

# Year end report January-December 2019



# Vitec in brief



## Vertical markets

Vitec is the Nordic market leader in Vertical Market Software. We develop and deliver standardized software aimed at various niche markets. This entails tailoring our offering to the unique needs and requirements of companies operating within specific niche markets, to enable the management and development of their business operations.

## Standardized products

Our standardized products are cost-efficient for our customers, as they allow for the assimilation of industry-wide developments and upgrades. This enables us to provide our customers with the optimal conditions to develop and future-proof their operations.

## Recurring revenues

Our business model is based on a high percentage of recurring revenues. This provides us with stable and predictable cash flows that create the prerequisites for a long-term approach. It also makes the Group less sensitive to temporary declines within individual business units.

## Growth by acquisition

Vitec has an explicit acquisitions-based growth strategy with a sharp focus on profitability and stable cash flows. Our focus on strong cash flows creates the financial prerequisites for continued acquisition-driven growth.

**750**  
employees



# Consistent strategy provides continued profitable growth

## Summary of the period, January–December 2019

- Net sales SEK 1 156 million (1 017)
- EBITA SEK 247 million (212), with an EBITA margin of 21% (21)
- Operating profit SEK 144 million (128), with an operating margin of 12% (13)
- Profit after net financial items was SEK 130 million (117)
- Earnings per share before dilution SEK 3.16 (3.23)
- Cash flow from operating activities SEK 278 million (197)
- The Board of Directors propose a dividend increase to SEK 1.35 per share (1.20)

## Summary of the period, October–December 2019

- Net sales 298 million (290)
- EBITA SEK 53 million (56), with an EBITA margin of 18% (19)
- Operating profit SEK 26 million (34), with an operating margin of 9% (12)
- Profit after net financial items was SEK 21 million (31)
- Earnings per share before dilution SEK 0.49 (0.98)
- Cash flow from operating activities SEK 56 million (48)
- Acquisitions of M&V Software Oy and HK data AS

## CEO's comment

The year has progressed well, with a 22% increase in our recurring revenues – almost 6% of which is organic and accounts for 79% (73) of total revenue. We currently have 23 operational business units, compared with 18 last year at the same time. We invested SEK 139 million in our product portfolio and we have increased the number of employees. We have completed 5 acquisitions during the year, which added about SEK 160 million in annual sales.

Our primary focus is on increasing our recurring revenues through acquisitions, as well as organically. This approach provides stable cash flows that enable us to consistently strengthen our offering, to be a key provider to our customers and by extension, to contribute to increased efficiency and value generation in the social economy. Through our acquisitions we operate in a growing number of niches, which spreads risk but also increases our responsibility for important functions in our daily lives. For example, our products can be found in pharmacies, banks, health care, insurance and education.

We continue to invest in our corporate culture through internal training programs and introduction conferences. A

common corporate culture is essential to achieve success with our decentralized governance model.

Our non-recurring licensing revenues declined by 49%, which is completely in line with our consistent strategy and business model. The non-recurring revenues that disappeared, about SEK 17 million this year, have a short-term negative impact on earnings compared with the previous year, but will soon be replaced by recurring revenue, although not immediately. The changed business model has resulted in cost reductions, albeit also with some delay.

We are engaged in a large number of active acquisition dialogs, and we are continuously allocating resources to stay abreast of and advance these dialogs. Our financial position is solid and we are well prepared for future acquisitions and for continued acquisition-based growth. Supported by our acquisition of well-established companies and a high and increasing percentage of recurring revenues, Vitec will stay its course – to be a vertical software company with excellent risk diversification and sustainable, profitable growth – and thereby increase our dividends for the eighteenth consecutive year.



# Group financial information

## Net sales and earnings

### January–December 2019

#### Revenues

Net sales for the period totaled SEK 1,156.2 million (1,016.8), corresponding to a 14% increase. Recurring revenues for the period rose 22% from the year-earlier period and totaled SEK 907.5 million (743.9), corresponding to 78.5% (73.2) of net sales. License revenues declined 49% year-on-year, totaling SEK 17.8 million (35.0). Service revenues increased 9% from the year-earlier period, totaling SEK 162.7 million (148.7). Other revenues declined by 24% to a total of SEK 68.2 million (89.2). The acquired company, Avoine Oy, which was consolidated as of March 5, contributed SEK 25.2 million in net sales during the period. The acquired company, WIMS AS, which was consolidated as of May 8, contributed SEK 17.4 million in net sales during the period. The acquired company, Odin Systemer AS, which was consolidated as of June 12, contributed SEK 36.4 million in net sales during the period. The acquired company M&V Software Oy, which was consolidated as of December 12, contributed SEK 1.7 million in net sales, while the acquired the company, HK data AS, which was consolidated as of December 17, contributed SEK 1.9 million in net sales during the period.

#### Earnings

EBITA was SEK 247.3 million (211.9), with an EBITA margin of 21.4% (20.8). An explanation and calculation of EBITA can be found on page 29 of this report. Operating profit was SEK 143.9 million (128.4), with an operating margin of 12.4% (12.6). During 2019, the net of capitalized development costs and amortization of intangible fixed assets affected operating profit by SEK -19.6 million (-8.1). Profit after tax for the period amounted to SEK 102.2 million (96.9). Earnings per share before dilution totaled SEK 3.16 (3.23).

### October–December 2019

#### Revenues

Net sales for the period totaled SEK 297.7 million (289.9), corresponding to a 3% increase. Recurring revenues for the period rose 18% from the year-earlier period and totaled SEK 236.3 million (200.6), corresponding to 79.4% (69.2) of net sales. License revenues declined 58% year-on-year, totaling SEK 4.2 million (9.8). Service revenues fell 9% from the year-earlier period, totaling SEK 43.3 million (47.7). Other revenues declined 56% to a total of SEK 14.0 million (31.7). The acquired company, Avoine Oy, which was consolidated as of March 5, contributed SEK 8.1 million in net sales during the period. The acquired company, WIMS AS, which was consolidated as of May 8, contributed SEK 6.6 million in net sales during the period. The acquired company, Odin Systemer AS, which was consolidated as of June 12, contributed SEK 15.4 million in net sales during the period. The acquired company M&V Software Oy, which was consolidated as of December 12, contributed SEK 1.7 million in net sales, while the acquired the company, HK data AS, which was consolidated as of December 17, contributed SEK 1.9 million in net sales during the period.

#### Earnings

EBITA was SEK 52.9 million (55.7), with an EBITA margin of 17.8% (19.2). An explanation and calculation of EBITA can be found on page 29 of this report. Operating profit was SEK 25.8 million (34.3), with an operating margin of 8.7% (11.8). During the period, the net of capitalized development costs and amortization of intangible fixed assets affected operating profit by SEK -6.2 million (-1.1). Profit after tax for the period amounted to SEK 16.0 million (29.8). Earnings per share before dilution totaled SEK 0.49 (0.98).

## Liquidity and financial position

The Group's cash and cash equivalents, including current investments at the end of the period, totaled SEK 16.7 million (235.3). In addition to cash and cash equivalents, Vitec had overdraft facilities of SEK 120 million and SEK 100.5 million in unutilized portions of the credit facility. During the period an agreement was signed with Nordea for an expanded overdraft facility of SEK 100 million. The overdraft facility will be able to be used to fund acquisitions.

During the year, SEK 236.9 million of the credit facility was utilized to finance acquisitions and SEK 284.7 million relating to previous acquisitions was repaid to the credit facility. Amortization of loans amounted to SEK 3.4 million; amortization related to leasing totaled SEK 37.3 million. Cash flow from operating activities was SEK 278.0 million (197.1). Investments totaled to SEK 138.7 million in capitalized work, SEK 2.3 million in other intangible assets and SEK 15.6 million in property, plant and equipment. The acquisitions of Avoine Oy, WIMS AS, Odin Systemer AS, M&V Software Oy and HK data AS generated SEK 342.6 million in product rights, brands, customer agreements and goodwill.

At Tuesday, December 31, 2019, interest-bearing liabilities totaled SEK 470.4 million (509.3) and comprised SEK 467.4 million (503.6) in non-current interest-bearing liabilities and SEK 3.0 million (5.6) in current interest-bearing liabilities. During the period supplementary purchase considerations were settled for the acquisitions of Vitec PP7 AB and Vitec Cito A/S in the amounts of SEK 1.0 million and SEK 10.1 million, respectively. The convertible debentures raised in connection with the acquisition of MV Nordic A/S was converted during the year. As a result of the conversion, which was carried out in two rounds, the number of Class B shares increased by 234,317 and share capital increased by SEK 23,432.

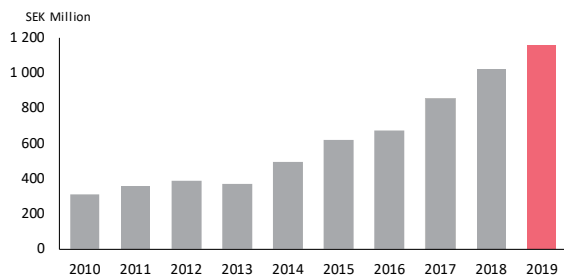
Other non-current liabilities increased by SEK 86.7 million since the previous year as an effect of the introduction of IFRS 16 Leasing. Property, plant and equipment increased by SEK 85.5 million.

In Denmark, a new vacation law came into force. As a result of the new law, non-current liabilities increased by SEK 3.6 million. In conjunction with the recalculation of the vacation liability, SEK 2.5 million was classified as a correction relating to previous years, and was therefore recognized in equity.

