

# 2019 Annual Report



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### Comments from the CEO

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### Business model and growth strategy

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### Sustainability Report

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# This is Vitec

Vitec is the leading software company in Vertical Market Software in the Nordic region. We develop and deliver standardized software aimed at various niche markets and our growth is largely driven by acquisitions of well-managed and profitable software companies. The Group's overall processes, combined with the in-depth knowledge of our employees regarding our customers' operations, create the conditions for improvement, continuous innovation and sustainable product development.

## Business concept

To offer customers business-critical and proprietary developed software, and thus provide them with the best conditions to develop their operations.

## Corporate culture

Within the framework of our decentralized organization, corporate culture plays a significant role in corporate governance. We maintain a continuous dialog concerning our values, brand promise and value-generating key metrics.



## Our brand promise:

To rely on – Today and Tomorrow

## Our values

**Our products –  
our foundation**

Vertical Market  
Software

**Keep it  
simple**

Simple solutions succeed

**Trust and  
transparency**

Collaboration and  
responsibility create success

# 2019 in brief



We invested SEK 139 million in our software.



We acquired five vertical software companies:

- Avoine Oy
- WIMS AS
- Odin Systemer AS
- M&V Software Oy
- HK data AS



We implemented our Code of Conduct throughout the Group. It is our ethical compass, rooted in our values, which clarifies how we should behave as business partners, employers, employees and community actors.



We conducted an in-house brand survey to explore how employees perceive the Vitec brand.

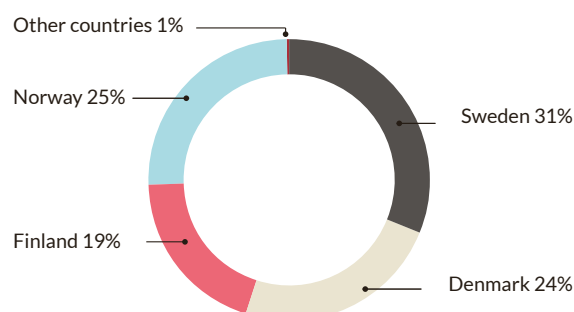


We continued to strengthen operational support for our companies by increasing the number of Vice Presidents of Operations (VPOs).



Recurring revenues increased from 73% to 79%, in line with our long-term strategy.

## Sales by market



## Key indicators

	2019	2018
Net sales (SEK millions)	1,156	1,017
EBITA	247	212
EBITA margin (%)	21	21
Operating profit (SEK million)	144	128
Profit after financial items (SEK millions)	130	117
Operating margin (%)	12	13
Return on equity (%)	14	18
Return on capital employed (%)	12	13
Equity/assets ratio (%)	40	40
Adjusted equity per share (SEK)	23.31	20.71
Earnings per share (SEK)	3.16	3.23
Dividend per share (SEK)		
<i>The proposed dividend for 2020 is SEK 1.35 per share</i>	1.20	1.10
Average no. of employees	693	613



*Maria Wadelius, Magnus Johansson,  
Therese Lenholm and Anders Lindén, Gävle*

# Comments from the CEO



Lars Stenlund

# Value-generating social benefit

The year has progressed well, with a 22% increase in our recurring revenues of which almost 6% 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 approximately SEK 139 million in our product portfolio and we have increased the number of employees. We completed 5 acquisitions during the year that added about SEK 160 million in annual sales. Our primary focus is on increasing recurring revenues – through acquisitions and 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 niche markets, which diversifies risk, but also increases our responsibility for important functions in our daily lives. For example, our products can be found in pharmacies, banks, healthcare, insurance and education.

## Decentralized management

Vitec has 23 business units, each with its own management and responsibility for profit. Each unit has a working chairman of the board from the Group who works closely with the Business Unit CEO. The working chairman of the board, who has the title of Vice President of Operations (VPO), provides support, sets requirements and is responsible for ensuring Group benefits in our otherwise decentralized organization. All units have identical questions to address and with the participation of the VPO, previous experience can rapidly be communicated and leveraged. The operation is thereby governed in a decentralized model, where the operational decisions are always close to the customer, while retaining our common culture, business model and view of leadership to create a Vitec that endures over time.

## Vitec and technology development

We have been active for almost 35 years. We have always moved in the same technology area – in the 1980s it was called the PC revolution, in the 1990s computerization, in the 2000s the internet, in the 2010s mobility and today it is known as digitalization. Underlying these concepts are technological developments and infrastructure, but mostly the fact that computers have become a tool for ordinary people in daily life. Technological development is evolutionary, in small continuous steps, infrastructure investments take place over shorter and more intense periods, while usage occurs in leaps and bounds, like a revolution. What is reflected in the media and sometimes in the public conversation is the latter – the use of processing power in tools such as computers, tablets and smartphones. Technological development in itself does not take place in a leaps and bounds, but gradually; for

example, take the internet as technology. Development began within the US military in the 1960s, but the “revolution” did not arrive until 30 years later, with widespread use.

With extensive experience and expertise, we continually do our part to contribute to the development of technology by offering our customers increasing benefit through our systems, as usage can be spread in wider circles. What could serve one person sitting at a desktop computer in the 1980s, an entire organization and its customers can now both benefit from, and contribute to, through the internet and smartphones.

As an innovative, technology-oriented Group that invests substantially every year, and backed by 35 years of business experience, we can make our promise – customers can rely on us, both today and tomorrow.

## Well prepared for future acquisitions

We continually engage in acquisition dialogs with well-established software companies and place great emphasis on meeting the people in the companies to establish and further develop relationships. Our financial position for continued acquisitions is solid and we see good prospects for continued growth. Supported by our acquisition of well-established companies and a high and increasing percentage of recurring revenues, we will stay the course – to be a vertical software company with excellent risk diversification, as well as sustainable and profitable growth.

## About the coronavirus and Covid-19

*Few could have predicted our current situation with a pandemic that has had major consequences not only for human health but also for the economy in much of the world. We are carefully following the recommendations from the authorities to reduce the spread of infection, while working to minimize the impact on our business. Our main focus is to continue to deliver our software as usual; that is the way we view our responsibility. It is our contribution to ensuring that important societal functions can be maintained in a critical situation.*

*At the time of writing, extensive work is underway to formulate impact assessments on how the coronavirus and covid-19 outbreak could affect Vitec. By applying our joined forces and collective knowledge, we will adopt the measures that the situation requires. More information will be provided in future interim reports.*

Umeå, March 2020

**Lars Stenlund, CEO**



*Mats Wiklander and Johan Lundberg, Gävle*

# Our position in the software market

## **Vitec's focus is on 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 adapting 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. Some of our software products comprise complete enterprise systems, while others provide support for specific aspects of our customers' operations.

## **Vitec offers standardized software**

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

## **Vitec focuses on product development and innovation**

We are specialized in adapting to the conditions and require-

ments of various industries. The Group's overall processes, combined with the longstanding in-depth knowledge of our employees with regard to our customers' operations, create conditions favorable for improvement and continuous innovation. Genuine customer-centric product development provides supportive and sustainable software over time.

## **A position with significant obstacles to market penetration**

Each niche market imposes stringent demands on specialization. The establishment of a new player requires major investments and frequently involves protracted lead times in product development. At the same time, the markets are relatively small and involve considerable yield costs for customers, which diminishes opportunities for new players to generate returns on their investments. Each niche market usually contains two to four companies that specialize in industry-specific applications. Generic software generally provides less cost-efficient solutions to the unique requirements of vertical markets. Vitec always strives to achieve a leading position within its vertical markets.

# Business model and growth strategy

## High percentage of recurring revenues

Our business model is based on a high percentage of recurring revenues. Most of our software is distributed to customers via the internet based on a subscription model. 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. For customers, this entails minimal investment costs, software that is easy to set up and get started, and the security of having quick access to upgrades and new functions.

## Growth by acquisition

Vitec is an industry player with a long-term outlook. Our growth is mainly achieved through company acquisitions within the Nordic region. The acquired companies are well-managed vertical software companies, usually with market-leading products. Our acquisition work is governed by specific criteria that wholly determine whether a company is suitable for Vitec. One example of such criteria is that the company must offer software in the form of standardized proprietary products aimed at a particular vertical market. Another criterion is that the acquisitions must directly contribute to an increase in the Group's earnings per share. Consequently, it is vital that the company demonstrate solid profitability and positive cash flows at the acquisition date. We do not invest in future expectations. Our current list of prospects comprises some 100 software companies that match our criteria.

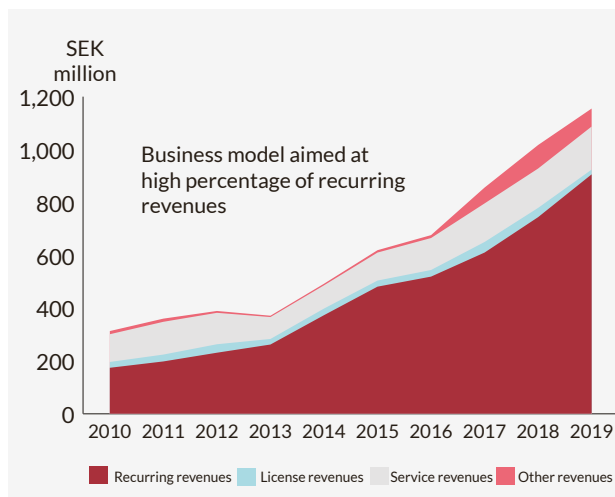
## Acquire

We have longstanding experience and vast expertise in the development, sale and support of vertical software. This enables us to identify acquisition targets that are fully in line with our strategy, based on our criteria. The acquisitions strengthen our offering and provide increased risk diversification. Before deciding on an acquisition, we invest a considerable amount of time and involvement in personal meetings with the people working at the company. It is crucial that we agree on fundamental values, business models and strategies, as our acquisitions are implemented with the aim of retaining the acquired companies within the Group.

