2018, Formpipe had approximately 2,800 shareholders owning a total of 52,887,406 shares. The largest single shareholder as of 31 December 2018 was Aktiebolaget Grenspecialisten, holding 10.2 per cent of voting rights and equity. The 20 largest shareholders owned a total of 70.7 per cent of voting rights and equity.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of the Shareholders is the Annual Shareholders Meeting where the Annual Report is presented. The shareholders' right to influence the affairs of Formpipe is exercised at the shareholders' meeting as the Company's highest decision-making body. The Annual General Meeting has several mandatory matters to address, including adopting the Company's statement of financial position and income statement, and determining the disposition of the Company's profit or loss, determining remuneration policies for senior executives and discharging the Board members and CEO from liability. The Annual General Meeting elects members to the Board of Directors as proposed by the nomination committee (see below) for the period to the next ordinary Annual General Meeting.

Annual General Meeting 2018

The Formpipe Annual General Meeting was held on 25 April 2018 at the Company's premises in Stockholm. Legal Counsel Johan Hessius was elected Chair of the Annual General Meeting. The Company's Board of Directors, senior executives, nomination committee and auditors attended the meeting.

Company shareholders received advance notice at www.formpipe.se of the time and location for the Annual General Meeting and of their right to have any matter addressed at the meeting within the required time limit. All shareholders who were registered in the Company share registry and who provided timely notice of their intention to participate were entitled to take part in the meeting and vote for their shares.

The resolutions passed included:

- Adopting the statement of financial position and income statement for the 2017 financial year.
- Re-election of the Board members Bo Nordlander, Martin Henricson, Peter Lindström, Åsa Landén Ericsson and Annikki Schaeferdiek.
- Electing Bo Nordlander as Board Chair
- Authorisation to the Board to purchase and transfer treasury shares.
- Authorisation to the Board to buy-back warrants.
- Issuing of warrants for staff.
- Guidelines on remuneration of senior executives.

The minutes of the Annual General Meeting were published on the Company's website two weeks after the meeting. The information from the Annual General Meeting, including the notice to attend, meeting minutes and information regarding the nomination committee is published at the Formpipe website, www.formpipe.se.

Annual General Meeting 2019

The Formpipe Annual General Meeting of Shareholders 2019 will take place on 26 April at the Company's premises in Stockholm. Information regarding shareholders providing notice of their intent to participate in the 2019 AGM will be available in advance at www.formpipe.se. This information will include a description of how shareholders may bring any matter before the meeting.

NOMINATION COMMITTEE

The Nomination Committee work is begun by evaluating the sitting Board by the Chairman of the Board sending all Board members a survey covering the following main areas: strategy, reporting and control, composition and expertise and the Board's working methods. The results are then discussed in the Board as a separate agenda item and where comparison is done against previous years. The Chairman of the Board presents the results to the Nomination Committee. The Nomination Committee also has individual meetings with all Board members when necessary. The Nomination Committee applied rule 4.1 in the Swedish Corporate Governance Code and the policy for diversity for the Board in its work. Diversity is an important factor in the nomination work of the Nomination Committee. The Nomination Committee continuously strives for an even gender distribution and diversity in terms of competence, experience and background on the Board, which is also reflected in the current composition. The nomination committee's work must be characterised by openness and discussion so as to achieve a well balanced Board. The nomination committee nominates individuals to the Board for the next mandate period, who are then proposed to the Annual General Meeting for election. The nomination committee also proposes remuneration for the auditors and members of the Board of Directors, and for the election of auditors where necessary. The 2018 AGM resolved that the nomination committee for the 2019 AGM shall consist of four members. The Chairman of the Board shall contact the three largest shareholders or shareholder groups in terms of votes (this refers to both directly registered shareholders and trustee-registered shareholders) according to Euroclear Sweden AB's print-out of the share register as of the last day of trading in June of the current year (i.e. the year when the AGM that established the current principles was held) and other reliable information that was provided to the Company at this time. Documented shareholding through pension or endowment insurance can be taken into account. These shareholders shall each appoint a representative, who with the Board Chair shall form the nomination committee for the mandate period to the next Annual General Meeting. The names of the nomination committee were published at the Company's website no later than six months before the Annual General Meeting. The complete description of nomination committee policies will be contained in the document 'Nomination committee's proposals and explanatory statement regarding the proposed members of the Board of Directors' prior to the 2019 AGM at www.formpipe.se.

The members of the nomination committee for the period prior to the 2019 AGM are:

- Peter Larsson, Chairman of the Nomination Committee, representing a shareholder group consisting of himself, Thomas Bill, Martin Bjäringer, Carl Rosvall and Lars Sveder, 7,033,770 shares
- Jens Ismunden, representing AB Grenspecialisten, 5,396,351 shares.
- Caroline Sjösten, representing Swedbank Robur Fonder AB, 4,063,848 shares
- Bo Nordlander, Chair of Formpipe Software AB, 318,159 shares

ARTICLES OF ASSOCIATION

The Articles of Association stipulate that Formpipe is a Public Limited Company, which shall conduct business, directly or indirectly, in the specified fields and with all activities compatible therewith: consulting operations regarding Internet and Intranet solutions; consulting operations regarding information, management, and data processing; development and design of computer software and related products and services, including sales thereof in combination with suitable hardware; administration and trade in securities and real estate. The share capital for Formpipe shall amount to not less than SEK 2,000,000 and no more than SEK 8,000,000. The number of shares shall be no less than 20,000,000 and no more than 80,000,000. The Board of Directors shall consist of no less than three and no more than six members with no more than three deputies. The complete Articles of Association can be downloaded from www.formpipe.se.