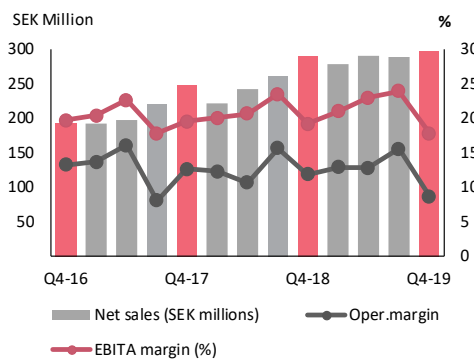
Equity attributable to Vitec's shareholders totaled SEK 759.4 million (669.6). The equity/assets ratio is 40% (40). Dividends of SEK 1.20 per share were issued following the Annual General Meeting of April, totaling SEK 38.8 million.

# Graphs group

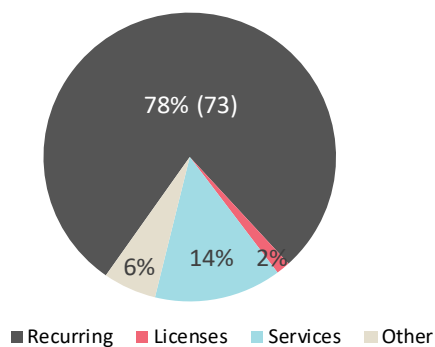
Net sales



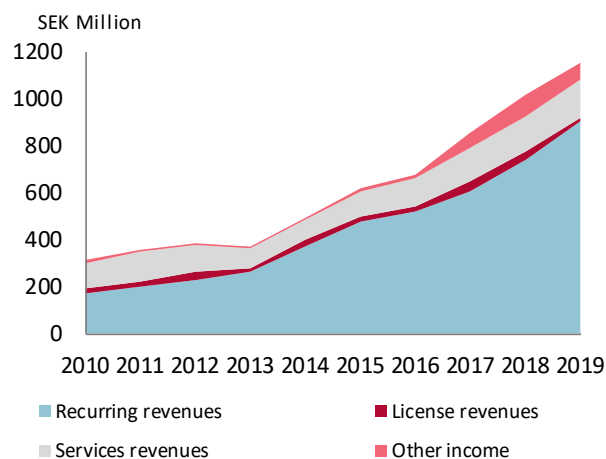
Net sales and margins



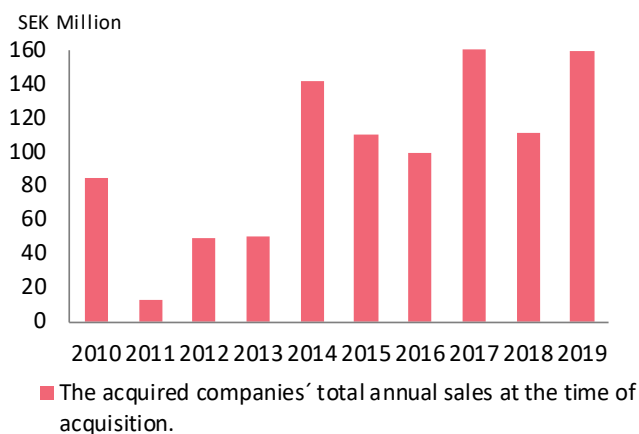
Breakdown of revenues January-December 2019



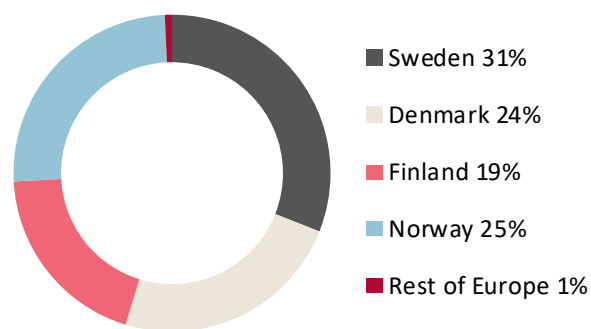
Breakdown of revenues over time



Acquired Net sales



Net sales by market January-December 2019



# Significant events during the period

## **27 November: Increased number of shares and votes**

On November 27, 2019, the rest of convertible 1707 was converted. The convertible bond was issued in July 2017 in connection with the acquisition of MV Nordic A/S. With the conversion the number of B-shares increased by 204 441 and the share capital increased by 20 444 SEK. The total number of shares after conversion amounts to 32,573,216 of which 3,350,000 are A-shares. A-shares have 10 votes and B shares one vote.

## **12 December: Vitec acquired M&V Software Oy**

Vitec strengthened its position in the Nordic Vertical Software market through the acquisition of all shares in the Finnish software company, M&V Software Oy. The company's product is aimed for parishes in Finland. The company's sales is SEK 19.4 million, with an adjusted EBITDA of SEK 4.6 million for the 2019 financial year. A cash payment will be transacted

on the date of the takeover. The acquisition is expected to yield an immediate increase in earnings per share for Vitec. Consolidation will commence as of the acquisition date.

## **17 December: Vitec acquired HK data AS**

Vitec strengthened its position in the Nordic Vertical Software market through the acquisition of all shares in the Norwegian software company HK data AS. The products are aimed at the welfare and health sector in Norway. The customers consist of companies, municipalities, counties and voluntary organizations. The company had sales of SEK 17.0 million with an adjusted EBITDA result of SEK 1.8 million for the financial year 2018. A cash payment will be transacted on the date of the takeover. The acquisition is expected to yield an immediate increase in earnings per share for Vitec. Consolidation will commence as of the acquisition date.

# Significant events after the balance-sheet date

## **20 January: Gert Gustafsson new COO at Vitec**

Vitec has appointed Gert Gustafsson to COO. He has most recently been operational manager for 7 of 23 business units within Vitec and has been employed since 2017. He assumes his new role on March 1, 2020 and takes over after Lars Eriksson who, after 9 years in Vitec, has now decided to retire.

## **30 January: Vitec acquires Danish software company Visiolink**

Vitec once again strengthened its position in the Nordic Vertical Software market through the acquisition of all shares in the Danish software company, Visiolink Management ApS. Visiolink offers a publishing system for digital versions of print media, such as newspapers, with a focus on media companies and has about 200 customers in 9 European countries. The Visiolink Group had sales of SEK 62.4 million in 2019,

with an adjusted EBITDA of SEK 14.9 million. Payment is in cash and a convertible bond with deviation from shareholders preferential rights in accordance with the authorization of the AGM 2019-04-10. The convertible bonds duration is 36 months, which at full conversion dilutes the capital by 0.2%. Consolidation will commence as of the acquisition date. At the time of this report's publication, there were no financial statements available that could serve as the basis of a detailed description of the acquisition. For this reason, no information is presented about the fair value of acquired receivables, and acquired assets and liabilities. We expect the future items of a detailed acquisition analysis to comprise product rights, brands and goodwill. Goodwill is deemed to be attributable to anticipated profitability, complementary expertise requirements, as well as expected synergies, in the form of joint development of our products.



# Operations, January – December 2019

Compared with the corresponding period in 2018, recurring revenues rose 14%. EBITA improved by 17% and recurring revenues rose by 22%. All segments increased their sales and six of seven segments increased their operating profit. During the year we acquired 5 niche software companies with aggregate sales of SEK 160 million. The new acquisitions broaden our offering with niche software aimed at churches, health and welfare, hair and beauty salons, insurance and member management. The last two acquisitions were completed in December 2019. In the Education & Health segment, we implemented a sweeping overhaul from hardware and license sales in 2019. While the transition has a short-term negative impact on earnings, it will strengthen us in the long term with a shift toward an increased share of recurring revenues.

## Auto

Profits and sales rose in the Auto segment. Our business unit in Finland performed well, we have a strong position on the market and we continue to take market share. In Norway a platform change is underway and we expect production to begin in mid-2020. In Denmark, we launched a new digital work card in 2019 that enables auto mechanics to handle all work using tablet. By launching new functionality and focusing our sales efforts we have laid the foundation for increased sales. Recurring revenues increased by 8%.

## Energy

Profits and sales rose in the Energy segment. During the year, our home market in the Nordic region continued to develop well. The activities we focused on to become established outside the Nordic region have produced results, including new contracts with two of the largest energy companies in Italy. We now have a presence with our products in 22 countries, 5 of which were added in 2019. Recurring revenues increased by 8%.

## Real Estate

Profits and sales rose in the Real Estate segment. For a number of years we have had the leading offering on the Swedish market. We have captured market share year after year by adding new customers, while shifting a large portion of our existing customer base to our modern systems for real estate and construction companies. This trend continued in 2019. In Norway we won several contracts during the year and we are well positioned for the future. Recurring revenues increased by 11%.

## Finance & Insurance

Profits and sales rose in the Finance & Insurance segment which largely reported a good performance for the year. In 2019 the segment expanded with a new business unit, WIMS, which provides insurance-related software in Norway. In Sweden we launched new products. In Denmark we see a

healthy recovery compared with a slightly weaker 2018 and in Norway we strengthened our position in the field of insurance. Recurring revenues rose 20%.

## Environment

Profits and sales rose in the Environment segment. Environment, which is represented by our business unit in Finland with waste management software, focused on strengthening its delivery capacity in 2019 by improving our development procedures and recruiting new software developers. Our product also had an update and changed its name to Vingo during the year. These efforts have been successful, the segment is performing well and we stand strong for the coming years. Recurring revenues rose 12%.