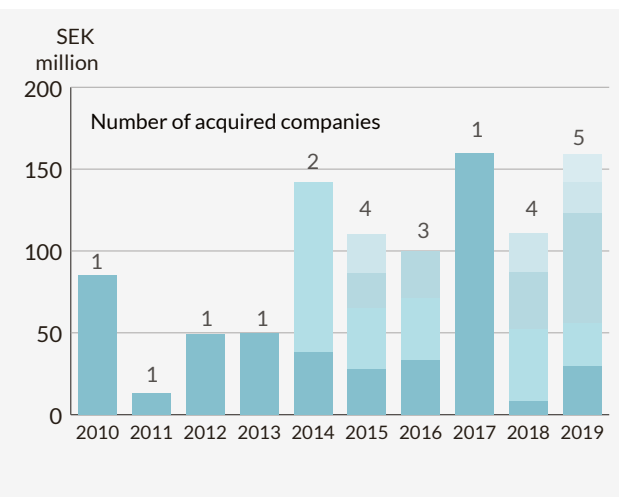
### Examples of acquisition criteria

- Software based on standardized proprietary products aimed at a vertical market
- Stable, efficient operation with good industry knowledge
- Similar values and corporate culture
- High percentage of recurring revenues
- Good profitability and positive cash flows

## Development by revenue type



## Acquired sales and number of companies



### **Improve**

The companies we acquire are profitable and well-managed. They have well-functioning operations and valuable industry know-how within their niche market. We introduce post-acquisition changes at an appropriate pace, in close dialog with local management, who are supported by the Group's processes and infrastructure. All of the companies are monitored using shared key metrics that steer their strategic focus toward a high percentage of recurring revenues and an emphasis on robust cash flow. We also apply Group-wide principles on how to plan and implement product development, so as to ensure that our offering will remain relevant in the future. Decentralized decision-making requires that all managers understand and act in accordance with the Group's strategies and corporate culture.

### **Strategy for acquisition-related brands and products**

All of the Group's operations contribute to the strengthening of the Vitec brand. We add "Vitec" to the legal corporate names of acquired companies and gradually switch to using the Vitec logotype exclusively. We retain the product names, which are then communicated to the market in tandem with

the Vitec brand. Acquisitions may result in our offering products with partly overlapping functionalities, or even competing products, within a particular niche market. In these cases, we do not introduce any immediate changes, but assess, in conjunction with the development of new products, whether components can be created to support all of the product lines. This allows us to commence work on future-proofing the products and creating a new shared product line for all of our customers within the particular niche market.

### **Our suppliers**

A well-functioning procurement process is the key to cost-efficient purchasing and ensuring that suppliers live up to our requirements on corporate social responsibility. Our Code of Conduct guides us in our relationships with suppliers. It encompasses matters such as anticorruption, human rights and conflicts of interest. We choose between the suppliers that meet these requirements, based on business reasons. Read more about our supplier responsibilities in the sustainability report on pages 14-25.



*Sven-Gunnar Lindholm and  
Therese Lenholm, Gävle*

# Our segments

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 7 administrative segments. These segments in turn consist of 23 independent business units. No business unit accounts for more than 15% of net sales, thereby providing the Group with good risk diversification.

## 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 car sales, auto repair shops, tire storage and the distribution of auto components. 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 a tablet. By launching new functionality and focusing our sales efforts we have laid the foundation for increased sales in the coming years.

## 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. 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.

## Real Estate

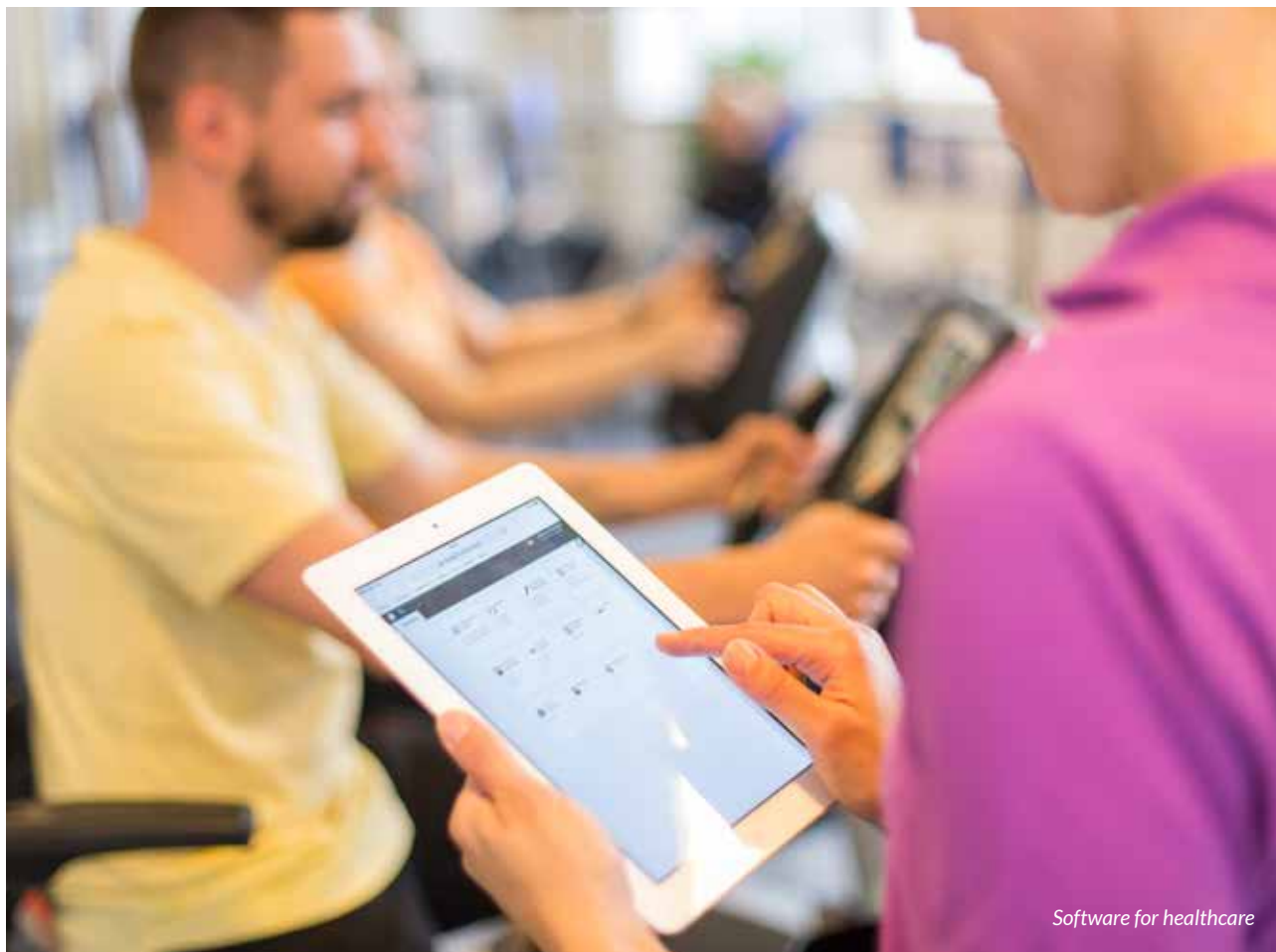
The segment includes turnkey enterprise-management systems for the construction and real estate sectors in Norway and Sweden, covering aspects such as leasing, sales, customer service, accounting, technical property management and energy-consumption monitoring. Profits and sales rose in the Real Estate 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 coming years.

## Finance & Insurance

The Finance & Insurance segment expanded during the year with a new business unit in conjunction with the acquisition of WIMS, which delivers software in the field of insurance in Norway. This segment also includes our software for banks, financial institutions and insurance companies in Denmark, Norway and Sweden. The Finance & Insurance segment increased its profits and sales. Overall, the segment has performed well during the year. 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.

## 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. Profits and sales rose in the Environment segment. During the year our business unit has focused on strengthening delivery capacity. We have improved our development procedures and hired new program 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 are strong for the coming years.



Software for healthcare

## 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. Profits declined in the 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 we completed a major portion of our software development work, during the year we had the opportunity to shift part of our focus to internal efficiency. For example, we gradually closed older systems that ran parallel to our new products.

Our key indicators have been trending in the right direction, but service revenues have declined compared with 2018. In 2018 our service revenues were unusually high because we completed several startup projects for new customers. In 2019 the level of service revenues began to normalize.

## Education & Health

Four businesses joined the Education & Health segment in 2019 with the acquisitions of Finnish software companies Avoine Oy and M&V Software Oy, as well as Norwegian software companies Odin Systemer AS and HK data AS.

Avoine Oy offers products for sports associations and labor unions in Finland, while M&V Software Oy offers

church-related administration products in Finland.

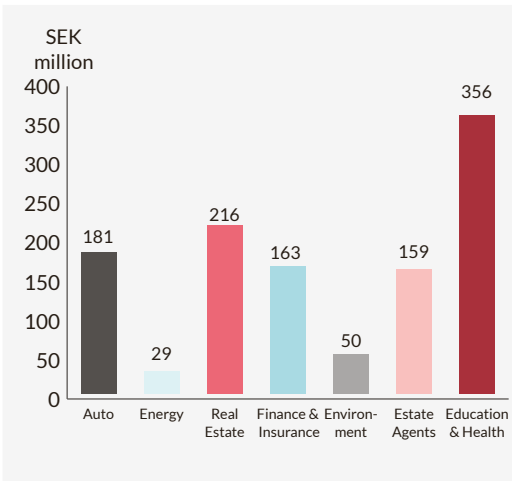
Odin Systemer AS offers software for hair and beauty salons in Norway and HK data AS offers products aimed at the health and welfare sector in Norway.

The high pace of acquisition within the segment 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 the activities on which we have focused.

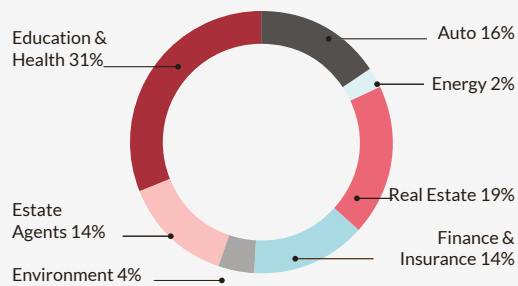
The Education & Health segment also includes our software for church-related administration in Sweden and Norway, software for the pharmacy market in Denmark and software for people with reading and writing difficulties in Denmark, Norway and Sweden. The segment also includes software applications for healthcare companies in Finland, as well as software for municipal culture and recreation administration offices and other visitor facilities in Norway and Sweden.

Overall, profit, sales and share of recurring revenues are increasing. 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 revenue) 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.