BOARD OF DIRECTORS

The job of the Board of Directors

The job of the Board of Directors is to manage the Company's affairs on behalf of its shareholders. The work of Formpipe's Board is governed, other than by applicable laws and recommendations, by the Board's work plan which contains the rules for the delegation of duties and decision-making powers between the Board and the CEO for financial reporting, investments and financing. The work plan is approved once a year.

Responsibilities of the Board

The Board of Directors at Formpipe has overall operational responsibility for the Company's organisation and management, and to ensure that guidelines for managing company assets and funds are appropriate for their purpose. The Board is responsible to ensure the Company is governed in accordance with the laws and ordinances, as well as the issuer rules of which the Swedish Code of Corporate Governance is part. The Board is also responsible for developing and monitoring the Group's strategies by means of plans and targets, decisions on acquisitions and divestments of companies, major investments, recruitments and remuneration to the Group executive, along with regular monitoring of operations over the year. The Board of Directors annually approves the year-end financial statement, with regard to the business plan, operations-related policies and the work plan for the CEO.

Work of the Board of Directors for 2018

The AGM on 25 April 2018 re-elected Bo Nordlander (Chairman), Martin Henricson (Board member), Peter Lindström (Board member), Åsa Landén Ericsson (Board member) and Annikki Schaeferdiek (Board member). The Board has held 11 meetings recorded in minutes, which considered the Company's financial position and reporting, the focus of business operations, acquisitions, market assessments, strategic alternatives and organisational issues.

The Board Chair

Bo Nordlander, the Chair for the Board of Directors, leads the Board's work to ensure it is carried out in accordance with applicable laws and regulations. The Chair monitors operations in dialogue with the CEO and is responsible for ensuring that all Board members receive the information necessary to conduct high quality discussions and decision-making. The Chair also participates in the evaluation and developmental issues related to the Group's senior managers.

The composition of the Board of Directors

Formpipe normally holds eight general meetings of the Board of Directors annually plus an inaugural meeting immediately after the Annual General Meeting. Additional Board meetings are held as necessary. The Board consists of five full members and no deputies. The CEO is not part of the Board of Directors, but attends all Board meetings as a speaker except when the CEO's performance is under evaluation. The CEO reports to the Board regarding the operative activities of the Group and ensures that Board members receive factual and relevant information for their decision-making processes. In addition to the CEO, the Company's CFO also attends as the secretary. The table below specifies the members of the Board of Directors and their assessment in regard to their independence in relation to the Company and shareholders.

The Board's work plan

The Board's work plan was approved on 25 April 2018 at the inaugural meeting of the Board. These procedures are revised at least once annually or when necessary. The procedures include among other things the Board's responsibilities and tasks, the tasks of the Chairman of the Board and audit issues, as well as stating which reports and financial information should be received by the Board of Directors prior to each Ordinary General Meeting. The work plan also includes instructions to the CEO. An appendix regarding the Board's work as an audit committee and remuneration committee has been prepared and approved at the inaugural Board meeting of 25 April 2018.

Board of Directors	Participation/total meetings: Board meetings	Aud. Committee	Rem. Committee	Deemed independent	Other
Bo Nordlander Chairman of the Board since 2013 Board member since 2009 Year of birth: 1956 Shareholding: 318,159	11/11	Yes	Yes	Yes	Bo was formerly the CEO of SIX Financial Information Nordic AB (2010-2016). Head of Capital Market & Wealth, Tieto (2007-2009), CEO Abaris (2001-2007), Entra AB (1991-2001). Bo holds a degree in business administration from the School of Business, Economics and Law.
Martin Henricson Board member since 2016 Year of birth: 1961 Shareholding: 50,000	11/11	Yes	Yes	Yes	Martin has more than 25 years of experience in senior positions from international companies in IT/telecom, Internet and software, and is today the CEO of Outpost24 Group AB. Martin has a Bachelor of Science (behavioural science/accounting) and doctoral studies at Stockholm University.
Peter Lindström Board member since 2016 Year of birth: 1970 Shareholding: 30,000	11/11	Yes	Yes	Yes	Peter has an executive MBA from the School of Economics and Management at Lund University and an electrical engineering degree from the Faculty of Engineering at Lund University. Peter is the Head of the New Business department and a part of the management group of Axis Communications AB (publ). Peter has more than 20 years' extensive experience from senior roles in the IT industry, both at a regional and global level.
Annikki Schaeferdiek Board member since 2017 Year of birth: 1969 Shareholding: 6,000	11/11	Yes	Yes	Yes	Annikki holds a Master of Science in Engineering from the Institute of Technology at Linköping University. Annikki has 20 years' experience from the IT/telecom industry. Annikki worked among other things in Berlin for a small technology firm, as the CEO of Netwise, and the Business Area Manager of Ericsson's Multimedia unit and since 2010 runs her own company Syster P that makes jewellery and fashion accessories with sales in some 15 countries. Other assignments: member of the Boards of Proact IT AB and Syster P AB.
Åsa Landén Ericsson Board member since 2017 Year of birth: 1965 Shareholding: 7,500	11/11	Yes	Yes	Yes	Åsa holds an MSc. in Industrial Economics from Chalmers University of Technology and an MBA from INSEAD. Åsa has more than 25 years' experience in senior positions in the IT and telecom sector. She is currently the President and CEO of C.A.G. Group AB. Earlier assignments include the CEO of the systems integrators Cygate AB, the CEO of the IT consulting firm Enfo BI & Analytics, President and CEO of ENEA AB, CEO of Scanpix Sweden AB, Board member of ENEA AB, Rejlers AB and Acando AB. Other assignments: member of the Boards of Grant Thornton Sweden AB (adj), Lindebergs Intressenter AB (adj).