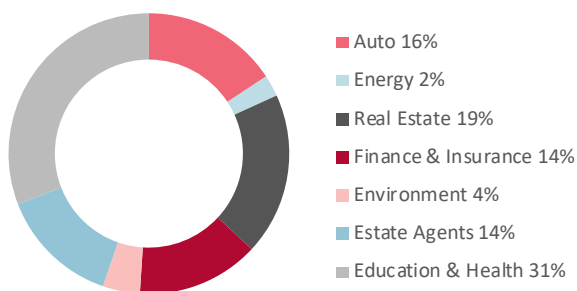
## Estate Agents

Profits declined in the Real Estate Agents segment, while sales increased. Both Norway and Sweden are well equipped for the coming years with modern and fully cloud-based software. We are also pleased to note that several customers who left us a few years ago have now returned. Since the pace of development of our software has normalized during the year, we have been able to shift part of our focus to internal efficiency through measures such as gradually shutting down old systems that have been running parallel to our new products. Our key figures have been trending in the right direction, but service revenues have declined compared with 2018. In 2018 our service revenues were abnormally high because we completed several startup projects for new real estate agents. In 2019 the level of service revenues began to normalize. Recurring revenues increased by 8%.

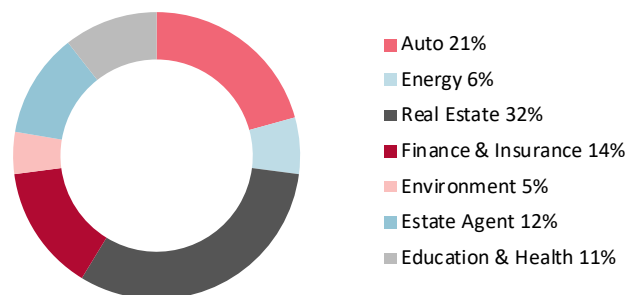
## Education & Health

The Education & Health segment increased its profits and sales. The segment continued to grow through acquisitions in 2019. Four of the five acquisitions we completed in 2019 belong to Education & Health. We added software aimed at churches, health and welfare, hair and beauty salons, and member management. The high pace of acquisition is associated with extensive efforts to integrate the companies into our corporate culture and our way of working. Changes in the business model with an increased share of recurring revenues, brand integration and focusing the offering are examples of our activities. The change in our business model is associated with a strong negative impact on earnings for certain business units. Compared with the previous year, license revenues declined by SEK 14 million, while other revenues (mainly hardware) decreased by SEK 21 million. The adjustments occurred at a rapid pace, especially during the second half of 2019. The changes are completely in line with how we want to develop the units with the aim of strengthening our business in the long term. Recurring revenues increased by 60%.

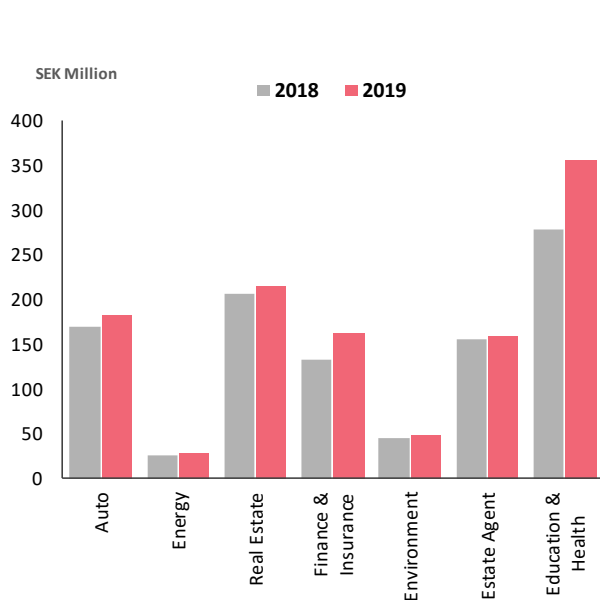
Net sales January-December 2019



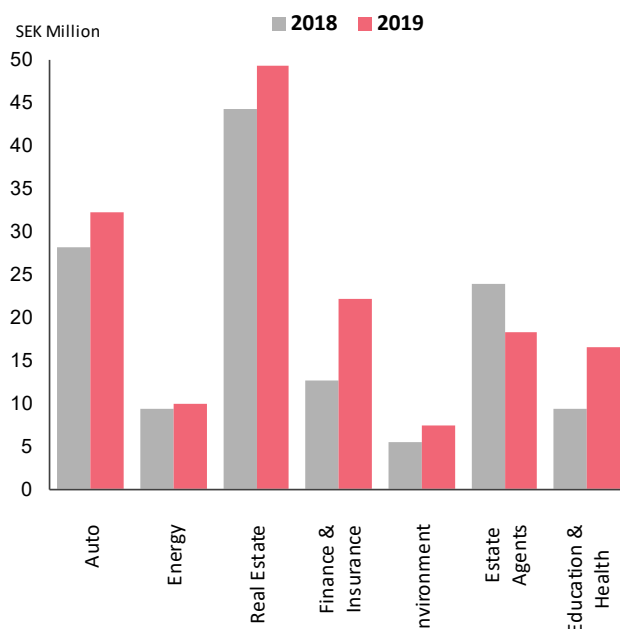
Operating profit January-December 2019



Net sales January-December 2019



Operating profit, January-December 2019 before acquisition-related costs



	Auto		Energy		Real Estate		Finance & Insurance		Environment		Estate Agent		Education & Health	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Recurring revenues	158,5	146,3	21,5	19,9	141,8	128,1	139,4	116,3	41,4	37,0	146,8	135,4	258,1	160,9
License revenues	5,3	5,2	0,0	0,1	4,3	6,5	0,2	0,3	0,3	1,5	0,2	0,1	7,5	21,4
Services revenues	13,1	13,4	6,9	5,9	66,1	68,0	22,2	15,1	6,4	6,2	11,9	19,5	35,9	20,4
Other revenues	4,6	5,4	0,2	0,2	3,7	3,8	0,9	0,6	1,5	1,3	0,4	0,5	54,5	75,6
<b>Net sales</b>	<b>181,5</b>	<b>170,3</b>	<b>28,6</b>	<b>26,0</b>	<b>215,8</b>	<b>206,3</b>	<b>162,7</b>	<b>132,2</b>	<b>49,5</b>	<b>45,9</b>	<b>159,3</b>	<b>155,4</b>	<b>356,1</b>	<b>278,3</b>
Percentage of recurring revenues in net sales	87%	86%	75%	76%	66%	62%	86%	88%	84%	81%	92%	87%	72%	58%
Operating profit*	32,2	28,3	9,9	9,3	49,3	44,3	22,1	12,7	7,4	5,5	18,3	23,9	16,5	9,5
Operating margin	18%	17%	35%	36%	23%	21%	14%	10%	15%	12%	11%	15%	5%	3%

\*The segment's operating profit is presented before acquisition-related costs

# Risks and uncertainties

Material risks and uncertainties are described in the administration report of the 2018 Annual Report under "Risks and uncertainties" on pages 34-35, in Note 1, under the sec-

tion, Assessments and estimates on pages 60-61, and in Note 11 "Financial risks and the management of such risks" on pages 93-95. No material changes have occurred since then.

## Parent Company

Net sales totaled SEK 66.2 million (63.4) and essentially comprised invoicing to subsidiaries for services rendered. Profit after tax was SEK 133.8 million (68.7). Parent Company earnings were charged with unrealized foreign-exchange losses

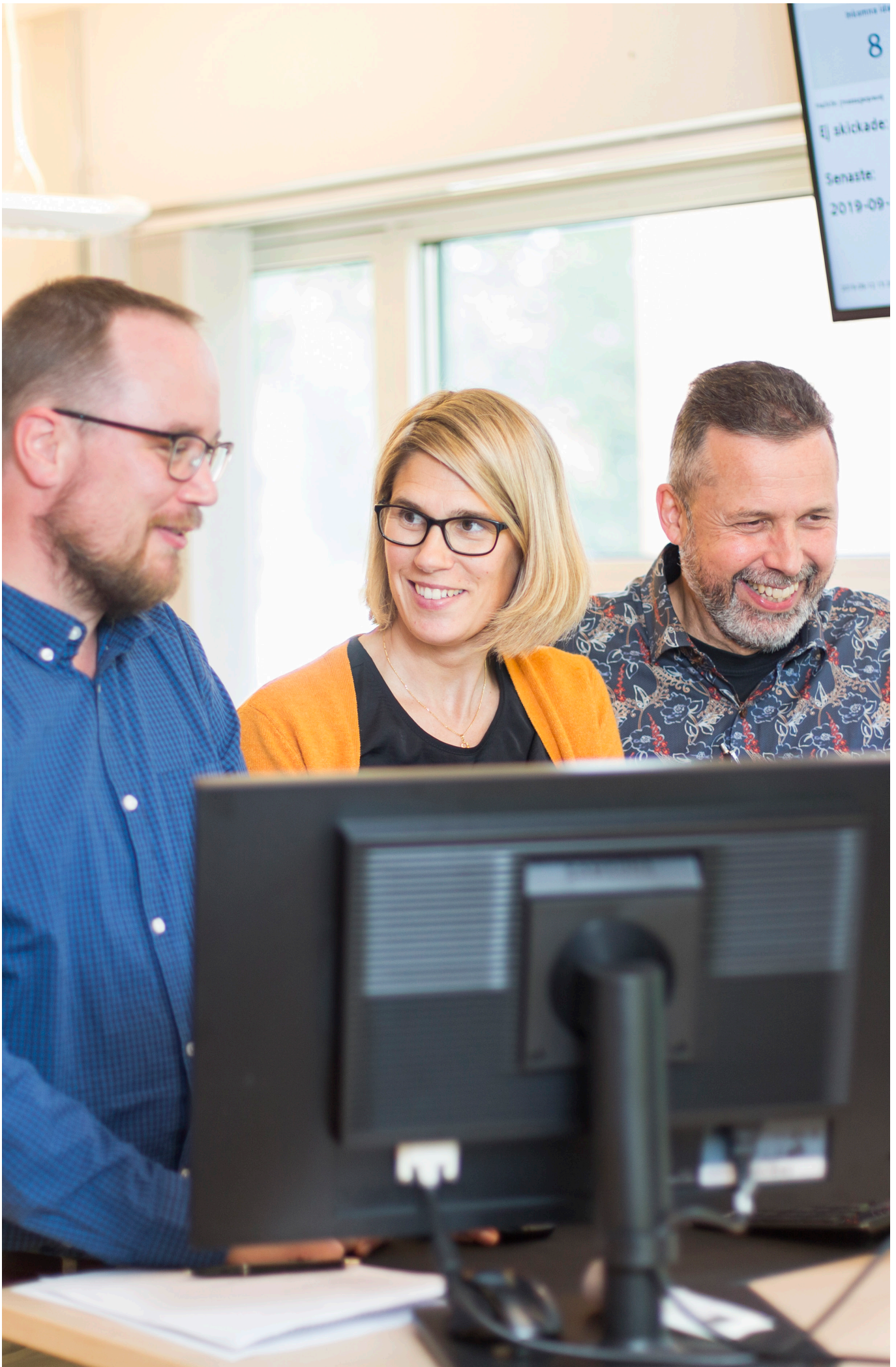
totaling SEK -6.2 million. The Parent Company is generally exposed to the same risks and uncertainties as the Group; refer to the above section, Risks and uncertainties.