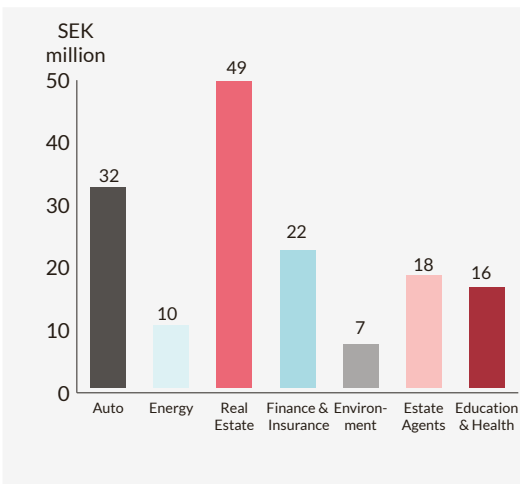
Sales



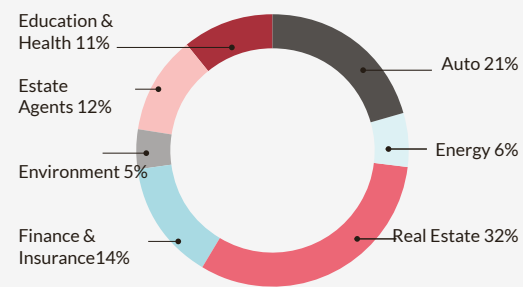
Sales per segment



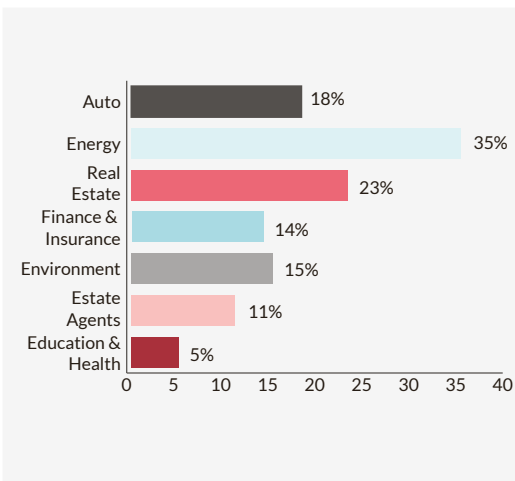
Operating profit



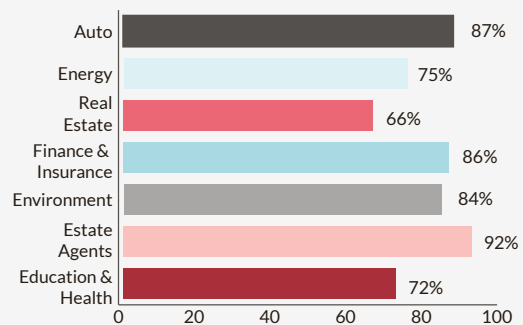
Operating profit by segment



Operating margin



Percentage of recurring revenues





Kalmar office

# Sustainability Report

Our sustainability efforts are based on our brand promise, “To rely on – Today and Tomorrow,” as well as on social, economic and ecological sustainability. We satisfy the needs of today without jeopardizing the opportunities of future generations. The UN’s 17 Sustainable Development Goals guide our work and we want to help achieve these goals. Our path to a sustainable society runs through our community support products and our talented employees.

## **Decentralization and management by objectives**

Sustainability efforts are a priority in the Group and we constantly strive to improve our results. As with our other operating activities, our sustainability work is decentralized. In order to focus our sustainability efforts on areas that we deem to be of the greatest significance to our operations, Group Management prepares a series of focus areas every year. They are based on the UN’s 17 Sustainable Development Goals and our own risk analyses. Read more about our risks and uncertainties in the Administration report, on

pages 38–41. Sustainability is included in the owner directives issued to the business units, which are responsible for prioritization and activities that fulfill the Group’s overall objectives within our focus areas. Sustainability efforts are monitored by Group Management, with the CEO holding overall responsibility and reporting to the Board of Directors. In 2018 the Board of Directors adopted an updated Group-wide Sustainability Policy, which is posted on our website, [vitecsoftware.com](http://vitecsoftware.com).



*Our path to a sustainable society runs through our community support products and our talented employees.*

## Our focus areas within sustainability

### 1. Employee responsibility

Promote a workplace environment that promotes diversity, commitment and personal growth, where our common values permeate the operation.



### 2. Customer responsibility

Provide sustainable products that process the customer's information securely and that contribute to increased resource efficiency and reduced climate impact.

### 3. Supplier responsibility

Cooperate with suppliers that act professionally, sustainably and ethically.

### 4. Long-term sustainable profitability

Create the prerequisites for a long-term approach with a financially sustainable business model.

### 5. Reduced energy consumption

Optimize energy-saving in data centers and office premises.

### 6. Reduced waste and increased recycling

Implement our standard for reuse and recycling.



**THE GLOBAL GOALS**

## Social responsibility

Our internal and external relationships are based on trust and transparency. Our Group-wide Code of Conduct, which was adopted in 2018 and can be found on our website at [vitecsoftware.com](http://vitecsoftware.com), is an important foundation for our social sustainability initiatives. It provides us with an ethical framework supported by our foundational values, on which we are to base our decisions and behavior in the course of our day-to-day work. In 2019, we continued to promote awareness and understanding of the Code of Conduct among our employees through efforts such as group discussions based on various scenarios.

During the year we also conducted an in-house brand survey to explore how employees perceive the brand. All employees in our Nordic countries had the opportunity to respond to a questionnaire and the response rate was 62%. The results of the survey will be part of our work with our corporate culture, values and brand promise: To rely on - Today and Tomorrow.

### Focus area 1: Employee responsibility

The Vitec Group is in a state of continuous growth. In 2019, we welcomed about 200 employees in connection with corporate acquisitions and recruitment efforts. By year-end, we had approximately 750 employees throughout the Nordic region.

Our community support products are the foundation of our business, together with our talented employees, who work collaboratively to develop and guarantee product quality and life span.

The long-term perspective is central to our aspiration to promote sustainable employeeship, providing them with an opportunity to use their energy wisely, to grow and to maintain balance in life. Each employee is entrusted with great responsibility to contribute with their specific expertise in our development work.

#### Respect and job satisfaction

For us, the contribution of each employee is significant to the Group's success. Consequently, our foremost employee responsibility is to recruit and train employees who have the right skills and who share our values. To encourage employees to stay with us, it is vital that we are an attractive employer with a focus on a sustainable work environment, both today and tomorrow. Our workplace climate is based on respect for each other's expertise and for each other as individuals. All of Vitec's workplaces are to offer a work environment that is conducive to good health and growth, and which is not detrimental to physical or mental well-being. Our employees' health and safety must be prioritized when we, for example, design workplaces, choose equipment, create job positions and plan competence development. As an employer, we encourage our employees to adhere to a healthy lifestyle. We achieve this primarily by creating opportunities for a healthy balance between work life and private life. We also have a voluntary preventive healthcare venture, ActiVitec, which is managed by employees, to inspire movement and exercise.

#### Values-based activities

Our managers are key culture bearers, who create an understanding for and serve as a connection to our strategies and our corporate culture. Confident leaders encourage employees to develop in pace with our operations, while clear expectations facilitate a focus on tasks that generate value. Accordingly, we arrange annual orientation events for new managers at Vitec, Leader@Vitec, through which we convey of the type of leadership we expect at Vitec and the specific role of managers in creating conditions conducive to employee motivation and satisfaction, and optimal performance. We also conduct a leadership conference every second year. During the year we held two Business Unit Meetings, which are networking events for our business unit CEOs. The lecturers at these events mainly comprised members of Group Management. These events enable managers to establish vital exchange networks to the benefit of the entire Group.

Since each Vitec employee is responsible for adhering to our shared corporate culture, once a year, we invite all employees who were recruited to the Group within the past year to Umeå for an official introduction to Vitec, hosted by Group Management. The agenda includes information about the Group, and its corporate culture and fundamental values. Participants express that the introduction makes them feel welcome in the Group and creates an affinity with the business units and corporate staff. We have also noticed that the event facilitates interpersonal contact and the sharing of experiences between participants when they return to their respective workplaces.

In order to bring our brand promise to life, it is important to set the stage for employees of the newly acquired companies to become part of our corporate culture. Consequently, in 2019 we expanded our meeting forums with an introduction for newly acquired companies, New@Vitec on Site. The purpose is to welcome the new employees to the Group, on site at each location. Managers from the Parent Company are available to encourage discussions and answer questions. The employees receive a presentation about the organization and culture, based on the introduction we hold annually in Umeå for all new employees. New@Vitec on Site is arranged at an early stage to address the curiosity of employees in the newly acquired companies.

### Recruitment and career development

Recruitment, salaries and career opportunities are impacted by the individual's qualifications, such as education, experience, expertise, capacity and performance.

Our Group-wide gender equality policy guides us in our work. Countering all signs of discrimination and prejudice in our daily work is a given. We promote gender equality and diversity from several perspectives within the Group. Examples of such measures include adaptation of job advertisements and increased awareness during recruitment, as well as participation at selected events. In 2019, for example, we participated in a job market day organized by Datatjej, an organization to promote the interests of women in IT. Another example is an opportunity offered at our Umeå headquarters, where we make it easier for people who have difficulties entering the labor market by offering time-limited employment as an office host. They receive job experience, coaching, a boost to their self-esteem and potential references for future jobs.

To a great extent, we use internal HR support during recruitment to ensure that we maintain the right focus throughout the process. In 2019, we introduced a new recruitment system jointly for all Nordic countries, which resulted in an improved overview of the recruitment process and a streamlined dialog with candidates seeking to work with us. It is also good strategy to ensure a professional approach to our recruitment process, with increased respect for the individual and structured feedback to candidates. The well-organized system is greatly appreciated by our managers for its simplicity and efficiency.

As an employer, all Vitec companies have a central responsibility to provide employees with growth opportunities. Annual career-development meetings between managers and employees provide feedback and an opportunity to discuss future developments based on the needs of the company and the career preferences of the employee. Our target scenario is for every employee at Vitec to recommend us as an employer.

In our internal brand survey measurement in 2019, 85 percent of employees stated that they recommend Vitec as an employer. We are pleased with the response and continue working toward our target. Employees across the board consider Vitec to be a good employer that creates a favorable atmosphere at work.