The composition of the Board of Directors for Formpipe meets the requirements of the Nasdaq Stockholm Stock Exchange and the Swedish Code of Corporate Governance in regard to composition and independent Board members.

AUDIT AND REMUNERATION COMMITTEE

The Board as a whole operates as the audit and remuneration committees. The description of tasks in regard to its work as an audit committee and remuneration committee is prepared and approved as an appendix to the approved work plan. The work plan with appendix was approved at the inaugural Board meeting on 25 April 2018. During 2018, the committees have held separate meetings to address these issues (one meeting of the remuneration committee and two meetings of the audit committee).

CEO AND GROUP MANAGEMENT

CEO Christian Sundin manages the Group and its operations within the framework approved by the Board of Directors.

Christian Sundin
Chief Executive Officer
Born 1971
Employed since 2006
Shareholding: 1,003,840
Share options: 746,700

Christian was employed as CFO at Formpipe prior to taking over the CEO post in 2007. Christian has a background within the Ericsson Corporation and solid experience of implementing larger IT systems. Christian has a degree in Economics. Christian does not hold any material assignment outside Formpipe and has no material shareholding or part ownership in any companies other than Formpipe.

The latest valid instruction to the CEO was passed by the Board on 25 April 2018. The CEO continuously prepares necessary documentation to inform and provide a basis for decision-making, and he explains and substantiates proposals for Board determination. The Board Chair conducts an annual performance assessment interview with the CEO in compliance with the CEO instruction and applicable requirements specification. The CEO leads the executive management of the Group in their activities and makes final decisions in consultation with the business area managers. An annual business plan is also prepared in consultation with the relevant business area manager. The business plan is followed up with monthly reports from each business area within the Company, where the review concentrates on growth and cost control.

AUDITORS

The Annual General Meeting of shareholders appoints one or two auditors with no more than two deputies for the purpose of auditing the Company financial statements and annual accounts, as well as the work of the administration of the Board of Directors and CEO. Chief Auditor is Aleksander Lyckow from PricewaterhouseCoopers AB.

INTERNAL CONTROL REGARDING FINANCIAL REPORTING FOR THE 2018 FINANCIAL YEAR

The report has been prepared in compliance with the Swedish Code of Corporate Governance and is thereby delimited to the internal control regarding financial reporting. The Board of Directors is responsible for managing corporate governance at Formpipe and thereby for management of internal controls. The overall purpose for this is to protect the Company's assets and thereby the investment of all shareholders. The Board is also responsible for ensuring that financial reporting is prepared in compliance with applicable law. Quality assurance of Formpipe's financial reporting is conducted by the Board, addressing all critical accounting issues and the financial reports submitted by the Company. This presumes that the Board addresses issues concerning internal control, regulatory compliance, material uncertainties in recognised values, any uncorrected errors, events after the statement of financial position date, changes to estimates and assessments, any determined irregularities and other circumstances that impact the quality of these financial reports.

Description of the internal control organisation

Control environment

An active and fully engaged Board of Directors is the foundation for good internal control. The Board at Formpipe has established clear working processes and work plans for their administration. An important part of work in the Board is to prepare and approve basic policies, guidelines and frameworks related to both operating control and financial reporting. The Company's governing documents are designated "The Board of Director's Work plan and instruction for delegation of responsibilities between the Board and Chief Executive Officer and instruction for economic reporting to the Board of Directors in Formpipe (including subsidiaries and branches)". The purpose of this policy includes creating the basis for sound internal control. Follow-up and amendment are conducted continuously and communicated to all staff members involved in financial reporting. The Board conducts monthly assessment of operational performance and results using a purpose-designed reporting package that contains income statement and calculated key ratios along with additional material operational and financial information. The Board functions in its entirety as an Audit Committee. The Board has reviewed and assessed the accounting and economic reporting procedures, and monitored and assessed the work, qualifications and independence of the external auditors. During the year, the Board conducted a review and received written reports from the Company's external auditors. Other established policies that provide the basis for internal control within Formpipe are the Authorisation Policy, Financing Policy, Information Policy and IT Policy. Formpipe works according to a function-based organisational structure where the respective function manager is a member of the management group and responsible for the work results within that function. All functions in Formpipe have the same structure, accounting system, accounting plan and policies, which facilitates the creation of suitable procedures and control systems.

Risk assessment

Formpipe actively and continuously conducts risk analyses, risk assessments and risk management to ensure that the risks the Company faces are managed appropriately within established rules. These risk assessments consider the Company's administrative procedures regarding invoicing and agreement management. Statement of financial position and income items that carry material risk for errors arising are monitored also continuously. The items carrying such risk for company operations include new sales and recurring revenues. The risk assessment is conducted regularly by senior executives and reported monthly to the Board by the CEO.