## Related-party transactions

No significant related-party transactions occurred in the Group or Parent Company during the period.

# Condensed consolidated statement of comprehensive income

SEK thousands	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
<b>OPERATING REVENUES</b>				
Recurring revenues	236 310	200 606	907 535	743 856
License revenues	4 155	9 829	17 836	34 988
Service revenues	43 306	47 732	162 672	148 700
Other revenues	13 966	31 704	68 206	89 219
<b>NET SALES</b>	<b>297 737</b>	<b>289 871</b>	<b>1 156 249</b>	<b>1 016 763</b>
Capitalized development costs	35 218	34 765	138 738	127 549
Reversal of supplementary purchase consideration	-	4 006	-	6 402
<b>TOTAL REVENUES</b>	<b>332 954</b>	<b>328 642</b>	<b>1 294 987</b>	<b>1 150 714</b>
<b>OPERATING EXPENSES</b>				
Goods for resale	-8 465	-22 785	-51 728	-68 695
Subcontractors and subscriptions	-35 637	-32 224	-130 142	-110 515
Other external expenses	-34 471	-47 247	-137 939	-152 526
Personnel expenses	-164 586	-147 222	-609 114	-526 367
Depreciation of property, plant and equipment	-17 934	-4 357	-51 683	-16 411
Amortization and impairment of intangible fixed assets*	-41 407	-35 821	-158 357	-135 650
Impairment of intangible fixed assets	-	-4 006	-	-6 402
Unrealized exchange-rate gains/losses (net)	-1 561	167	-351	-647
<b>TOTAL EXPENSES</b>	<b>-304 061</b>	<b>-293 495</b>	<b>-1 139 313</b>	<b>-1 017 213</b>
<b>OPERATING PROFIT BEFORE ACQUISITION-RELATED COSTS</b>	<b>28 893</b>	<b>35 147</b>	<b>155 674</b>	<b>133 501</b>
Acquisition-related costs	-3 111	-858	-11 752	-5 129
<b>OPERATING PROFIT AFTER ACQUISITION-RELATED COSTS</b>	<b>25 782</b>	<b>34 289</b>	<b>143 922</b>	<b>128 372</b>
Financial income	1 107	-2	1 851	289
Financial expenses	-5 683	-3 737	-15 748	-11 886
<b>TOTAL FINANCIAL ITEMS</b>	<b>-4 576</b>	<b>-3 739</b>	<b>-13 897</b>	<b>-11 597</b>
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>21 207</b>	<b>30 550</b>	<b>130 025</b>	<b>116 775</b>
Tax	-5 215	-733	-27 858	-19 855
<b>NET PROFIT FOR THE PERIOD</b>	<b>15 992</b>	<b>29 817</b>	<b>102 166</b>	<b>96 920</b>
<b>OTHER COMPREHENSIVE INCOME, ITEMS THAT MAY BE RECLASSIFIED IN PROFIT OR LOSS</b>				
Restatement of net investments in foreign operations and hedge accounting of the same	-21 682	-10 527	6 425	12 443
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-21 682</b>	<b>-10 527</b>	<b>6 425</b>	<b>12 443</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-5 690</b>	<b>19 290</b>	<b>108 592</b>	<b>109 363</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO</b>				
-Parent Company shareholders	15 992	29 817	102 166	96 920
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO</b>				
-Parent Company shareholders	-5 690	19 290	108 592	109 363
<b>EARNINGS PER SHARE</b>				
-Before dilution (SEK)	0,49	0,98	3,16	3,23
-After dilution (SEK)	0,51	0,98	3,18	3,22
Average number of shares	32 444 329	30 545 422	32 372 267	30 016 982
Number of shares after dilution	32 905 097	30 980 027	32 717 425	30 436 771
*Of which acquisition related amortizations	24 046	20 562	91 654	78 396



## Segment data

SEGMENT	External net sales (SEK million)				Operating profit before acquisition related costs (SEK million)			
	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Auto	46,9	44,9	181,5	170,3	6,6	7,0	32,2	28,3
Energy	7,4	6,6	28,6	26,0	2,0	1,8	9,9	9,3
Real Estate	60,3	58,8	215,8	206,3	12,3	12,3	49,3	44,3
Finance & Insurance	42,2	36,1	162,7	132,2	4,5	3,6	22,1	12,7
Environment	12,6	12,0	49,5	45,9	1,4	2,1	7,4	5,5
Estate Agent	36,3	41,6	159,3	155,4	2,8	6,3	18,3	23,9
Education & Health	92,0	89,8	356,1	278,3	-0,7	2,2	16,5	9,5
Shared	0,1	0,2	2,7	2,2	-	-	-	-1,0
<b>Vitec Group</b>	<b>297,7</b>	<b>289,9</b>	<b>1 156,2</b>	<b>1 016,8</b>	<b>28,9</b>	<b>35,1</b>	<b>155,7</b>	<b>133,5</b>
Acquisition-related costs					-3,1	-0,9	-11,8	-5,1
<b>Operating profit after acquisition-related costs</b>					<b>25,8</b>	<b>34,3</b>	<b>143,9</b>	<b>128,4</b>
Total financial expenses					-4,6	-3,7	-13,9	-11,6
<b>Profit after financial expenses</b>					<b>21,2</b>	<b>30,6</b>	<b>130,0</b>	<b>116,8</b>

Vitec is a Nordic software company with customers located mainly in Sweden, Denmark, Finland and Norway, as well as a number of customers located in other parts of the world. Our net sales, distributed by country, is presented on the diagrams on page 5.

Net sales consist of the revenue groups presented in profit or loss: recurring revenues, license revenues, service revenues and other revenues. These revenues in turn consist of performance obligations.

Our performance obligations comprise support, maintenance and upgrades, fixed-period usufruct and operations, perpetual usufruct, services, information services, third-party usufruct, third-party maintenance, and other. Of the recurring revenues, SEK 478.5 million (410.1) pertain to support, maintenance and upgrades, SEK 268.4 million (211.5) to fixed-period usufruct and operation, SEK 145.3 million

(109.7) to information services and SEK 15.3 million (12.6) to third-party maintenance. License revenues comprised SEK 17.2 million (34.4) in perpetual usufruct and SEK 0.6 million (0.6) third party usufruct.

Our most frequent contract types pertain to cloud SaaS, subscriptions, sales of licenses with traditional support and maintenance agreements, services for sale and information services. Contractual periods span from one month to one year and, in some cases even longer. Our recurring revenues are recognized using a flat distribution across the contractual period, upon the customer gaining control of the service and the fulfillment of performance obligations. Our licenses are recognized at a given date, our service revenues are recognized on a continuous basis upon the delivery of the services and the customer obtaining control and benefits.

# Condensed consolidated statement of financial position

SEK thousands	2019-12-31	2018-12-31
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
Intangibles fixed assets	1 465 698	1 130 983
Property, plant and equipment	130 656	39 788
Financial fixed assets	2 008	947
Deferred tax assets	7 015	8 243
<b>TOTAL FIXED ASSETS</b>	<b>1 605 377</b>	<b>1 179 961</b>
<b>CURRENT ASSETS</b>		
Inventories	3 781	5 302
Current receivables	264 521	255 083
Current investments	-	46
Cash and cash equivalents	16 658	235 256
<b>TOTAL CURRENT ASSETS</b>	<b>284 960</b>	<b>495 687</b>
<b>TOTAL ASSETS</b>	<b>1 890 336</b>	<b>1 675 648</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Equity attributable to Parent Company shareholders	759 432	669 628
Long-term interest-bearing liabilities	467 407	503 633
Deferred tax liabilities	174 031	152 887
Other long-term liabilities	136 387	5 837
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>777 826</b>	<b>662 357</b>
Payables	34 758	39 910
Short-term interest-bearing liabilities	3 026	5 620
Other short-term liabilities	84 301	85 195
Accrued expenses	86 037	77 831
Prepaid recurring revenues	144 956	135 107
<b>TOTAL SHORT-TERM LIABILITIES</b>	<b>353 078</b>	<b>343 663</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1 890 336</b>	<b>1 675 648</b>

# Condensed consolidated statement of changes in equity

SEK thousands	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
<b>EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS</b>				
Opening balance	749 885	455 414	669 628	398 164
Corrections relating to previous years	-2 456	-	-2 456	-
Convertible debenture with stock options	-	-	2 448	-
Debenture conversion	17 691	-	20 026	-
New share issue and issuing costs*	-	194 924	-	194 924
Dividends paid	-	-	-38 807	-32 823
Total comprehensive income	-5 690	19 290	108 592	109 363
<b>CLOSING BALANCE</b>	<b>759 432</b>	<b>669 628</b>	<b>759 432</b>	<b>669 628</b>

\*New share issues were recognized in their net amounts after issuing costs of SEK 2.3 Millions.