### From our 2019 internal brand survey, in response to the question what is best about working at Vitec:

- “ That we have a presence in several geographical locations and everyone has a positive attitude, with colleagues who care. That we help each other move forward in both adversity and success.
- “ That we get to work with highly talented colleagues and jointly develop products to meet customer demand.

### Convertible program

Convertibles enable our employees to invest in a long-term partnership with Vitec. Historically, we have introduced a program every three years, with equal terms and conditions for all employees. The current program is the ninth to date. This provides all employees, regardless of their role, with the opportunity to partake of Vitec's growth in value, while allowing for minimizing the consequences of any negative share-price movements.

### Age distribution, 2019

	Percentage of women	Percentage of men
<b>Group</b>	<b>31</b>	<b>69</b>
Under 30 years old	24	76
30-50 years old	32	68
Over 50 years old	32	68
<b>Of which managers</b>	<b>28</b>	<b>72</b>
Under 30 years old	-	-
30-50 years old	30	70
Over 50 years old	24	76

### Average age

	2019	2018
<b>Group</b>	<b>44</b>	<b>45</b>

### Employee turnover in 2019\*

	Total	Percentage of women	Percentage of men
<b>Number of new employees</b>			
<b>Total</b>	<b>89</b>	<b>33</b>	<b>67</b>
Under 30 years old	21	10	90
30-50 years old	61	38	62
Over 50 years old	7	57	43
<b>Number of departures</b>			
<b>Total</b>	<b>98</b>	<b>28</b>	<b>72</b>
Under 30 years old	25	24	76
30-50 years old	49	31	69
Over 50 years old	24	25	87

\* excluding employees in companies acquired in 2019

# Focus on employees



**Semir Lilic**  
IT Supporter  
Vitec MV Business Unit  
Denmark

– I've worked as an IT Supporter for two years and my everyday life involves providing our customers and users with technical support, installation, troubleshooting, consultation and operation services.

The best part about my job is that I help make the day a little better for our customers who have technical challenges and the feeling of having helped the customers to make progress. The motivation for me is that we have a product that makes everyday life easier for people, whether they are in school or at work.

## **"I help to make a difference."**

The keys to success for me are patience, understanding, and a service-oriented approach. You have to love what you do. I've experienced growth both personally and in my work at Vitec. For example, I've become better at communicating professionally and have received more responsibility. I've also improved at multitasking and adapting to each situation. I have total influence over how I solve support cases, but still in cooperation with colleagues. I value our culture, cooperation between countries and departments, and that we are positive, communicative, motivated and transparent. I'm proud of working for a Group like Vitec, where I feel that I am part of something larger. I help to make a difference.



**Maija Kivistö**  
Product owner  
Acute Business Unit  
Finland

– I've worked at Acute for almost nine years and as product owner the last two years. My job includes managing our release process and our program update schedule. The goal is to always have user friendly and functional software.

The best part of my job is that I get to interact with colleagues on development issues and I have contact with our customers about our software. In my job I have many things going on simultaneously, so prioritization is a key to success.

## **"We believe in our values."**

I am proud when customers and customer support are satisfied. It means that we've done things right. And it's fantastic when you see a new function in the software that you worked hard to produce.

What I appreciate most about Vitec as an employer is the way that my team and management trust me. I have the opportunity to make independent decisions, but I always have their support.

Here at Vitec we believe in our values. For me personally, our products are our foundation; without them we have nothing. And keeping it simple is something that I try to remember every time we design new features.



**Jagroop Singh**  
Developer  
Autosystemer Business Unit  
Norway

– I’ve worked at Vitec for almost four years as a developer and much of my job involves finding new solutions to problems that customers have. The best part about my job is having the opportunity to discuss experiences and solutions. What drives me and motivates me in daily life at work is the interesting challenges and the excellent growth opportunities.

My journey at Vitec has been exciting; for example, I get to hold courses and be a resource for my colleagues. Being appreciated for making an extra effort is also important; so is acting as a team. Being willing to change is one of those things that helps me to succeed in my role.

### “Vitec has a culture of trust.”

What I appreciate most about Vitec as an employer is the flexibility and that we work to increase efficiency at work. Vitec has a corporate culture characterized by trust, respect and transparency. This culture affects all aspects of the business, from marketing strategies to customer service. Respect, transparency and integrity mean a lot to me. Vitec has a culture of trust that fosters job satisfaction.



**Linda Steen**  
Product Support  
Mäklarsystem Business Unit  
Sweden

– I started at Vitec in early 2019 and work with real estate agent support, where real estate agents contact us with their questions and inquiries about our products. We provide help in cases and answer questions. Part of the job also involves customer care and part is preventive support.

### “Employer with growth opportunities.”

Since I have a background as a real estate agent, I know the importance of having a good dedicated system for realtors so that deals go as smoothly as possible and the realtor should be able to feel confidence in the system. I want our customers to feel that way too.

Besides working with great people, I love the contact with customers. Real estate agents are incredibly fun people to talk to. I also like that Vitec is a large employer with growth opportunities for employees. Good backup from product management, engineers, developers and the sales department is essential for the job.

My journey at Vitec has just begun. There is so much more to learn and I make progress, learning new things every day, which is really fun.

# Corporate culture on the agenda

## **New@Vitec**

Annual introduction event in Umeå. Lecturers primarily comprise members of Group Management and common functions.

**Participants:** Group employees who were recruited in the past year.

**Purpose:** to welcome new employees, create an overall understanding of Vitec, our history and our corporate culture, as well as to network with Nordic colleagues.



## **New@Vitec on Site**

Introduction for employees on site at newly acquired companies in our Nordic countries. The lecturers are managers from the Parent Company.

**Participants:** employees in the newly acquired companies.

**Purpose:** to welcome new employees, create an overall understanding of Vitec, our history and our corporate culture.

## **Career-development meetings**

Annual meetings to complement the continuous dialog between employees and their immediate superior.

**Participants:** one-on-one meeting between employee and immediate superior.

**Purpose:** ensure a positive work situation, followup on goals and provide feedback on performance, create targets and a development plan for the next year.



## **BUM - Business Unit Meeting**

Two meetings per year in Stockholm and Umeå, Sweden.

**Participants:** CEO's for business units, CEO, CFO, COO, IR Officer and Vice President of Operations (VPO).

**Purpose:** achieving a consensus on strategic priorities, maintenance of a value-generating network.

## **In-depth meeting with the Board of Directors**

Annual meeting in connection with some of our Nordic regional offices.

**Participants:** CEO, CFO, COO, IR Officer and the Board of Directors.

**Purpose:** Strategic priorities for the next year.

## **Product strategy meeting**

Annual meeting in conjunction with the budgeting process for the next year.

**Participants:** VPO and senior management of each business unit.

**Purpose:** planning product development, innovation and making strategic choices for future-proofing our products.

## **CEO@Vitec**

Introduction event in Umeå. Lecturers primarily comprise members of Group Management and common functions.

**Participants:** new CEO's of the Group's business units.

**Purpose:** to create and establish an understanding of our strategies, business model, corporate culture, leadership philosophy and history.



## **Leader@Vitec**

Annual orientation event for the Group's new managers in Umeå. Lecturers primarily comprise members of Group Management.

**Participants:** new managers within the Group.

**Purpose:** to create and establish an understanding of our corporate culture and leadership philosophy.

## **Management Conference**

Conference in Umeå every second year.

**Participants:** senior management from all business units, parent company managers and group management.

**Purpose:** to create and establish an understanding of our corporate culture, business model, strategies and other relevant topics.

## Focus area 2: Customer responsibility

Our products are critical to our customers' operations. Therefore, our foremost customer responsibility is to ensure that our products are accessible, and that they manage our customers' data securely and reliably. To an ever greater extent, our products are delivered via cloud services. This means that in addition to functionality, we are responsible for accessibility, energy-efficiency and security. We perform annual audits based on our security policy to be able to implement any required measures early on. We continuously monitor the energy-efficiency of data centers and how the electricity we purchase is produced.

The products are our foundation and our most important contribution to our sustainability efforts, because they support requisite society functions and enable the streamlining of customer processes, which in many cases, results in reduced resource consumption. One example is our cloud-based software applications AutoFutur and KoneFutur, which are used in the automotive industry and machinery sector in Finland, Sweden and Estonia, where we worked for increased use of electronic invoicing using WeMail. Over 60% of customers choose this option, and in 2019 mailing of electronic invoices increased by 5% compared with 2018, which helps to reduce climate impact.

One example that demonstrates how our products make a difference in daily life for individuals are our reading and writing tools CD-ORD and IntoWords. The products are offered in Denmark, Norway and Sweden and help people with reading and writing difficulties to work and study on the

same terms as others. The individuals who use the products experience greater freedom in their communication, which leads to improved relationships, stronger self-esteem, better quality of life, and by extension, the products contribute to a more socially sustainable society.

Another example is our Norwegian product Infoeasy, which meets the needs of the automotive and transport industries for a simple system to track everything that needs to be documented and followed up, such as work orders, machinery and service history. With Infoeasy, mechanics and other staff can take care of documentation by smartphone, tablet or computer and nothing needs to be printed. The only printout is the receipt for the customer who pays for the repair. As a result of the product, car repair shops become more efficient, with a better overview and fewer printouts, thereby conserving resources and reducing climate impact.

One of our products for the Swedish market is Actor SmartBook, which was developed for facilities such as sports centers, museums, libraries, indoor pools and cultural arenas. The product offers a booking system that reduces energy consumption by controlling the lighting and ventilation systems so they are only operating when the facility is used. This in turn reduces costs, while users experience an optimal indoor environment with customized heat and ventilation. From the standpoint of sustainability, the functions of the product help to reduce environmental impact and improve quality for users.

Our products have been developed in accordance with the EU's General Data Protection Regulation (GDPR) framework, which provides our customers with a high level of data security. Read more about our products at [vitecsoftware.com](http://vitecsoftware.com).