Control activities

Policy documents and guidelines define how correct accounting, reporting and provision of information shall take place and how control activities are to be performed. Formpipe follows its Financial Guidelines, which include treatment of control activities such as reconciliation, authorisation flows, account reconciliations, financial systems and comparative metrics. The control structure manages the risks that the Board deems material to internal control of financial reporting. These control structures consist of clear delegation of responsibilities, clear procedures and clear roles. Examples of control activities include reporting decision-making processes and chains of command for significant decisions (such as new major customers, investments, agreements and similar) as well as auditing all financial reports that are presented.

Information and communication

The Company's steering documents, which are the policies, guidelines and manuals for internal and external communication, are updated regularly and communicated internally through appropriate channels, such as internal meetings, internal newsletters and the Company intranet. A clear policy is established for communication with external parties that specifies all guidelines for how this information is to be published – the approved company Information Policy. The purpose of this policy is to ensure complete and correct compliance with all disclosure requirements for Formpipe according to applicable Issuer rules.

In addition, the Company is covered by the provisions in the EU Market Abuse Regulation No 596/2014 (MAR) that sets extensive requirements on how the Company handles insider information. MAR regulates how insider information shall be made public to the market, under what conditions publication may be postponed and the manner in which the Company is obliged to keep a list of people working for the Company who have had access to insider information (a so-called log book). Since 2017, the Company uses the digital tool InsiderLog to ensure that its handling of insider information meets the requirements in MAR and the Company's insider policy; from the decision to postpone publication of insider information all the way to the message to be submitted to the Swedish Financial Supervisory Authority when the insider event is over the and information has been published. Only authorised persons in the Company have access to InsiderLog.

Follow-up and monitoring

Follow-up of internal control is appropriate and conducted regularly by the Company. The Board of Directors meets at least once a year with the Company's auditors to review the current standing, without the CEO or other senior executives attending. The Board also ensures that the Company's auditors conduct a cursory review of the financial reporting from the third quarter. Lastly, the auditors also submit a brief report on how internal control was done during the year. The Board annually assesses whether a separate internal audit function should be implemented at Formpipe. The current position of the Board on this issue is that the existing processes provide satisfactory management of this ongoing process and of internal control, and hence no formal internal auditing function has been implemented.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The AGM resolved to approve the proposal of the Board for guidelines to remuneration for the Company's Chief Executive Officer and other senior executives as follows. The AGM resolution principally agrees with previously applied policies for remuneration. The guidelines apply for agreements that are made after the 2018 Annual General Meeting, or where a change in remuneration occurs thereafter. The Board has not appointed a separate remuneration committee; instead, the Board in its entirety deals with issues relating to remuneration and other conditions of employment.

The Company shall offer market-adjusted terms which allow the Company to recruit and retain skilled personnel. Remuneration to senior executives shall consist of basic salary, variable remuneration, a long-term incentive programme, pensions, severance terms and other customary benefits. The remuneration is based on the individual's commitment and performance in relation to targets defined in advance, both individual targets and shared targets for the Company as a whole. There is continuous evaluation of individual performance. The basic salary is usually reviewed once a year and must take into account the quality of the individual's performance.

The basic salary for the Managing Director and other senior executives must be competitive. The variable remuneration shall take into account the individual's level of responsibility and degree of influence. The extent of the variable remuneration is related to the extent by which financial objectives established by the Group's Board of Directors are met. The variable remuneration shall constitute no more than 40 per cent in addition to the basic salary. All variable remuneration plans have defined maximum allocation and outcome limits. A provision is made in the annual accounts for variable remuneration attributable to the financial year when applicable and is disbursed in close connection with the Annual General Meeting. The Company has stock-related incentive programmes directed at the entire staff (including the Chief Executive Officer and other senior executives) that is intended to promote the Company's long-term interests. The Board continuously evaluates whether additional option programmes or any other form of stock-related or stock price-related incentive programme should be proposed to the Annual General Meeting. The Chief Executive Officer and other senior executives shall have defined contribution pension agreements. Retirement occurs at age 65 for the Chief Executive Officer and the senior executives. Pension provisions are based solely on the budgeted salary. In the event of termination of the employment of the Chief Executive Officer, six months' notice of termination and six months' severance pay will apply if the contract is terminated by the Company. Other income which the Chief Executive Officer receives during the period for which severance pay is paid will be subtracted from the severance pay. If the Chief Executive Officer terminates the contract, six months' notice must be given. A mutual notice period of 3 to 6 months applies between the Company and the other senior executives. In the event the Company is the object of a public takeover bid that results in at least 30 per cent of the Company's shares ending up in the possession of one and the same shareholder, the Chief Executive Officer is entitled, upon termination of employment by the Company or the Chief Executive Officer, to special severance pay corresponding to 12 basic monthly salaries at the time notice is given. Such severance pay is not subject to deduction for other income, shall be paid in its entirety upon the cessation of the employment and replaces the severance pay to which the Chief Executive Officer is normally entitled according to his or her employment contract.

The Annual General Meeting provided the Board of Directors with an opportunity to deviate from the proposed guidelines above in the event there are particular grounds for doing so in specific cases.

The guidelines proposed to the 2019 Annual General Meeting for remuneration to senior executives remain unchanged from 2018.