# Condensed consolidated statement of cash flow

SEK thousands	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
<b>OPERATING ACTIVITIES</b>				
Operating profit	25 782	34 290	143 922	128 373
<b>Adjustments for non-cash items</b>				
Other operating revenues	-	-4 006	-	-6 402
Depreciation/Amortization and impairment losses	59 341	44 184	210 040	158 463
Unrealised foreign exchange gains/losses	1 561	-167	351	647
	86 684	74 301	354 313	281 081
Interest received	1 107	-2	1 851	289
Interest paid	-3 309	-3 233	-11 022	-10 675
Income tax paid	3 928	-3 587	-24 515	-30 218
<b>CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL</b>	<b>88 410</b>	<b>67 479</b>	<b>320 627</b>	<b>240 477</b>
<b>Changes in working capital</b>				
Increase/Decrease in inventories	892	1 107	2 200	115
Increase/Decrease in accounts receivable	-95 644	-87 553	13 165	-18 982
Increase/Decrease in operating receivables	23 284	2 902	-9 943	-21 543
Increase/Decrease in accounts payable	10 224	3 594	-9 288	3 807
Increase/Decrease in operating liabilities	29 147	60 964	-38 809	-6 755
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>56 313</b>	<b>48 493</b>	<b>277 953</b>	<b>197 119</b>
<b>INVESTING ACTIVITIES</b>				
Acquisition of subsidiaries, net*	-53 828	-25 444	-213 573	-134 285
Purchase of intangible fixed assets and capitalized development costs	-36 984	-34 815	-141 022	-128 289
Purchase of property, plant and equipment	-5 619	-6 046	-15 625	-14 346
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-96 431</b>	<b>-66 305</b>	<b>-370 220</b>	<b>-276 920</b>
<b>FINANCING ACTIVITIES</b>				
Dividends to Parent Company shareholders	-	-	-38 807	-32 823
Borrowings	-	32 200	236 962	181 928
Repayment of loans	-15 470	-33 634	-325 488	-90 023
New share issue	-	194 924	-	194 924
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-15 470</b>	<b>193 490</b>	<b>-127 334</b>	<b>254 006</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>-55 588</b>	<b>175 678</b>	<b>-219 600</b>	<b>174 205</b>
<b>OPENING CASH AND CASH EQUIVALENTS, INCLUDING CURRENT INVESTMENTS</b>	<b>70 784</b>	<b>61 008</b>	<b>235 302</b>	<b>57 968</b>
Exchange-rate differences in cash and cash equivalents	1 461	-1 384	956	3 129
<b>CASH AND CASH EQUIVALENTS INCLUDING CURRENT INVESTMENTS AT END OF PERIOD**</b>	<b>16 658</b>	<b>235 302</b>	<b>16 658</b>	<b>235 302</b>

\*Payment pertaining to the acquisition of subsidiaries during the period, comprising Avoine Oy, WIMS AS, Odin Systemer AS, M&V Software Oy och HK data AS. Net cash flow was SEK 202,5 million. The acquisition pertained to all shares outstanding in their entirety and entailed the gain of controlling influence. Furthermore, a final settlement of SEK 1.0 million was paid for the supplementary purchase considerations pertaining to PP7 Affärssystem AB and SEK 10.1 million for Cito IT A/S. The payment did not entail any changes to controlling influence or the total number of shares.

Payments pertaining to the acquisition of subsidiaries in 2018, comprising PP7 Affärssystem AB, Agrando AS and Cito IT A/S.

Net cash flow was SEK 84.5 million. The acquisition pertained to all shares outstanding in their entirety and entailed the gain of controlling influence. Furthermore, a final settlement of SEK 22.9 million was paid for a supplementary purchase consideration pertaining to Futursoft Oy and SEK 1.4 million for Fox Publish AS. The payments did not entail any changes to controlling influence or the total number of shares held.

\*\*Cash and cash equivalents are defined as funds exposed to an insignificant risk of fluctuations in value, and which are easily convertible to cash at a known amount. Current investments comprise funds that are convertible to cash at a known amount within one bank day.

# Parent company income statement, condensed

SEK thousands	2019 Oct-Dec	2018 Okt-Dec	2019 Jan-Dec	2018 Jan-Dec
Operating revenues	-11 468	-5 551	66 159	63 389
Operating expenses	-23 187	-19 581	-86 065	-75 732
Unrealized exchange-rate gains/losses (net)	16 217	11 063	-6 237	-16 574
<b>OPERATING PROFIT/LOSS</b>	<b>-18 439</b>	<b>-14 069</b>	<b>-26 143</b>	<b>-28 917</b>
<b>Profit/loss from financial investments</b>				
Income from participation in Group companies	131 301	77 599	131 301	77 599
Interest income	697	314	772	437
Interest expenses	-3 795	-3 757	-12 357	-11 817
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>109 764</b>	<b>60 087</b>	<b>93 573</b>	<b>37 302</b>
Appropriations	40 506	28 481	40 506	28 481
<b>PROFIT BEFORE TAX</b>	<b>150 270</b>	<b>88 568</b>	<b>134 080</b>	<b>65 783</b>
Tax	-3 617	-1 324	-264	2 874
<b>NET PROFIT FOR THE PERIOD</b>	<b>146 653</b>	<b>87 244</b>	<b>133 816</b>	<b>68 657</b>

Profit/Loss for the period corresponds to total comprehensive income.

# Condensed balance sheet, Parent Company

SEK thousands	2019-12-31	2018-12-31
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
Intangible fixed assets	1 559	2 419
Property, plant and equipment	11 684	11 290
Financial fixed assets	1 535 376	1 189 019
<b>TOTAL FIXED ASSETS</b>	<b>1 548 619</b>	<b>1 202 728</b>
<b>CURRENT ASSETS</b>		
Current receivables	199 970	98 710
Cash and cash equivalents	-	222 908
<b>TOTAL CURRENT ASSETS</b>	<b>199 970</b>	<b>321 618</b>
<b>TOTAL ASSETS</b>	<b>1 748 589</b>	<b>1 524 346</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity	701 767	584 231
Untaxed reserves	2 042	2 448
Non-current liabilities	508 534	503 537
Current liabilities	536 245	434 130
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1 748 589</b>	<b>1 524 346</b>

# Supplementary disclosures

## Accounting and valuation policies, and other comments

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the Swedish Annual Accounts Act. The Parent Company's accounts were prepared in accordance with the Annual Accounts Act and recommendation RFR 2 Accounting for Legal Entities. Of the new standards, amendments and interpretations of existing standards that have come into force in 2019, only IFRS 16 Leasing has had any impact on the Group's financial position or financial statements. Otherwise, the accounting policies and methods of calculation remain unchanged, in comparison with the description provided in the 2018 Annual Report.

IFRS 16 Leasing came into force on January 1, 2019. The new standard entails the elimination of any differences between operational and financial leasing. Leasing agreements exceeding 12 months are to be recognized in the balance sheet. The standard impacts how we recognize future lease agreements pertaining to premises.

Our lease agreements are recognized as assets and liabilities in the consolidated statement of financial position. Instead of leasing expenses, depreciation/impairment and interest expenses are recognized in the consolidated statement of comprehensive income. We apply the new standard by using the modified retrospective approach, for which reason comparative data are not restated. Outstanding leases as of January 1, 2019, are reported in accordance with the new standard.

The effect as at December 31, 2019, is an increase of SEK 86.7 million in other non-current liabilities and an increase of SEK 85.5 million in property, plant and equipment. In the statement of comprehensive income, SEK 33.3 million is recognized as depreciation/amortization and impairment losses for property, plant and equipment and SEK 35.0 million as reduced other external expenses. Financial expenses are SEK 2.8 million.

In Denmark, a new vacation law came into force. The law entails a change in accounting policies for our Danish companies, with higher liabilities on the balance sheet. Part of the vacation liability must be held until the employees retire or leave the company, and has therefore been classified as non-current, SEK 3.6 million. In conjunction with the recalculation of the vacation liability, SEK 2.5 million was classified as a correction relating to previous years, and was therefore recognized in equity.

## Taxes

Current tax for the period amounted to SEK 26.9 million (20.9). Deferred tax totaled SEK -0.9 million (-1.0)

## Investments

Investments totaled SEK 138.7 million for capitalized development costs, SEK 2.3 million for other intangible fixed assets and SEK 15.6 million for property, plant and equipment. The acquisitions of Avoine Oy, WIMS AS, Odin Systemer AS, M&V Software Oy and HK data AS generated SEK 342,6 million in product rights, brands, customer agreements and goodwill.