### Focus area 3: Supplier responsibility

We have a long-term perspective when working with our supplier agreements. Our purchasing uses a checklist that clarifies our expectations with regard to suppliers based on a professional, sustainable and ethically correct approach. The checklist was first implemented in the Group in 2019 and is based on our Code of Conduct and sustainability policy. Although purchasing constitutes a very limited portion of the Group's operations, it is vital that we choose suppliers based on our values, those who, for example, consider human rights and anticorruption to be a matter of course. During the year the checklist provided support in situations such

as signing a new contract for Group-wide telephone services and procurement of a modern payroll system for our business units in Norway. For 2020, a procurement process resulted in a system for automatic control of supplier status regarding payments, which gives us direct feedback regarding information such as whether a supplier lacks the appropriate Swedish F tax certificate, has serious tax liabilities or is a scam company. Our main purchases pertain to areas such as office premises, data centers, electricity supply, information services, travel, electronics, computers, telephony, office materials and software components. We do not lock ourselves to specific suppliers, which allows us to switch to other alternatives without major disruptions to our operations.



*Lina Spansk, Stockholm*

## Financial sustainability

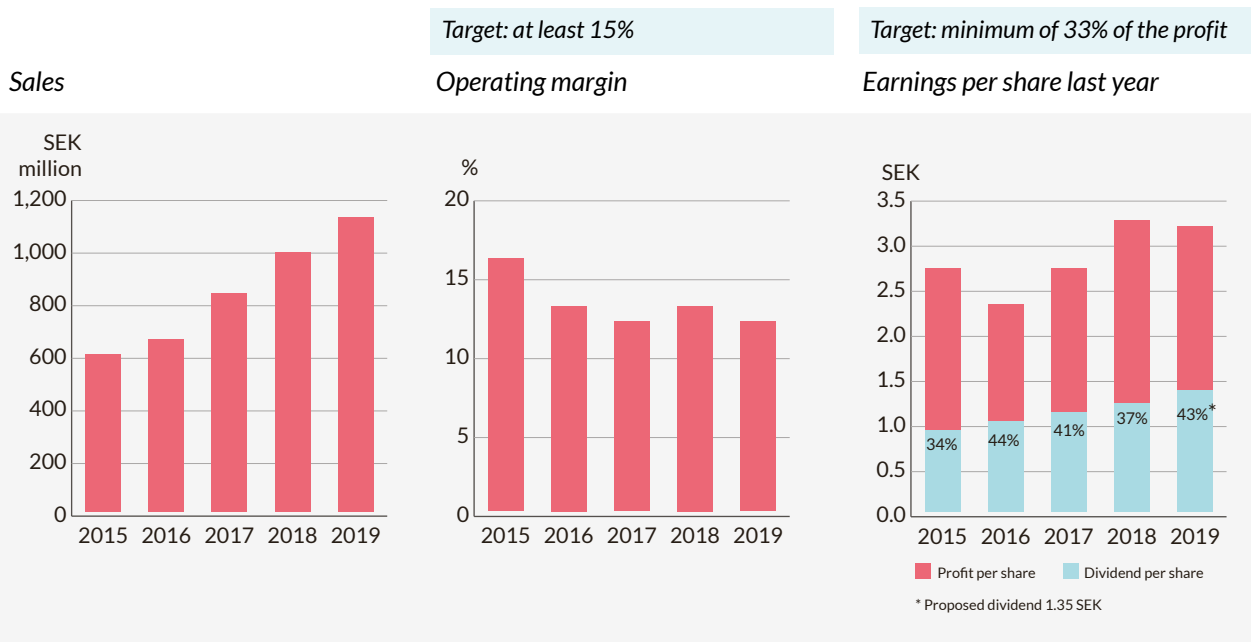
One of our core values is to keep it simple. Focusing on simplicity when solving problems and challenges helps everyone to become more aware of costs. Our Code of Conduct also provides business-ethical guidelines for sustainable enterprise.

### Focus area 4: Long-term sustainable profitability

Our business model is based on offering software based on a subscription model that is financially sustainable, and which provides the prerequisites for a long-term approach. This entails a safe offering for customers, while providing us with stable and predictable cash flows through recurring revenues. It also makes the Group less sensitive to temporary declines within individual companies. We have opted not to have a bonus system for senior executives, to ensure that the company is managed from a long-term perspective and to avoid a short-term approach. Instead, we enable all our employees to become co-owners of the company, for example through recurring convertible programs.

The Group's growth is essentially driven by acquisitions of well-managed and profitable software companies – with

a decisive parameter being that earnings per share must be positively impacted by the acquisition. All Group companies are monitored using shared key metrics that steer their strategic focus toward a high percentage of recurring revenues and an emphasis on robust cash flow. An overall target is to achieve a minimum operating margin of 15% for the Group. Another objective for long-term financial sustainability is that our dividend to shareholders must comprise at least one-third of the profits every year. These levels are based on our collective assessments of the specific resources needed to satisfy our stakeholders' requirements. We shall continue to invest in product development and company acquisitions. We are to be an attractive employer to employees who share our values, and we are to be a good choice for shareholders with long-term interests.



## Environmental sustainability

Our products digitize and enhance the efficiency of our customers' processes. We have the opportunity to create the conditions for enhancing resource efficiency and reducing climate impact through our products. You can find examples of this under the focus area, Customer responsibility. We also strive to continuously improve our proprietary operations through sustainable and efficient resource utilization. This includes our power consumption in offices and data centers, our business travel and electronic waste. Our environmental efforts are systematic and integrated into our operations, which manifest as a continuous improvement of key metrics, such as power consumption per employee and the share of renewable energy in our electricity agreements.

### Focus area 5: Reduced energy consumption

To progressively reduce our energy consumption, we are working to optimize the efficiency of our data centers and office premises. We use "free cooling" in our Group-wide data centers. This means that the natural low temperature in outdoor air or water is used to lower the temperature in the data centers. For 2019, this means that electricity consumption declined by about 20%.

We collaborate with property owners, to use the waste heat from one of our data centers to warm up other sections of the premises, which reduces the property's overall consumption. One of our data centers has dedicated solar panels that produce 25% of the electricity used by the center. We worked on replacing several of our older servers with new, more energy-efficient hardware. Analysis of an ongoing project in the business unit's computer center in Denmark showed that energy consumption was reduced by 50% in 2019. Energy savings of up to 88% can be expected when older hardware is completely replaced. An additional goal is to completely shut down an energy-intensive data center in Sweden in 2020 and move the operation to a data center with free cooling. This measure will have an impact on energy consumption during the latter part of 2020. Total energy consumption in our data centers dropped by 8% in 2019, even though we increased capacity by 12%.

As part of our ongoing efforts at continuous improvement, data centers that become part of the Group as a result of company acquisitions are evaluated and, in many cases, moved to one of the Group's shared data centers. In addition to optimizing energy efficiency, we can also safeguard product accessibility and security.

In 2019, we persisted in efforts to convert our electricity contracts to comprise 100% renewable energy; see the outcome in the graph on the right. We also increased the proportion of renewable energy sources to 91% during the year.

For our offices, we review energy-saving measures in conjunction with renovations and relocations to new premises. Energy consumption per employee in our office premises increased slightly during the year because we acquired several small companies with fewer employees in each office, for which reason we cannot benefit at this time from the economies of scale offered by larger offices.

### Focus area 6: Reduced waste and increased recycling

During the year we worked on implementing our Group-wide standard for reusing and recycling electronic waste. Recycling in 2019 corresponded to climate savings of 8,592 kg of CO<sub>2</sub>-eq, which is comparable to circumnavigating the globe by car almost two and a half times. The corresponding figure for 2018 was 7,034, which means that we increased our total climate savings by 22%; see the diagram on the right.

In 2019, fewer units such as laptops, tablets and smartphones were collected than in 2018; see diagram. In 2018 a dedicated initiative was carried out to collect electronic waste, for which reason collection needs declined in 2019. However, the number of collected servers increased, as did reuse of collected units during the year, which contributed to an overall increase in climate savings.

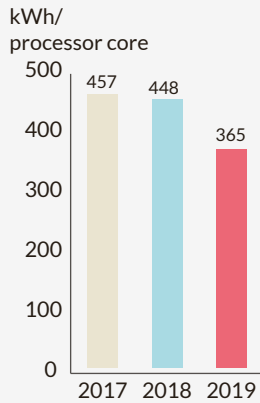
In our ongoing effort to cut back on business trips in order to reduce our carbon dioxide emissions, in 2019 we introduced Office 365 and Teams to improve the quality of our digital meetings and simplify both internal and external video meetings. The Group has some 30 offices scattered throughout our Nordic countries (Denmark, Finland, Norway and Sweden) for which reason good digital communication is important.

We continue to update our customer offering to include web-based training for more of our products. For example, the number of customers who use our online training programs increased to 25% in our Real Estate business unit in 2019. This has entailed fewer business trips, for both Vitec and our customers. All improvements in daily life are important; for example, we are working on increasing the number of digitally signed documents, such as internal forms and agreements, which would entail fewer printouts.

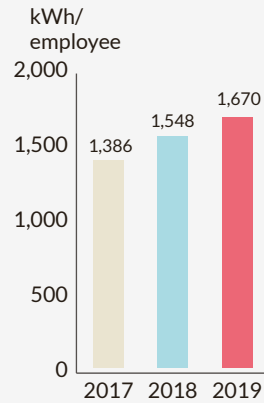
Target: Continuously optimize energy consumption in our data centers and office premises

Target: 100% renewable energy in our electricity contracts

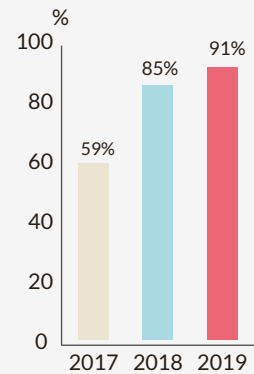
Energy consumption data centers



Electricity consumption per employee in offices

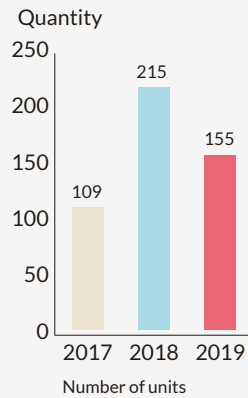
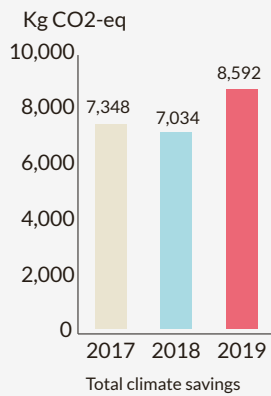


Percentage of energy from renewable sources



Target: Increased recycling

Recycling of electronic waste





Lars Stenlund and  
Olov Sandberg

# Our history

Vitec has been experiencing consistent growth and has shown profitability every year. Here are some of the significant events through the years that have been critical to our success.