REMUNERATION

Remuneration to the Board

The 2018 AGM resolved that the total remuneration to the members of the Board for the current year shall be KSEK 1,050, of which KSEK 350 is for the Board Chair and KSEK 175 for each member (Note 8).

Remuneration to the CEO and senior executives

Christian Sundins fixed remuneration in 2018 amounted to KSEK 2,070 and the variable remuneration amounted to KSEK 828 in accordance with set targets. In addition to this, pension in an amount of KSEK 525 and other remuneration amounting to KSEK 166 were expensed during the year (Note 8).

Remuneration to other senior executives

Basic salary for other senior executives for 2018 was KSEK 4,805. Variable remuneration for the same period totalled KSEK 1,191 and pension contributions were KSEK 457. Other remuneration totalled KSEK 30 (Note 8).

Remuneration to the auditors

Remuneration to the auditors is made on account in accordance with the recommendations of the nomination committee. A total of KSEK 1,644 was paid in fees to the auditors and auditing company for 2018. The total refers to work for auditing, regular advice and other reviews (Note 7).

Annual report signing

The Board of Directors and Chief Executive Officer hereby certify that these consolidated financial statements were prepared in accordance with the International Financial Reporting Standard, IFRS, as adopted in the EU and provide a fair representation of the Group's financial position and performance. These financial statements were prepared in accordance with generally accepted accounting principles and provide a true and fair view of the Parent's financial position and performance. The Management report for the Group and Parent Company provide a fair representation of operations in the Group and Parent Company, their financial position and performance, and describes the material risks and uncertainties facing the Parent Company and Group companies.

Stockholm, 2 April 2019

Bo Nordlander
Chair

Annikki Schaeferdiek
Board member

Martin Henricson
Board member

Åsa Landén Ericsson
Board member

Peter Lindström
Board member

Christian Sundin
Chief Executive Officer

Our auditor report was submitted on 3 April 2019
PricewaterhouseCoopers AB

Aleksander Lyckow
Authorised Public Accountant

Auditor's report

To the Annual General Meeting of Shareholders, corporate registration number 556668-6605.

STATEMENT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Formpipe Software AB (publ) for the year 2018 except for the corporate governance report and sustainability report on pages 77-81 and 39-41, respectively. The Company's annual report and consolidated financial statements are included in this document on pages 33-82.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent as at 31 December 2018, and of its financial performance and cash flows for the year in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and, in all material respects, presents a true and fair view of the Group's financial position as at 31 December 2018, and of its their financial performance and cash flows for the year in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not comprise the corporate governance report and the sustainability report on pages 77-81 and 39-41, respectively. The management report is consistent with the other parts of the annual report and the consolidated financial statements.

We therefore recommend that the General Meeting adopt the consolidated income statement and balance sheet and the income statement and balance sheet of the Parent.

Our opinions in this statement on the annual accounts and consolidated financial statements are consistent with the content of the supplementary report submitted to the parent company's and Group's Board of Directors in accordance with Article 11 of the Audit Regulation (537/2014).

Basis for the opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in more detail in the section on Auditors' responsibility. We are independent in relation to the Parent and Group in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our professional ethics responsibility according to these requirements. This includes, based on the best of our knowledge and conviction, that no prohibited services as referred to in Article 5.1 of the Audit Regulation (537/2014) have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We are of the opinion that the audit proof we have acquired is sufficient and appropriate as a basis for our statements.

Our audit approach

Audit focus and scope

We structured our audit by determining the materiality level and assessing the risk of material misstatements in the financial statements. We paid particular attention to the areas where the CEO and Board made subjective judgements, such as important accounting estimates made based on assumptions and forecasts of future events, which are uncertain by nature. As in all audits, we also took into account the risk that the Board and the CEO neglect internal control, and among other things have considered if there is evidence of systematic deviations that have given rise to a risk of material misstatements as a result of improprieties.

We adapted our audit to carry out an appropriate review with the aim of being able to express an opinion on the financial statements as a whole, considering the Group's structure, accounting processes and controls and the industry within which the Group is active.

Materiality

The scope and focus of the audit was influenced by our assessment of materiality. An audit is structured to achieve a reasonable degree of certainty as to whether or not the financial statements contain any material misstatements. Misstatements can arise as a result of fraud or error. They are viewed as material if they individually or together can reasonably be expected to affect the financial decisions the users make based on the financial statements.

Based on professional judgement, we determined certain quantitative materiality figures, including for the financial statements as a whole. Using these and qualitative considerations, we determined the audit's focus and scope and our audit measures' nature, timing and scope, and to determine the effect of individual and joint misstatements on the financial statements as a whole.

Particularly significant areas

Areas of particular significance to the audit are those that in our professional opinion were the most significant to the audit of the annual accounts and consolidated financial statements for the period in question. These areas are addressed within the scope of the audit of, and in our opinion on, the annual accounts and consolidated financial statements as a whole, but we make no separate statements regarding these areas.

Particularly significant areas

Period-allocation of revenues

Formpipe describes its revenue recognition on pages 54-55 in the Management Report. Risk management is described in the corporate governance report on pages 77-81. In Note 5, a breakdown is made of the revenues from various products and services.