## Interest-bearing liabilities

Non-current interest-bearing liabilities comprised bank loans of SEK 415.7 million, as well as convertible debentures totaling SEK 51.7 million. Current interest-bearing liabilities comprised bank loans of SEK 3.0 million. The terms and conditions of the company's credit agreement with the bank comprises restrictions, known as covenants. The Group has fulfilled the terms and conditions in their entirety during the period.

## Convertible debentures

Convertible debentures are included under non-current interest-bearing liabilities:

- loan 1801 (non-current liability, convertible program, employees). SEK 20.7 million. The duration of the loan is from January 1, 2018 to December 31, 2020. The interest rate is based on Stibor 180 (Stockholm Interbank Offered Rate). The conversion price is SEK 104.00. Conversion may be exercised between November 1 and November 30, 2020, upon which the share capital may increase by no more than SEK 20,029. Full conversion would entail a dilution of approximately 0.7% of the capital and 0.3% of the votes.
- loan 1906 (non-current liability, convertible, acquisition of Odin Systemer AS) SEK 30.9 million. The duration of the loan is from June 12, 2019 to June 30, 2022. The interest rate is based on Stibor 180 (Stockholm Interbank Offered Rate). The conversion price is SEK 125.00. Conversion may be exercised from January 1, 2021 to June 30, 2022, upon which the share capital may increase by no more than SEK 26,048. Full conversion would entail a dilution of approximately 0.8% of the capital and 0.4% of the votes.

## Financial instruments

IFRS 9 Financial instruments came into force in 2018 and deals with the recognition of financial liabilities and assets. Vitec applies the new standard. The standard comprises other measurement categories for financial assets and a new model for impairment testing. The primary impact of the standard pertains to a partially new process with respect to loan losses. Vitec has applied the transition prospectively. Having taken into account historical bad-debt losses over a business cycle, we can state that the new standard does not materially impact the consolidated financial statements.

### Classification and measurement

Financial instruments are recognized initially at cost corresponding to the instrument's fair value plus transaction costs. A financial instrument is classified at initial recognition based

on, among other factors, the purpose for which the instrument was acquired. Vitec has financial instruments under the categories, "loans and accounts receivable," "financial liabilities at fair value" and "financial liabilities measured at amortized cost."

### Financial liabilities measured at fair value

In accordance with IFRS 7, the fair value of each financial asset and financial liability must be disclosed, regardless of whether they are recognized in the balance sheet. Vitec deems the fair value of the financial assets/liabilities to be close to the recognized carrying amount.

All of our financial instruments that are subject to measurement at fair value are classified as level 3 and pertain to supplementary purchase considerations in conjunction with the acquisition.

## RECURRING MEASUREMENTS AT FAIR VALUE, AT DECEMBER 31, 2019

	Level 1	level 2	Level 3	Carrying amount
Supplementary purchase consideration M&V Software Oy			10 105	10 451
Supplementary purchase consideration VIMS AS			29 661	30 676
Supplementary purchase consideration Avoine Oy			5 217	5 217
<b>Total</b>			<b>44 983</b>	<b>46 344</b>

# Acquisitions

## Acquisition of Avoine OY

On March 5, Vitec acquired all shares and voting rights of the Finnish software company, Avoine Oy. Its product is aimed at sports associations and labor unions in Finland. The application is delivered as Software as a Service (SaaS).

The company was consolidated as of the acquisition date. The goodwill item is not tax deductible and is deemed to be attributable to anticipated profitability, complementary expertise requirements, as well as anticipated synergy effects, in the form of the joint development of our products. At December 31, acquisition-related expenses totaled SEK 2.5 million and were recognized as other external expenses in the statement of comprehensive income. From the date of acquisition up to and including December 31, revenues in the

acquired company totaled SEK 25.2 million and profit before tax was SEK 4.1 million. If consolidation had occurred at the beginning of the year, the company would have provided the Group with an additional approximately SEK 5.3 million in sales and SEK 1.0 million in loss before tax.

Some items in the acquisition plan may be remeasured, due to our brief ownership of the company. These comprise brands, product rights, customer agreements and goodwill. For this reason, the acquisition plan remains preliminary, until 12 months after the acquisition date.

The expensed portion of the contingent consideration will be subject to an EBITDA improvement at December 31, 2019 and is measured at maximum outcome.

Preliminary acquisition plan (SEK thousands)	Avoine Oy	Fair value adjustment	Fair value recognized in the Group
Brands	-	743	743
Product rights	-	3 167	3 167
Customer agreements	-	10 834	10 834
Intangible fixed assets	1 334	-	1 334
Property, plant and equipment	572	-	572
Non-current receivables	1 058	-	1 058
Current receivables	2 258	-	2 258
Cash and cash equivalents	25 552	-	25 552
Deferred tax liabilities	-	-2 949	-2 949
Current liabilities	-18 016	-	-18 016
<b>Net identifiable assets and liabilities</b>	<b>12 759</b>	<b>11 796</b>	<b>24 555</b>
Consolidated goodwill			30 214
<b>Total</b>			<b>54 768</b>
<b>Consolidated acquisition costs</b>			<b>54 768</b>
Calculation of net cash outflow			Fair value
Consolidated acquisition costs			-54 768
Expensed portion of purchase consideration			5 292
Expensed portion of contingent purchase consideration			5 292
Acquired cash and cash equivalents			25 552
<b>Net cash outflow</b>			<b>-18 633</b>

### Acquisition of WIMS AS

On May 8, Vitec acquired all shares and voting rights of the Norwegian software company, Web Insurance Management Systems AS. The product is aimed at the insurance industry in Norway, Denmark and Sweden.

The company was consolidated as of the acquisition date. The goodwill item is not tax deductible and is deemed to be attributable to anticipated profitability, complementary expertise requirements, as well as anticipated synergy effects, in the form of the joint development of our products. At December 31, acquisition-related expenses totaled SEK 1.5 million and were recognized as other external expenses in the statement of comprehensive income. From the date of acquisition up to and including December 31 revenues in the

acquired company totaled SEK 17.4 million and profit before tax was SEK 2.4 million. If consolidation had occurred at the beginning of the year, the company would have provided the Group with an additional approximately SEK 9.0 million in sales and SEK 0.3 million in profit before tax.

Some items in the acquisition plan may be remeasured, due to our brief ownership of the company. These comprise brands, product rights, customer agreements and goodwill. For this reason, the acquisition plan remains preliminary, until 12 months after the acquisition date.

The expensed portion of the contingent consideration will be subject to EBITDA improvements at December 31, 2019 and December 31, 2020 and will be measured at maximum outcome

Preliminary acquisition plan (SEK thousands)	WIMS AS	Fair value adjustment	Fair value recognized in the Group
Brands	-	689	689
Product rights	-	8 173	8 173
Customer agreements	-	10 931	10 931
Property, plant and equipment	443	-	443
Current receivables	2 334	-	2 334
Cash and cash equivalents	11 254	-	11 254
Deferred tax liabilities	-	-4 355	-4 355
Long-term liabilities	-16	-	-16
Current liabilities	-7 449	-	-7 449
<b>Net identifiable assets and liabilities</b>	<b>6 566</b>	<b>15 439</b>	22 005
Consolidated goodwill			51 380
<b>Total</b>			73 385
<b>Consolidated acquisition costs</b>			73 385
Calculation of net cash outflow			Fair value
Consolidated acquisition costs			-73 385
Debt additional purchase price			31 764
Acquired cash and cash equivalents			11 254
<b>Net cash outflow</b>			<b>-30 368</b>

### Acquisition of Odin Systemer AS

On June 12, Vitec acquired all shares and voting rights of the Norwegian software company, Odin Systemer AS. The products are aimed at hair and beauty salons in Norway.

The company was consolidated as of the acquisition date. The goodwill item is not tax deductible and is deemed to be attributable to anticipated profitability, complementary expertise requirements, as well as anticipated synergy effects, in the form of the joint development of our products. At December 31, acquisition-related expenses totaled SEK 4.6 million and were recognized as other external expenses in the statement of comprehensive income. From the date of

acquisition up to and including December 31, revenues in the acquired company totaled SEK 36.4 million and profit before tax was SEK 5.0 million. If consolidation had occurred at the beginning of the year, the company would have provided the Group with an additional approximately SEK 27.0 million in sales and SEK 3.9 million in profit before tax.

Some items in the acquisition plan may be remeasured, due to our brief ownership of the company. These comprise brands, product rights, customer agreements and goodwill. For this reason, the acquisition plan remains preliminary, until 12 months after the acquisition date.

Preliminary acquisition plan (SEK thousands)	Odin Systemer AS	Fair value adjustment	Fair value recognized in the Group
Brands	-	2 293	2 293
Product rights	-	20 234	20 234
Customer agreements	-	29 443	29 443
Property, plant and equipment	1 856	-	1 856
Financial fixed assets	1 164	-	1 164
Inventories	680	-	680
Current receivables	3 691	-	3 691
Cash and cash equivalents	30 827	-	30 827
Deferred tax liabilities	-	-11 433	-11 433
Current liabilities	-17 024	-	-17 024
<b>Net identifiable assets and liabilities</b>	<b>21 195</b>	<b>40 536</b>	<b>61 730</b>
Consolidated goodwill			111 402
<b>Total</b>			<b>173 132</b>
<b>Consolidated acquisition costs</b>			<b>173 132</b>
Calculation of net cash outflow			Fair value
Consolidated acquisition costs			-173 132
Convertible bond			32 560
Acquired cash and cash equivalents			30 827
<b>Net cash outflow</b>			<b>-109 745</b>

### Acquisition of M&V Software Oy

On December 12, all shares and votes were acquired in the Finnish software company M&V Software Oy. The product is aimed for parishes in Finland.