1985	1990	1992	1998	1999
Vitec was founded by Lars Stenlund and Olov Sandberg. The first product is an application for monitoring energy consumption aimed at real estate companies.	Operations are scaled up and the Board of Directors is reinforced with external Board members.	The product range is supplemented with a software application that enables energy companies to create short-term forecasts for district-heating requirements.	Vitec is listed on Innovationsmarknaden (currently known as the Nordic Growth Market).	Vitec is listed on Aktietorget (currently known as the Spotlight Stock Market) and several company acquisitions are implemented in Sweden.
2003	2007	2011	2017	2019
An acquisitions-based growth strategy is formulated – which remains relevant today – following an analysis of the reasons for the growth and profitability of existing operations over the years.	The Estate Agents segment is formed in conjunction with the acquisition of Svensk FastighetsData, a market-leading supplier of software for real estate agents.	Vitec is listed on the Nasdaq Stockholm. The Estate Agents segment is supplemented with Norwegian operations through Vitec's first acquisition of a foreign company, IT-Makeriet AS, which was followed by several corporate acquisitions in the Nordic countries.	Vitec is moved from the Small Cap to Mid Cap list on the Nasdaq Stockholm. Olov Sandberg, one of the founders of Vitec, retired. Olov remains as one of the company's principal owner.	Vitec completes five corporate acquisitions. We become more than 700 employees and pass 6,000 shareholders. We complete an internal brand survey of our employees in the Nordic countries.



*Marianne Wargh and  
Laura Muttillainen, Espoo*



*Johannes Sjövik and  
Maja Jonsson, Umeå*

# Shares and shareholders

Vitec Software Group AB (publ) was listed on the Nasdaq Stockholm on July 4, 2011. The company is under the Mid Cap list with the ticker symbol, VIT B and a trading lot that comprises one share. As of December 31, 2019, there were 6,416 shareholders and the percentage of foreign-owned shares correspond to 22% of the capital.

## **Shares traded and price trend**

In 2019, the total value of share trading was SEK 930.7 million. The average turnover per day of trading was 29,687 shares, valued at SEK 3.7 million. The closing price for 2019 was SEK 185.0 (77.60) and the overall market capitalization amounted to SEK 6,026 million (2,509) at year-end.

## **Number of class A and class B shares**

The total number of shares in Vitec at the close of the financial year was 32,573,216, including 3,350,000 class A shares and 29,223,216 class B shares. Current share capital is approximately SEK 3.3 million, with a quotient value of SEK 0.10 per share.

## **Location of listing**

The Vitec Software Group's class B share is listed on the Nasdaq Stockholm. The share's ticker is "Vit B" and its ISIN-coding is SE0007871363. One trading lot amounts to one share.

## **Dividend policy**

Vitec has paid dividends every year since 2003. Our objective is for dividends to correspond to a minimum of one-third of profit after tax. However, an assessment is always performed with regard to the company's financial position.

## **Dividend**

The Board proposes, to the Annual General Meeting, a dividend of SEK 1.35 per share, which corresponds to 43% of profit after tax for 2019.

### Information to shareholders

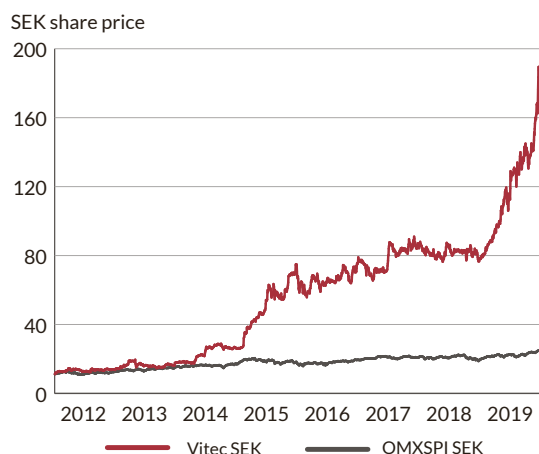
Vitec's shareholders and the stock market receive rapid detailed information about its performance and financial position, according to Nasdaq's rule book for issuers. Our website, [vitecsoftware.com](http://vitecsoftware.com), is our primary channel for information, where we publish financial information and other potentially price-sensitive information, immediately following disclosure. The website also features presentations and video clips of Annual General Meetings, information about the company

and the Vitec share, our financial calendar and information about corporate governance. You can also sign up for an e-mail subscription to receive our press releases at [vitecsoftware.com](http://vitecsoftware.com)

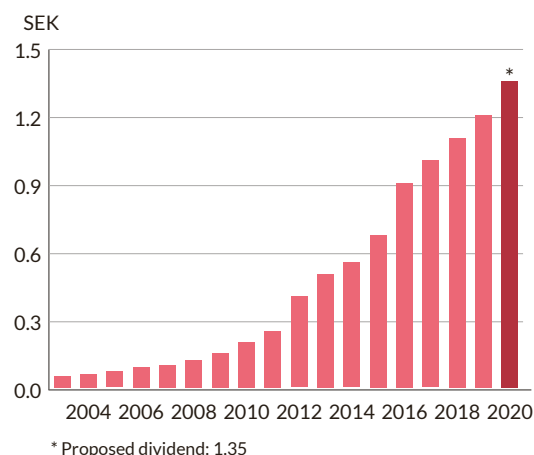
### Analyses of Vitec

Vitec was monitored by ABG Sundal Collier and Nordea Markets during the year.

### Share performance 2012–2019



### Dividend per share

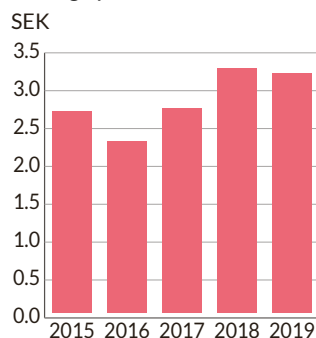


## Brief facts

	2019	2018
Number of class B shares	29,223,216	28,988,900
Highest closing price, SEK	189.50	88.00
Lowest closing price, SEK	76.60	76.40
Closing price, SEK	185.00	77.60
Average daily turnover, SEK thousands	3,724	1,139
Average daily turnover, no. of shares	29,687	13,975
Market capitalization, SEK million	6,026	2,509
Marketplace	Nasdaq Stockholm	Nasdaq Stockholm
Segment	Mid Cap	Mid Cap
Ticker	Vit B	Vit B
ISIN code	SE0007871363	SE0007871363

## Share data

### Earnings per share



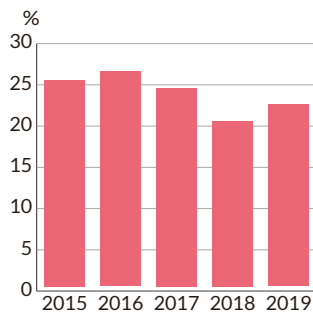
		2019	2018	2017	2016	2015
Adjusted equity per share	(SEK)	23.31	20.71	13.34	11.37	9.24
Earnings per share	(SEK)	3.16	3.23	2.70	2.27	2.66
Earnings per share after dilution	(SEK)	3.18	3.22	2.70	2.25	2.64
Dividend paid per share	(SEK)	1.20	1.10	1.00	0.90	0.67
Cash flow per share	(SEK)	9.90	8.01	6.78	5.20	5.09

## Share capital development

Year	Transaction	Total share capital	Total number of class A shares	Total number of class B shares
1985	Founding of company	50,000	500	-
1990	Bonus issue	100,000	1,000	-
1990	New share issue, incentive program	140,000	1,000	400
1990	New share issue	156,000	1,160	400
1995	New share issue, incentive program	164,000	1,160	480
1997	Bonus issue/split	328,000	23,200	9,600
1997	New share issue, incentive program	340,000	23,200	10,800
1997	Split	340,000	4,640,000	2,160,000
1997	Conversion of class A shares	340,000	4,000,000	2,800,000
1997	Bonus issue	850,000	10,000,000	7,000,000
1997	Directed new share issue, Innovationsmäklarna AB and Innovationsmarknaden AB (Nordic Growth Market)	900,000	10,000,000	8,000,000
1998	New share issue upon listing on Innovationsmarknaden	1,500,000	10,000,000	20,000,000
1998	Non-cash issue for acquisition of Bra Administration AB (currently known as Vitec Energy AB)	1,641,000	10,000,000	22,820,000
1999	Reverse share split upon listing on Aktietorget	1,641,000	1,000,000	2,282,000
2000	Non-cash issue for acquisition of Minator AB (Vitec Fastighetssystem AB)	1,732,000	1,000,000	2,464,000
2004	Conversion of employee convertibles	1,786,100	1,000,000	2,572,200
2007	Conversion of employee convertibles	1,808,000	1,000,000	2,616,000
2008	Non-cash issue in conjunction with acquisition of Vitec Mäklarsystem AB	1,883,000	1,000,000	2,766,000
2008	Conversion of class A shares	1,883,000	800,000	2,966,000
2009	Conversion of promissory note from the acquisition of Vitec Veriba AB	1,916,350	800,000	3,032,700
2010	Conversion of promissory note from the acquisition of Vitec Mäklarsystem AB	2,025,725	800,000	3,251,450
2010	Directed new share issue to Avanza	2,125,725	800,000	3,451,450
2011	Conversion of employee convertibles	2,183,538	800,000	3,567,075
2012	Conversion of employee convertibles	2,213,252	800,000	3,626,504
2012	Non-cash issue in conjunction with acquisition of outstanding shares of 3L System AB	2,574,164	800,000	4,348,327
2013	Conversion of promissory note from the acquisition of Capitex AB	2,654,164	800,000	4,508,327
2014	Conversion of promissory note from the acquisition of IT-Makeriet AS	2,674,164	800,000	4,548,327
2014	Directed new share issue (Book building)	2,899,164	800,000	4,998,327
2014	Conversion of employee convertibles	2,939,669	800,000	5,079,338
2015	Split	2,939,669	4,000,000	25,396,690
2016	Conversion of class A shares	2,939,669	3,500,000	25,896,690
2017	Conversion of class A shares	2,939,669	3,350,000	26,046,690
2017	Conversion of employee convertibles	2,983,890	3,350,000	26,488,900
2018	Directed new share issue (Book building)	3,233,890	3,350,000	28,988,900
2019	Conversion of promissory note from the acquisition of MV Nordic A/S	3,236,878	3,350,000	29,018,775
2019	Conversion of promissory note from the acquisition of MV Nordic A/S	3,257,322	3,350,000	29,223,216