Formpipe's its revenue streams are divided into licence revenue, SaaS revenue (Software as a Service), support and maintenance revenue and delivery revenue. Fair value of the respective revenue in an agreement (the allocation) does not always agree fully with the underlying agreement. This can be due to the formulation of the procurement documentation or to different designations/division being used in agreements with the customer. In these cases, Formpipe goes through the agreements, pricing, their deliveries and timetables for this. Then, fair value per commitment ha been assessed and the agreed price has then been allocated over the contract period and recognised as revenue according to this fixed model. Allocating fair value requires assessments, which in turn leads to an inherent subjectivities where faults can result in material misstatements in the financial statements. The risk primarily relates to the period in which the revenue shall be recognised.

How our audit took into account particularly significant areas

The most significant audit efforts that we conducted comprise:

- We have done a review of the Company's sales process with the aim of ensuring that relevant procedures and controls are implemented.
- We have reviewed on, a spot check basis, new agreements during the year with a focus on agreements near the end of the year.

- We have followed up possible credits after the account closing to ensure that the recognised sale is not adjusted out in subsequent periods.
- A review is done of manual book-keeping items to ensure that no unexplained adjustment items that affect revenues exist.
- A review is done that the reporting and disclosures in the annual report are in accordance with IFRS 15 Revenues.

From this review, nothing has come forth to give rise to material observations being reported in the Auditing Committee.

Measurement of goodwill

Formpipe describes critical estimates and assumptions in Note 4 and impairment testing of goodwill in Note 14.

In Formpipe's statement of financial position, MSEK 338 is recognised in the form of goodwill tied to corporate acquisitions. This amount corresponds to nearly 50 per cent of the total assets. Measurement of goodwill depends on the management's assessments. Management annually prepares an impairment testing of goodwill. This testing shows whether there are any impairment requirements (if book value exceeds fair value) or not. The assumptions and assessments relate in part to the future and pertain, for example, to the development of revenues and operating margin, investment needs and the applied discount rate. If the future development deviates negatively from assessments and assumptions made, an impairment requirement may arise even if this is not deemed to be the case as of the closing date. Formpipe's impairment testing shows that no impairment requirement exists.

The most significant audit efforts that we conducted comprise:

- Gathered and reviewed Formpipe's model for impairment testing to assess the mathematical accuracy of the model and the reasonability of assumptions made.
- On a spot check basis, verified that data that was included in the impairment testing agrees with the Company's long-term plans per cash flow generating unit.
- Control of the reasonability of the applied discount interest rate.
- Implementation of sensitivity analyses where the effects of changes in assumptions and assessments are analysed to identify especially sensitive such assumptions and assessments.
- A review of disclosure requirements according to IAS 36 Impairment of Assets has been provided in the annual report.

The assumptions that form the basis of Formpipe's estimates are deemed to be within acceptable intervals.

Information other than the annual accounts and consolidated financial statements

This document also contains information other than the annual accounts and consolidated accounts and can be found on pages 1-32 and 86-91 and also contains the statutory sustainability report on pages 39-41. It is the Board and the CEO who have the responsibility for this other information.

Our opinion regarding the annual report and consolidated financial statements does not comprise this information and we make no statement confirming this other information.

In connection with our audit of the annual report and consolidated financial statements, it is our responsibility to read the information identified above and consider if the information to a material extent is inconsistent with the annual report and consolidated financial statements. In this review, we also take into account the information we collected otherwise during the audit and assess if the information otherwise appears to contain material misstatements.

If we draw the conclusion based on the work done regarding this information that the other information contains a material misstatement, we are obliged to report it. We have nothing to report in this respect.

Responsibilities of the Board of Directors and the Chief Executive Officer

It is the Board of Directors and the CEO that are responsible for the preparation of the annual report and consolidated financial statements and that they provide a true and fair view according to the Annual Accounts Act and, with regard to the consolidated financial statements, according to IFRS as adopted by the EU and the Annual Accounts Act. The Board and CEO are also responsible for the internal control that they deem to be necessary to prepare annual report and the consolidated financial statements that do not contain any material misstatement, whether due to error or impropriety.

In preparing the annual report and consolidated financial statements, the Board and CEO are responsible for the assessment of the Company's and the Group's ability to continue the operations. They provide information, when appropriate, concerning conditions that may affect the ability to continue operations and to use the going concern assumption. The going concern assumption is not, however, applied if the Board and CEO intend to liquidate the Company, cease operations or have no realistic alternative than to do either.

Auditor's responsibility

Our objectives are to achieve a reasonable degree of certainty whether or not the annual report and consolidated financial statements as a whole contain any material misstatements, whether due to error or impropriety, and to provide an audit report that contains our opinions. Reasonable certainty is a high degree of certainty, but is no guarantee that an audit done according to ISA and generally accepted auditing standards in Sweden will always discover a material misstatement if such exists. Misstatements can arise due to impropriety or error and are considered to be material if they individually or together can reasonably be expected to affect financial decisions that users make based on the annual report and consolidated financial statements.

A further description of our responsibility for the audit of the annual accounts and consolidated financial statements is available on the website of the Supervisory Board of Public Accountants: www.revisorsinspektionen.se/revisornsansvar. This description is a part of the audit report.

STATEMENT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual report and consolidated financial statements, we also conducted an audit of the Board's and the CEO's administration for Formpipe Software AB (publ) for 2018 and of the proposed appropriation of the Company's profit or loss.