The company was consolidated as of the acquisition date. In connection with the acquisition, the company changed its name to Vitec Katrina Oy. The goodwill item is not tax deductible and is deemed to be attributable to anticipated profitability, complementary expertise requirements, as well as anticipated synergy effects, in the form of the joint development of our products. At December 31, acquisition-related expenses totaled SEK 1.9 million and were recognized as other external expenses in the statement of comprehensive income. From the date of acquisition up to and including

December 31, revenues in the acquired company totaled SEK 1.7 million and profit before tax was SEK 0.4 million. If consolidation had occurred at the beginning of the year, the company would have provided the Group with an additional approximately SEK 17.7 million in sales and SEK 2.7 million in profit before tax.

Some items in the acquisition plan may be remeasured, due to our brief ownership of the company. These comprise brands, product rights, customer agreements and goodwill. For this reason, the acquisition plan remains preliminary, until 12 months after the acquisition date.

The portion of contingent consideration owed is dependent on EBITDA improvements as of December 31, 2020 and is valued at the maximum outcome.

Preliminary acquisition plan (SEK thousands)	M&V Software Oy	Fair value adjustment	Fair value recognized in the Group
Brands	-	508	508
Product rights	-	8 777	8 777
Customer agreements	-	1 099	1 099
Property, plant and equipment	493	-	493
Financial fixed assets	341	-	341
Current receivables	1 277	-	1 277
Cash and cash equivalents	4 317	-	4 317
Deferred tax liabilities	-	-2 284	-2 284
Current liabilities	-4 336	-	-4 336
<b>Net identifiable assets and liabilities</b>	<b>2 092</b>	<b>8 099</b>	<b>10 192</b>
Consolidated goodwill			33 074
<b>Total</b>			<b>43 266</b>
<b>Consolidated acquisition costs</b>			<b>43 266</b>
Calculation of net cash outflow			Fair value
Consolidated acquisition costs			-43 266
Expensed portion of contingent consideration			10 451
Acquired cash and cash equivalents			4 317
<b>Net cash outflow</b>			<b>-28 498</b>

### Acquisition of HK data AS

On December 17, all shares and votes were acquired in the Norwegian software company HK data AS. The products are aimed at the welfare and health sector in Norway.

The company was consolidated as of the acquisition date. The goodwill item is not tax deductible and is deemed to be attributable to anticipated profitability, complementary expertise requirements, as well as anticipated synergy effects, in the form of the joint development of our products. At December 31, acquisition-related expenses totaled SEK 1.2 million and were recognized as other external expenses in the statement of comprehensive income. From the date of

acquisition up to and including December 31, revenues in the acquired company totaled SEK 1.9 million and profit before tax was SEK 0.4 million. If consolidation had occurred at the beginning of the year, the company would have provided the Group with an additional approximately SEK 15.4 million in sales and SEK 1.6 million in profit before tax.

Some items in the acquisition plan may be remeasured, due to our brief ownership of the company. These comprise brands, product rights, customer agreements and goodwill. For this reason, the acquisition plan remains preliminary, until 12 months after the acquisition date.

Preliminary acquisition plan (SEK thousands)	HK data AS	Fair value adjustment	Fair value recognized in the Group
Brands	-	505	505
Product rights	-	10 024	10 024
Customer agreements	-	5 955	5 955
Property, plant and equipment	744	-	744
Current receivables	1 598	-	1 598
Cash and cash equivalents	5 703	-	5 703
Deferred tax liabilities	-	-3 626	-3 626
Long-term liabilities	-20	-	-20
Current liabilities	-3 033	-	-3 033
Net identifiable assets and liabilities	4 992	12 858	17 850
Consolidated goodwill			3 124
<b>Total</b>			<b>20 974</b>
<b>Consolidated acquisition costs</b>			<b>20 974</b>
Calculation of net cash outflow			Fair value
Consolidated acquisition costs			-20 974
Acquired cash and cash equivalents			5 703
<b>Net cash outflow</b>			<b>-15 270</b>

# Signatures

## Affirmation of the Board of Directors

The Board of Directors and the CEO hereby certify that this year-end report provides a fair view of the Group's and the

Parent Company's operations, position and performance and describes the material risks and uncertainties facing the Parent Company and the companies included in the Group.

**Umeå, February 13, 2020**

Crister Stjernfelt  
Chairman

Anna Valtonen  
Board member

Birgitta Johansson-Hedberg  
Board member

Jan Friedman  
Board member

Kaj Sandart  
Board member

Lars Stenlund  
CEO



# Information

## Publication

This information is information that Vitec Software Group AB (publ) is obligated to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below, at 08:00 CET February 13, 2020.

## Financial calendar

January-March	April 17, 2020 at 08:00
Annual General Meeting	April 28, 2020 at 17:30
January-June	July 10, 2020 at 08:00
January-September	October 15, 2020 at 08:00
January-December	February 11, 2021 at 08:00

## Financial information

Our website, [vitecsoftware.com](http://vitecsoftware.com), is the premier IR information channel, where we publish financial information immediately upon release.

Information and reports can also be ordered from the following channels:

By e-mail: [ir@vitec.se](mailto:ir@vitec.se)

By post: Investor Relations, Tvistevägen 47 A, SE-907 29 Umeå, Sweden

By telephone: +46 (0)90-15 49 00

Vitec's 2018 Annual Report is available at [vitecsoftware.com](http://vitecsoftware.com)

## Corporate registration

Vitec Software Group AB (publ), corp. reg. no. 556258-4804.



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# Definitions of key figures

This interim report refers to several financial measurements that are not defined under IFRS, known as alternative performance measures, in accordance with ESMA's guidelines. These measurements provide senior management and investors with significant information for analyzing trends in the company's business operations. Alternative performance

measures are not always comparable with measurements used by other companies. They are intended to complement, not replace, financial measurements presented in accordance with IFRS. The key figures presented on the final page of this report are defined as follows:

Non-IFRS key indicators	Definition	Description of usage
Recurring revenues	Recurring contractual revenues with no direct relationship between our work efforts and the contracted price. The contractual amount is usually billed in advance and the revenues are recognized during the contract's term.	A key indicator for the management of operational activities.
Percentage of recurring revenues	Recurring revenues in relation to net sales.	A key indicator for the management of operational activities.
Growth	The trend of the company's net sales in relation to corresponding year-earlier period.	Used to monitor the company's sales trend.
Growth in recurring revenues	Trend in recurring revenues in relation to the corresponding year-earlier period.	Used to monitor the company's sales trend.
Organic growth in recurring revenues	Trend in the company's recurring revenues, excluding acquired companies during the period, in relation to the corresponding year-earlier period.	Used to monitor the company's sales trend.
EBITA	Earnings for the period before acquisition-related costs, net financial items and tax, as well as amortization of acquisition-related assets.	Shows the company's operating profit before acquisition-related costs and amortization of acquisition-related assets.
EBITDA	Earnings before interest, tax, depreciation and amortization for the period.	Indicates the company's operating profit/loss before depreciation, amortization and impairment.
Acquisition-related costs	Costs such as brokerage fees, attorney's fees and stamp fees.	Used to separately report items affecting comparability.
Earnings growth attributable to the Parent Company shareholders	The trend of the company's profit after tax in relation to the corresponding year-earlier period.	Used to monitor the company's earnings trend.
EBITA margin	Operating profit before acquisition-related costs in relation to net sales	Used to monitor the company's earnings trend.
Operating margin	Operating profit in relation to net sales.	Used to monitor the company's earnings trend.
Profit margin	Profit after tax for the period, in relation to net sales.	Used to monitor the company's earnings trend.
Equity/assets ratio	Shareholders' equity, including equity attributable to non-controlling interests as a percentage of total assets.	This measurement is an indicator of the company's financial stability.
Equity/assets ratio after full conversion	Shareholders' equity and convertible debentures as a percentage of total assets.	This measurement is an indicator of the company's financial stability.
Debt/equity ratio	Average debt in relation to average shareholders' equity and non-controlling interests.	This measurement is an indicator of the company's financial stability.
Average shareholders' equity	The average between shareholders' equity for the period attributable to Parent Company shareholders and shareholders' equity for the preceding period attributable to Parent Company shareholders.	An underlying measurement on which the calculation of other key indicators is based.

Return on capital employed	Profit after net financial items plus interest expenses, as a percentage of average capital employed. Capital employed is defined as total assets less interest-free liabilities and deferred tax.	This measurement is an indicator of the company's profitability in relation to externally financed capital and shareholders' equity.
Return on equity	Reported profit/loss after tax in relation to average equity attributable to Parent Company shareholders.	This measurement is an indicator of the company's profitability and gauges the return on shareholders' equity.
Sales per employee	Net sales in relation to the average number of employees.	This metric is used to assess the company's efficiency.
Added value per employee	Operating profit/loss plus depreciation/amortization and personnel expenses in relation to average number of employees.	This metric is used to assess the company's efficiency.
Personnel expenses per employee	Personnel expenses in relation to average number of employees.	A key indicator used to measure operational efficiency.
Average no. of employees	The average number of employees in the Group during the period.	An underlying measurement on which the calculation of other key indicators is based.
AES (Adjusted equity per share)	Shareholders' equity attributable to Parent Company shareholders, in relation to the number of shares issued at the balance-sheet date.	This measurement indicates the equity per share at the balance-sheet date
Cash flow per share	Cash flow from operating activities before changes in working capital, in relation to the average number of shares.	Used to monitor the company's trend in cash flow per share.
Number of shares after dilution	The average number of shares during the period plus the number of shares added following the full conversion of convertibles.	An underlying measurement on which the calculation of other key indicators is based.
IFRS key indicators	Definition	Description of usage
Earnings per share	Profit after tax attributable to Parent Company shareholders, in relation to the average number of shares during the period.	IFRS key indicators
Earnings per share after dilution	Profit after tax attributable to Parent Company shareholders, plus interest expenses pertaining to convertible debentures, in relation to the average number of shares after dilution.	IFRS key indicators

Reconciliation of EBITA	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Operating profit before acquisition-related costs	28 893	35 147	155 674	133 501
Amortization of acquisition related assets	24 046	20 562	91 654	78 396
<b>EBITA</b>	<b>52 939</b>	<b>55 709</b>	<b>247 328</b>	<b>211 897</b>



# Segment descriptions

Vitec develops and delivers software aimed at various niche markets. Some of our software products comprise complete enterprise systems, while others provide support for specific aspects of our customers' operations. We report our operations under seven segments.