## Shareholders (source: Euroclear and Holdings)

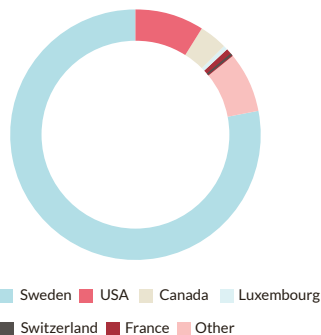
### Foreign-owned shares



### Shareholders, by number holdings

Holdings	Number of shareholders	No. of A shares	No. of B shares	Holdings, %	Votes, %
1-500	4,947		529,892	1.6	0.8
501-1,000	492		406,435	1.2	0.6
1,001-5,000	690		1,575,652	4.8	2.5
5,001-10,000	109		814,279	2.5	1.3
10,001-15,000	45		566,374	1.7	0.9
15,001-20,000	23		402,338	1.2	0.6
20,001-	109	3,350,000	22,602,924	79.7	89.4
Anonymous ownership			2,325,322	7.1	3.7
<b>Total</b>	<b>6,416</b>	<b>3,350,000</b>	<b>29,223,216</b>	<b>100.0</b>	<b>100.0</b>

### Shareholder register by geographic area



### Largest shareholders on Dec 31, 2019

	No. of A shares	No. of B shares	Share capital %	Votes, %
Lars Stenlund *	1,570,000	152,280	5.20	25.23
Olov Sandberg *	1,420,000	88,995	4.51	22.72
Jerker Vallbo *	360,000	100,541	1.26	5.82
SEB Fonder		2,123,202	6.52	3.39
Didner & Gerge Fonder		1,974,997	6.06	3.15
Thomas Eklund		1,746,440	5.36	2.78
Martin Gren (Grens specialisten)		1,281,135	3.93	2.04
Mawer Investment Management		1,226,492	3.77	1.96
Swedbank Robur Fonder		1,073,187	3.29	1.71
Utah Retirement Systems		985,673	3.03	1.57
Other		18,587,839	57.1	29.6
<b>Total</b>	<b>3,350,000</b>	<b>29,223,216</b>	<b>100.0</b>	<b>100.0</b>

\*including family and/or ownership through companies

## Market capitalization

	2019	2018	2017	2016	2015
Market capitalization at year-end*, SEK million	6,026	2,509	2,596	2,219	2,205

\*Market capitalization is calculated as the total number of issued class A shares and class B shares at the balance-sheet date, multiplied by the share price on the Nasdaq Stockholm at year-end.

# Administration report

The Board of Directors and CEO of Vitec Software Group AB (publ), corp. reg. no. 556258-4804, with its registered office in Umeå, herewith present their annual report, sustainability report and consolidated financial statements for the 2019 financial year. This English version of the annual report is a translation of the original Swedish version. In the event of differences, the Swedish version shall take precedence over the English. In accordance with Chap. 6 Sect. 11 of the Swedish Annual Accounts Act, Vitec has chosen to prepare the statutory sustainability report as a separate report from the annual report, the contents of which are presented on pages 14-25.

## Operations

Vitec is the Nordic market leader in Vertical Market Software. We develop and deliver standardized software aimed at various niche markets. Our business model is based on a high percentage of recurring revenues. Most of the software is distributed to customers via the internet based on a subscription model. 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.

We are active in Denmark, Finland, Norway and Sweden, and our operations grow through the acquisition of well-managed and established software companies. Among our customers are pharmacies, banks, auto repair shops, construction and real estate companies, energy companies, real estate agents, insurance companies, healthcare companies, municipal culture and recreation departments, churches, education companies and waste management companies.

Vitec is listed on the Nasdaq Stockholm and had sales of SEK 1,156 million in 2019.

## Objectives

We have a growth-oriented strategy and are continuously in search of new acquisition objects. For the past 10 years, our growth has been 15% per year. The Board of Directors has set a financial target to achieve an operating margin of 15% while maintaining efforts focused on continuous growth and good cash flow.

## OUTCOME:

%	2019	2018	2017	2016	2015
Sales growth	14	19	27	9	26
Operating margin	12	13	12	13	16

## Net sales and earnings

The Group's net sales in 2019 totaled SEK 1,156.2 million (1,016.8) – an increase of 14% compared with 2018. The increase in net sales is primarily attributable to acquisitions.

EBITDA was SEK 247.3 million (211.9), with an EBITA margin of 21% (21). Operating profit amounted to SEK 143.9 million (128.4), corresponding to an operating margin of 12% (13). Operating profit included amortization and impairment of SEK 210.0 million (158.5). In 2019 the net of capitalized development costs and amortization and impairment losses on intangible fixed assets had a negative impact on operating profit of SEK 19.6 million (neg: 8.1).

Net financial items totaled a negative SEK 13.9 million (neg: 11.6). Financial income amounted to SEK 1.9 million (0.3) and comprised interest from bank accounts. Financial expenses totaled negative SEK 15.7 million (neg: 11.9) and consisted of interest on financial leases of negative SEK 3.0 million (0.0) and interest on acquisition credits and convertible debentures of negative SEK 12.7 million (neg: 11.9).

Profit after tax for the year was SEK 102.2 million (96.9), of which SEK 102.2 million (96.9) was attributable to Parent Company shareholders.



Nils Waldemarson and  
Marie Löthman, Stockholm

## Segment trend

Our current geographic market comprises Sweden 31%, Denmark 24%, Finland 19%, Norway 25% and other countries 1%. Our operations are divided into the following segments: Auto, Energy, Real Estate, Finance & Insurance, Environment, Estate Agents and Education & Health.

SEK million	External net sales		Growth, %	Operating profit before and after acquisition-related costs		Operating margin before and after acquisition-related costs, %	
	2019	2018	2019	2019	2018	2019	2018
Auto	181.5	170.3	7	32.2	28.3	18	17
Energy	28.6	26.0	10	9.9	9.3	35	36
Real Estate	215.8	206.3	5	49.3	44.3	23	21
Finance & Insurance	162.7	132.2	23	22.1	12.7	14	10
Environment	49.5	45.9	8	7.4	5.5	15	12
Estate Agents	159.3	155.4	3	18.3	23.9	11	15
Education & Health	356.1	278.3	28	16.5	9.5	5	3
Shared*	2.7	2.2	23	-	-	-	-
<b>Group</b>	<b>1,156.2</b>	<b>1,016.6</b>	<b>14</b>	<b>155.7</b>	<b>133.5</b>	<b>13</b>	<b>13</b>
Acquisition-related costs	-	-	-	-11.8	-5.1	-	-
<b>Operating profit after acquisition-related costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143.9</b>	<b>128.4</b>	<b>12</b>	<b>13</b>

\*Acquisition-related costs affecting comparability make it difficult to track the trend. For this reason, the above operating profit/loss is stated as before and after acquisition-related costs.

### Auto

This segment includes our software for the automotive industry and machinery sector in Denmark, Finland, Norway and Sweden. Our products support work processes, such as car sales, auto repair shops, tire storage and the distribution of auto components. The Auto segment includes Vitec Autodata AS, Vitec Datamann A/S, Vitec Infoeasy AS and Vitec Futursoft Oy.

Total revenue amounted to SEK 181.5 million (170.3). Recurring revenues rose by 8% to SEK 158.5 million (146.3), license revenues increased marginally to SEK 5.3 million (5.2) and services revenues declined 3% to SEK 13.1 million (13.4). Other revenues declined 14% to SEK 4.6 million (5.4). The share of recurring revenues in net sales was 87% (86). The operating margin rose to 18% (17%).

### 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.

The total revenue was SEK 28.6 million (26.0), representing a gain of 10%. Recurring revenues increased by 8% to achieve SEK 21.5 million (19.9). Service revenues increased 16% to a total of SEK 6.9 million (5.9). The share of recurring revenues in net sales was 75% (76). The operating margin slipped to 35% (36).

### Real Estate

Vitec offers turnkey 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.

The total revenue was SEK 215.8 million (206.3), representing a gain of 5%. License revenues declined 34% to SEK 4.3 million (6.5). Recurring revenues increased by 11% to achieve SEK 141.8 million (128.1). Service revenues declined 3% to achieve SEK 66.1 million (68.0). The percentage of recurring revenues in net sales was 66% (62). The operating margin rose to 23% (21%).

### 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 Capitec 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.

The total revenue was SEK 162.7 million (132.2), representing a gain of 23%. Recurring revenues increased by 20% to achieve SEK 139.4 million (116.3). License revenues declined 17% to SEK 0.2 million (0.3). Service revenues increased 48% to a total of SEK 22.2 million (15.1). The share of recurring revenues in net sales was 86% (88). The operating margin was 14% (10).

### 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. This segment comprises Tietomitta Oy and 3L Media AB.

The total revenue was SEK 49.5 million (45.9), representing a gain of 8%. Recurring revenues rose 12% to a total of SEK 41.4 million (37.0). Service revenues increased by 3% to a total of SEK 6.4 million (6.2). License revenues declined 78%, totaling SEK 0.3 million (1.5). Recurring revenues accounted for 84% (81) of net sales. The operating margin rose to 15% (12%).

## **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.

The total revenue was SEK 159.3 million (155.4), representing a gain of 3%. License revenues increased to SEK 0.2 million (0.1). Recurring revenues increased by 8% to achieve SEK 146.8 million (135.4). Service revenues declined 39% to achieve SEK 11.9 million (19.5). The share of recurring revenues in net sales was 92% (87). The operating margin was 11% (15).

## **Education & Health**

The Education & Health segment comprises 10 business units and has substantially grown in recent years with three new businesses in 2018 and four new businesses in 2019.

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. Actor Smartbook develops dedicated software for municipal recreation and cultural departments in Norway and Sweden.

Vitec MV develops our software applications for individuals with reading and writing difficulties that are used by public and private education companies in Denmark, Norway and Sweden.

Acute offers software applications for healthcare companies in Finland, which are wholly web-based enterprise systems used by primary care centers, hospitals, physical therapy and rehabilitation facilities, as well as occupational health services and public organizations.