We recommend to the General Meeting of shareholders that the profit be dealt with in accordance with the proposal in the management report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for the opinions

We have conducted the audit in accordance with generally accepted accounting standards in Sweden. Our responsibility according to these standards is described in more detail in the section on Auditors' responsibility. We are independent in relation to the Parent and Group in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our professional ethics responsibility according to these requirements.

We are of the opinion that the audit proof we have acquired is sufficient and appropriate as a basis for our statements.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors has the responsibility for the proposal on the appropriation of the Company's profit or loss. In the event of a proposed dividend, this includes an assessment of whether the dividend is justifiable considering the requirements set by the Company's and Group's nature of operations, scope and risks on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position otherwise.

The Board is responsible for the Company's organisation and the management of its affairs. This includes continuously assessing the Company's and Group's financial situation, and ensuring that the Company's organisation is structured so that accounting, asset management and the Company's financial affairs otherwise are controlled in a satisfactory manner. The CEO shall take care of the operating management according to the Board's guidelines and instructions and take the actions necessary for the Company's bookkeeping to be performed in accordance with law and for asset management to be managed in a satisfactory manner.

Auditor's responsibility

Our objective regarding the audit of the management, and thereby our statement regarding discharge from liability, is to collect audit evidence to be able to assess with a reasonable degree of certainty if any Board member or the CEO to any material respect:

- took any action or committed any negligence that may lead to a liability to pay damages to the Company, or
- in any way acted counter to the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective regarding the audit of the proposed appropriation of the Company's profit or loss, and thereby our statement regarding this, is to assess with a reasonable degree of certainty if the proposal is consistent with the Swedish Companies Act.

Reasonable certainty is a high degree of certainty, but no guarantee that an audit done in accordance with generally accepted auditing practices in Sweden will always discover actions or negligence that can lead to liability to pay damages to the Company, or that a proposed appropriation of the Company's profit or loss is not consistent with the Swedish Companies Act.

A further description of our responsibility for the audit of the administration is available on the website of the Supervisory Board of Public Accountants: www.revisorsinspektionen.se/revisornsansvar. This description is a part of the audit report.

Auditor's review of the corporate governance report

It is the Board of Directors who is responsible for the corporate governance report on pages 77-81 and that it has been prepared in accordance with the Annual Accounts Act.

Our review has been conducted in accordance with FAR's statement RevU 16 Auditor's review of the corporate governance report. This means that our review of the corporate governance report has another direction and is substantially more limited in scope than an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing practice in Sweden. We consider that this review provides us adequate grounds for our opinions.

A corporate governance report has been prepared. Disclosures as per Chapter 6 Section 6 Paragraph 2 Items 2-6 of the Annual Accounts Act and Chapter 7 Section 31 Paragraph 2 of the same law is consistent with the annual report and consolidated financial statements and complies with the Annual Accounts Act.

Auditor statement on the statutory sustainability report

It is the Board of Directors who is responsible for the sustainability report on pages 39-41 and that it has been prepared in accordance with the Annual Accounts Act.

Our review has been conducted in accordance with FAR's recommendation RevR 12 Auditor's statement on the statutory sustainability report. This means that our review of the sustainability report has another direction and is substantially more limited in scope than an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing practice in Sweden. We consider that this review provides us adequate grounds for our opinions.

A sustainability report has been prepared.

PricewaterhouseCoopers AB, Stockholm, was elected Formpipe Software AB (publ)'s auditor by the General Meeting on 25 April 2018 and has been the Company's auditor since the General Meeting in April 2004.

Stockholm, 3 April 2019
PricewaterhouseCoopers AB

Aleksander Lyckow
Authorised Public Accountant

Board of Directors


Bo Nordlander


Annikki Schaeferdiek


Peter Lindström


Åsa Landén Ericsson


Martin Henricson

Bo Nordlander
Chairman
Elected: 2009
Date of birth 1956
Shareholding: 318,159
Other board appointments: Chairman of the Boards of Time People Group AB (publ) and Exicom Software AB.

Peter Lindström
Board member
Elected: 2016
Date of birth 1970
Shareholding: 40,000

Annikki Schaeferdiek
Board member
Elected: 2017
Date of birth 1969
Other board appointments: member of the Boards of Pro-act IT AB and Syster P AB.

Åsa Landén Ericsson
Board member
Elected: 2017
Date of birth 1965
Shareholding: 7,500
Other board appointments: Member of the Boards of Grant Thornton Sweden AB (adj) and Lindebergs Intressenter AB (adj).

Martin Henricson
Board member
Elected: 2016
Date of birth 1961
Shareholding: 50,000
Other board appointments: Chairman of the Board of Episerver Group AB and the Board member Besedo Group AB.

Group Management


Christian Sundin


Erik Lindeberg


Joakim Alfredson


Lina Elo


Mats Persson


Mauritz Wahlqvist


Staffan Hugemark


Thomas à Porta

Christian Sundin
CEO
Shareholding: 1,003,840
Share options: 746,700

Mats Persson
CTO
Shareholding: 5,406
Share options: 10,000

Erik Lindeberg
Director of Business Development
Shareholding: 122,823
Share options: 30,000

Mauritz Wahlqvist
VP Business Area Public Sector Sweden
Shareholding: 56,319
Share options: 100,000

Joakim Alfredson
CFO
Shareholding: 787,000
Warrants: -

Staffan Hugemark
VP Business Area Private Sector
Shareholding: 588,000
Warrants: -

Lina Elo
Director of HR
Shareholding: 2,594
Share options: 15,000

Thomas à Porta
VP Business Area Public Sector Denmark
Shareholding: 112,000
Warrants: -

The above Group Management was established in connection with the reorganisation at year-end.