## **Auto**

Vitec's Auto segment includes our software for the automotive industry and machinery sector in Denmark, Finland, Norway and Sweden. Our products support work processes, such as vehicle sales, vehicle service centers, tire storage and the distribution of auto components. The segment includes Vitec Autodata AS, Vitec Datamann A/S, Vitec Infoeasy AS and Futursoft OY.

## **Energy**

The Energy segment includes our advanced forecasting systems for electricity traders, as well as calculation and mapping systems for owners of electricity and district-heating grids. This segment comprises Vitec Energy AB.

## **Real Estate**

Vitec offers complete enterprise-management systems for the construction and real estate sectors in Norway and Sweden, covering aspects such as project reporting, leasing, sales, customer service, accounting, technical property management and energy-consumption monitoring. This segment includes Vitec Förvaltningssystem AB, Vitec Fastighetssystem AB, Vitec Capifast AB, Vitec Software AB, Vitec Plania AS and Vitec PP7 AB. Vitec PP7 AB's operations were consolidated as of April 9, 2018.

## **Finance & Insurance**

The Finance & Insurance segment includes our software for banks, financial institutions and insurance companies in Denmark, Norway and Sweden. The segment comprises Vitec Capitex AB, the Vitec Alloc A/S Group, Vitec Nice AS and Vitec Wims AS. Operations at Vitec Wims AS were consolidated as of May 8, 2019.

## **Environment**

The Environment segment includes our software for private and municipal waste-and-resource processing in Finland. The products are used to manage the entire chain, from the weighing of waste and driving schedules, to invoicing, accounting and reporting. The segment includes operations that were previously under the Media segment. The segment comprises Tietomitta Oy and 3L Media AB.

## **Estate Agents**

The Estate Agents segment includes our software for real estate agents in Norway and Sweden. Our products support estate agents at every step of their business process, from

the registration of an object, to marketing, viewing, bidding, sale and contract. The segment comprises Vitec Mäklarsystem AB, Capitex AB, Vitec Megler AS, Vitec Megler AB and ADservice Scandinavia AB.

## **Education & Health**

The Education & Health segment was expanded with three new operations in 2018, through the acquisition of the companies, Agrando AS, Cito IT A/S and Smart Visitor System AB. Agrando develops applications for churching operations in the Nordic region, with its primary markets comprising Norway and Sweden. Cito develops applications for the pharmacy market in Denmark. Its main product is an enterprise system for managing the entire chain of the Danish pharmacy workflow. Our company, Smart Visitor System, develops specific software for municipal leisure and cultural departments in Norway and Sweden.

This segment comprises applications designed for individuals with reading and writing difficulties, and are used by public and private education companies in Denmark, Norway and Sweden.

It also comprises applications for healthcare companies in Finland, which are wholly web-based enterprise systems used by district healthcare centers, hospitals, physiotherapy and rehabilitation facilities, as well as occupational health services and public organizations. In 2019, the segment was expanded with four additional operations in connection with the acquisitions of Avoine Oy, Odin Systemer AS, M&V Software Oy and HK data AS. Avoine's product is aimed at sports associations and trade unions in Finland. Odin Systemer, which has changed its name to Vitec Fixit Systems, has a product aimed at hairdressers and beauty salons in Norway. M&V Software, which has changed its name to Vitec Katrina, has software aimed at church operations in Finland and HK data has products aimed at the welfare and health sector in Norway.

The segment includes AcuVitec Oy, Avoine Oy, Vitec Agrando AS, Vitec Cito A/S, Vitec MV A/S, Vitec Smart Visitor System AB, Vitec Fixit Systems AS, Vitec Katrina Oy and HK data AS. The operations of Vitec Agrando AS were consolidated as of April 19, 2018. The operations of Vitec Cito A/S were consolidated as of May 31, 2018. The operations of Vitec Smart Visitor System AB were consolidated as of November 6, 2018, the operations of Avoine Oy were consolidated from and with March 5, 2019, the operations of Vitec Fixit Systemer AS were consolidated from June 12, 2019, the operations of Vitec Katrina Oy were consolidated from December 12, 2019 and the operations of HK data were consolidated from December 17.

# Key figures

		2019	2018	2017	2016	2015	2014
Net sales	(SEK 000s)	1 156 249	1 016 763	855 029	675 414	618 385	491 956
Auto	(SEK 000s)	181 453	170 311	155 920	119 171	71 082	28 302
Energy	(SEK 000s)	28 581	26 031	25 721	25 872	24 114	22 672
Real Estate	(SEK 000s)	215 835	206 326	190 111	158 357	142 557	134 315
Finance & Insurance	(SEK 000s)	162 736	132 207	142 293	126 567	101 219	55 004
Environment	(SEK 000s)	49 542	45 941	44 051	22 990	10 547	21 759
Estate Agent	(SEK 000s)	159 318	155 407	138 019	155 285	207 011	185 750
Education & Health	(SEK 000s)	356 062	278 323	157 944	66 203	61 492	43 627
Shared	(SEK 000s)	2 721	2 218	969	969	363	527
Growth	(%)	14%	19%	27%	9%	26%	32%
EBITA	(SEK 000s)	247 328	211 897	171 013	132 948	131 107	92 355
Operating profit (EBIT)	(SEK 000s)	143 922	128 372	106 701	88 305	100 607	68 592
Profit after financial items	(SEK 000s)	130 025	116 775	98 127	81 942	94 686	64 545
Profit after tax	(SEK 000s)	102 166	96 920	79 426	66 814	78 191	49 065
Profit after tax attributable to the Parent Company shareholders	(SEK 000s)	102 166	96 920	79 426	66 814	78 191	49 065
Earnings growth attributable to the Parent Company shareholders	(%)	5%	22%	19%	-15%	59%	62%
EBITA margin	(%)	21%	21%	20%	20%	21%	19%
Operating margin	(%)	12%	13%	12%	13%	16%	14%
Profit margin	(%)	9%	10%	9%	10%	13%	10%
Balance-sheet total	(tkr)	1 890 336	1 675 648	1 261 970	1 096 691	872 019	772 901
Equity/assets ratio	(%)	40%	40%	32%	30%	31%	34%
Equity/assets ratio after full conversion	(%)	43%	42%	35%	32%	33%	37%
Debt/equity ratio	(multiple)	1,50	1,75	2,22	2,25	2,09	1,70
Return on capital employed	(%)	12%	13%	14%	14%	21%	18%
Return on equity	(%)	14%	18%	22%	22%	29%	23%
Sales per employee	(SEK 000s)	1 669	1 658	1 584	1 445	1 465	1 430
Value added per employee	(SEK 000s)	1 339	1 316	1 258	1 198	1 212	1 164
Personnel expenses per employee	(SEK 000s)	879	858	828	813	797	801
Average number of employees	(persons)	693	613	540	467	422	344
Adjusted equity per share (AES)	(SEK)	23,31	20,71	13,34	11,37	9,24	8,85
Earnings per share	(SEK)	3,16	3,23	2,70	2,27	2,66	1,75
Earnings per share after dilution	(SEK)	3,18	3,22	2,70	2,25	2,64	1,68
Dividend paid per share	(SEK)	1,20	1,10	1,00	0,90	0,67	0,55
Cash flow per share	(SEK)	9,90	8,01	6,78	5,20	5,09	4,40
<b>Basis of computation</b>							
Earnings from calculation of earnings per share	(SEK 000s)	102 166	96 920	79 426	66 814	78 191	49 065
Cash flow from calculation of cash flow per share	(SEK 000s)	320 627	240 477	199 612	152 757	149 751	123 220
Average number of shares (weighted)	(thousands)	32 372	30 017	29 425	29 397	29 397	28 003
Average number of shares after dilution	(thousands)	32 717	30 437	29 539	29 839	29 788	29 432
No. of shares issued at balance-sheet date	(thousands)	32 573	32 339	29 839	29 397	29 397	29 397
Share price at close of the respective period	(SEK)	185,00	77,60	87,00	75,50	75,00	26,50

Vitec is the Nordic market leader in Vertical Market Software. We develop and deliver standardized software aimed at various niche markets. Vitec grows through acquisitions of well-managed and established software companies. The Group's overall processes, combined with the in-depth knowledge of our employees regarding our customers' local markets, creates the conditions for improvement and continuous innovation. Our 750 employees are located in Denmark, Finland, Norway and Sweden. Vitec is listed on the Nasdaq Stockholm and had sales of SEK 1 156 million in 2019. Read more about us at [www.vitecsoftware.com](http://www.vitecsoftware.com).