Definitions

Formpipe uses alternative performance measures (APM). Formpipe's APMs are calculated on the financial statements prepared in accordance with the applicable rules for financial reporting, and then adjusted by amounts being added to or deducted from the figures presented in the financial statements. Formpipe's APMs are presented below that are not explained in direct connection with their use.

SALES

Recurring revenues
Revenues that are highly likely to continue in future, such as support and maintenance revenues, administration agreements, and revenues from licence leasing agreements.

Software revenue
Total of all licence revenues, revenues from SaaS and revenues from support and maintenance.

Annual pace of recurring revenues (ARR)
Recurring revenues for the last month of the period multiplied by 12 with the aim of obtaining the recurring revenue for the next 12 months attributable to agreements recognised as revenue at the end of the period.

EXPENSES

Fixed operating expenses
Other expenses and staff expenses

Operating expenses
Selling costs, other expenses, staff expenses, capitalised work for own account and depreciation/amortisation.

GROWTH

Sales growth
Net sales growth as a percentage from the preceding year.

Growth in system revenues
System revenue growth as a percentage from the preceding year.

PROFIT

Items affecting comparability
Relate to items that are of a material nature and reported separately when they are considered to be different from the ordinary core business, and impede comparability with earlier periods. For example, acquisition-related items, restructuring-related items or impairments.

EBITDA
Earnings before interest, taxes, depreciation and amortisation, acquisition-related expenses, and other non-recurring items.

EBITDA adjusted
EBITDA excluding capitalised work for own account.

EBIT
Operating profit/loss.

MARGINS

Operating margin before depreciation and items affecting comparability (EBITDA)
Operating profit/loss before depreciation and items affecting comparability as a percentage of sales.

Operating margin (EBIT)
Operating profit as a percentage of sales.

Profit margin
Profit for the year as a percentage of sales.

RETURN ON CAPITAL

Return on operating capital employed
Operating income as a percentage of average operating capital.

Return on capital employed
Net operating profit plus revenues from financial activities as a percentage of average working capital.

Return on equity
Profit for the year as a percentage of average equity.

Return on total capital
Net operating profit plus revenues from financial activities as a percentage of average total capital.

CAPITAL STRUCTURE

Operating capital
Total assets less non-interest bearing liabilities including deferred tax, cash and cash equivalents, short-term investments and other interest-bearing receivables.

Capital employed
Total capital less non-interest bearing liabilities including deferred tax.

Interest-bearing net debt
Interest-bearing liabilities less cash and cash equivalents.

Debt/equity ratio
Equity as a percentage of total assets.

CASH FLOW AND LIQUIDITY

Free cash flow
Cash flow from ongoing operations less cash flow from investment activities excluding business acquisitions.

Cash and cash equivalents
Cash and bank balances and short-term investments.

Net debt/net cash
Interest-bearing liabilities less cash and cash equivalents.

SHARE DATA

Earnings per share outstanding
Profit for the year divided by the total number of outstanding shares at year-end.

Earnings per average total shares
Profit for the year divided by the average number of outstanding shares at year-end.

Earnings per average total shares after dilution
Profit for the year divided by the average number of outstanding shares after dilution effects during the year.

Equity per share
Equity at year-end divided by average number of outstanding shares for the year.

Glossary

API (APPLICATION PROGRAMMING INTERFACE)
An API is a tool that makes it possible to use functions in other programs and synchronise data between programs.

CCM
With CCM products, content is produced, individualised, formatted and distributed from different systems and data sources to the format that best suits the Company in its communication with customers or other business partners.

CRM
Customer Relationship Management. Controlling, organising and administering customers and customer relations in a business.

ECM
Enterprise Content Management includes systems and solutions that process and improve utilisation of both structured and unstructured information.

ERP
Enterprise Resource Planning – enterprise-wide business information processing system.

EQMS
Electronic Quality Management System. Business systems which manage documents and processes for quality and regulatory compliance throughout the entire value chain. EQMS can be viewed as a platform for quality management which facilitates communication, control and cooperation across functional boundaries.

FPIP
The stock short name for Formpipe listed shares.

GDPR
General Data Protection Regulation, is a European regulation with the aim of strengthening and harmonising the protection of living, natural persons within the European Union in the processing of personal data.

RPA
Robotic Process Automation – abbreviated RPA – are software robots that function as connections between the Company's various IT systems and automate a large number of time-consuming work processes.

SOFTWARE AS A SERVICE (SAAS)
Software as a Service or SaaS is a way to deliver applications to users over the Internet, where the customer pays a periodic fee that covers the licence right and the maintenance agreement.

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We are a purple company. Being purple means we possess the calm stability of a blue colour, spiced with a fierce energy of a red one. Purple is our heritage and true passion. We are proud of who we are.

We transform businesses and take them into the future. Our skilled people and strong products are here to prove it. When our efforts result in engaged and loyal customers, who come back again and again, then we have delivered. We unleash our customers' full potential.

The annual report was produced by Formpipe in collaboration with Hurra! (www.hurra.se).
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Formpipe.