Avoine's product is aimed at sports associations and labor unions in Finland. Fixit has a product that is aimed at hair and beauty salons in Norway. Katrina has software aimed at church-related administration in Finland, and HK data offers products aimed at the health and welfare sector in Norway.

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

The total revenue for the segment was SEK 356.1 million (278.3), representing a gain of 28%. Recurring revenues rose by 60% to SEK 258.1 million (160.9). Service revenues rose 75% to SEK 35.9 million (20.4), while license revenues decreased by 65% to achieve SEK 7.5 million (21.4). Other revenues fell by 28% to SEK 54.5 million (75.6) and comprised sales of goods. The share of recurring revenues in net sales was 72% (58). The operating margin was 5% (3).

## **Acquisitions and changes to the legal structure during 2019**

In 2019, the following corporate acquisitions entailed changes to the legal structure:

- March 5: Avoine Oy
- May 8: WIMS AS
- June 12: Odin Systemer AS
- December 12: M&V Software Oy
- December 17: HK data AS

All of the acquisitions were consolidated as of the acquisition date.

On December 27, a merger was carried out between 3L System AB and the Parent Company Vitec Software Group AB. Pursuant to the merger, the Parent Company has taken over the transferring company's accounting and tax position along with its assets, rights and obligations. The subsidiaries Vitec Förvaltningssystem AB and 3L Media AB are directly owned by Vitec Software Group AB after the merger.

On December 27 a new company was formed, Malmkroppen AB.

### **March 5: Vitec acquired Avoine Oy**

Vitec strengthened its position in the Nordic Vertical Software market through the acquisition of all shares in the Finnish software company, Avoine Oy. Its product is aimed at sports associations and labor unions in Finland. The company reported sales of SEK 29.4 million, with an adjusted EBITDA of SEK 6.3 million for the 2018 financial year. Payment was made in cash on the acquisition date. The acquisition is expected to yield an immediate increase in earnings per share for Vitec. Consolidation will commence as of the acquisition date.

### **May 8: Vitec acquired WIMS AS**

Vitec strengthened its Nordic position in the Vertical Software market through the acquisition of all shares in the Norwegian software company, Web Insurance Management Systems AS. The product is aimed at the insurance industry in Norway, Denmark and Sweden. The company reported sales of SEK 26.5 million, with an adjusted EBITDA of SEK 4.7 million for the 2018 financial year. Payment was made in cash on the acquisition date. The acquisition is expected to yield an immediate increase in earnings per share for Vitec. Consolidation will commence as of the acquisition date.

### **June 12: Vitec acquired Odin Systemer AS**

Vitec strengthened its position in the Nordic Vertical Software market through the acquisition of all shares in the Norwegian software company, Odin Systemer AS. The products are aimed at hair and beauty salons in Norway. The company reported sales of SEK 66.5 million, with an adjusted EBITDA of SEK 13.9 million for the 2018 financial year. Payment was made in cash on the acquisition date. The acquisition is expected to yield an immediate increase in earnings per share for Vitec. Consolidation will commence as of the acquisition date. After the acquisition the company changed its name to Vitec Fixit Systemer AS.

### **December 12: 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 products are aimed at church-related administration in Finland. The company reported sales of SEK 19.4 million in 2019, with an adjusted EBITDA of SEK 4.6 million. Payment was made in cash on the acquisition date. The acquisition is expected to yield an immediate increase in earnings per share for Vitec. Consolidation will commence as of the acquisition date. On the date of the acquisition the company changed its name to Vitec Katrina Oy.

#### **December 17: 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 health and welfare sectors in Norway. Customers include businesses, municipalities, counties and volunteer organizations. The company reported sales of SEK 17.0 million, with an adjusted EBITDA of SEK 1.8 million for the 2018 financial year. Payment was made in cash on the acquisition date. The acquisition is expected to yield an immediate increase in earnings per share for Vitec. Consolidation will commence as of the acquisition date.

#### **Other important events in brief**

- April 4: Olle Backman was appointed to serve as the new CFO for Vitec
- July 31 and November 27: Increased number of shares and voting rights when convertible 1707 was converted to shares
- September 24, 2019: Family Office in Liechtenstein chose Vitec to be the supplier of its portfolio management system
- July 5, 2019: Vitec became a supplier in a new framework agreement for cultural and recreation facilities
- June 20, 2019: Oslo Pensjonsforsikring chose Vitec to be the supplier of its portfolio management system
- February 14, 2019: Nye Kristiansand kommune (New Kristiansand Municipality) is going digital with the Plania Management, Operations and Maintenance (MOM, FDV) system from Vitec

#### **Events after the balance-sheet date**

##### **January 20: Gert Gustafsson was appointed to serve as the new COO for Vitec**

Vitec appointed Gert Gustafsson to serve as COO. He was most recently Vice President of Operations (VPO), for 7 of a total of 23 business units within the Group and has been employed since 2017. His new position begins on March 1, 2020, and he will take over after Lars Eriksson, who has chosen to retire after nine years at Vitec.

##### **January 30: Vitec acquired the Danish software company Visiolink**

On January 30, Vitec strengthened its Nordic position in Vertical Market Software once again by acquiring all shares and voting rights in the Danish software company Visiolink Management Aps with subsidiaries, which together have around 200 customers all over Europe.

Visiolink offers a publishing system for digital versions of print media, such as daily newspapers, and targets media companies. Visiolink currently has about 200 customers in 9 European countries, where the Nordic countries account for a large portion of sales. The Visiolink Group reported sales of SEK 62.4 million in 2019, with an adjusted EBITDA of SEK 14.9 million. Payment is in cash and with a convertible, with deviation from shareholders' preferential rights in accordance with the authorization from the Annual General Meeting on April 10, 2019. The convertible matures in 36 months and at full conversion will have a dilutive effect on share capital of 0.2%. The acquisition is expected to yield an immediate increase in earnings per share for Vitec. 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 more 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, and complementary expertise requirements, as well as expected synergies, in the form of the joint development of our products.



*Gert Gustafsson, COO, Stockholm*

### **March 17: Vitec acquired the Finnish software company, ALMA Consulting Oy**

Vitec strengthened its Nordic position in the Vertical Software market on March 17 through the acquisition of all shares in the Finnish software company, ALMA Consulting Oy. The company reported sales of SEK 31.6 million, with an adjusted EBITDA of SEK 7.9 million for the 2019 financial year.

ALMA Consulting Oy develops and delivers information management software for the processing industry and energy companies in Finland. The products enable companies to streamline and plan their production supporting processes. The company currently has about 100 customers. Payment will be in cash. The acquisition is expected to yield an immediate increase in earnings per share for Vitec. 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 more 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, and complementary expertise requirements, as well as expected synergies, in the form of the joint development of our products.

### **Coronavirus and Covid-19**

On March 11, 2020, the World Health Organization (WHO) declared the coronavirus disease (Covid-19) a pandemic. We have seen that the pandemic has had a severe effect on communities in large parts of Asia, the US, Europe and even the Nordic countries, where most of our operations are located. Not only has the pandemic had major consequences for human health, but the economic impact of the outbreak of the disease is also expected to be substantial.

Our focus is on reducing the risk of spreading the virus and protecting the health of our employees, at the same time that we are working to minimize the impact on our business. At the time of writing, we are working on thorough impact assessments and action plans, for which reason it is still too early to assess the effects.

Because of the current situation, on March 23 the Board of Directors of Vitec Software Group AB (publ) resolved to postpone the company's Annual General Meeting until June 23, 2020. During the period leading up to the Annual General Meeting, the Board of Directors of Vitec will carefully evaluate the situation, after which it will assess the proposal for dividends for 2019. More information will be provided in our upcoming interim reports, which can be found on our website [vitecsoftware.com](http://vitecsoftware.com).

### **Liquidity, cash flow 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.

- Cash flow from operating activities was SEK 283.2 million (197.1).
- Cash flow from investing activities was a negative SEK 375.5 million (neg: 276.9), comprising a negative SEK 218.9 million (neg: 134.3) for the acquisition of subsidiaries, negative SEK 141.0 million (neg: 128.3) for the acquisition of intangible fixed assets, including capitalized work and negative SEK 15.6 million (neg: 14.3) for investments in property, plant and equipment.
- Cash flow from financing activities totaled SEK -127.3 (neg: 254.0), and comprised SEK 0.0 million (194.9) from new share issue, SEK 237.0 million (181.9) from new bank loans, negative SEK 38.8 million (neg: 29.4) from dividend payments and negative SEK 325.5 million (neg: 90.0) from amortization.

At the end of 2018, cash and cash equivalents increased by SEK 194.9 million following a new share issue. In early 2019, Vitec repaid SEK 279.3 million in previous loans taken against the credit facility.

As of 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, SEK 236.9 million of the credit facility was utilized to finance acquisitions and SEK 284.7 million pertaining to previous acquisitions was repaid to the credit facility. Amortization of bank loans amounted to SEK 3.4 million; amortization related to leasing totaled SEK 37.3 million.

During the period, supplementary purchase considerations for the acquisitions of Vitec PP7 AB and Vitec Cito A/S of SEK 1.0 million and SEK 10.1 million, respectively, were settled.

During the year the convertible debenture taken in connection with the acquisition of MV Nordic A/S was converted. As a result of the conversion, which took place on two occasions, 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 last 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 law on vacation days 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 identified as an error related to prior years, and was therefore recognized in equity.

The Group's net interest-bearing assets and interest-bearing liabilities totaled an expense of SEK 453.7 million (neg: 274.0).

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.

### **Investments**

Investments totaled to SEK 141.1 million in intangible fixed assets, distributed as SEK 138.7 million for capitalized work and SEK 2.3 million for software. SEK 15.6 million was invested in tangible fixed assets. 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.

### Research and development

Vitec develops and delivers standardized software aimed at different niche markets. Sustainable development is essential to our strategy and a prerequisite for long-term survival. Strategically focused development strengthens existing operations and enables the introduction of new products and services.

### Intangible fixed assets

The Group's intangible fixed assets comprise goodwill, product rights, brands and customer agreements that arise from acquisitions, as well as capitalized development work and software. As of December 31, 2019, the carrying amount was SEK 617.9 million (385.6) for goodwill, SEK 263.1 million (270.0) for product rights, SEK 345.1 million (269.0) for capitalized development expenditure, SEK 150.8 million (122.9) for customer agreements and SEK 86.6 million (80.3) for brands.

### Shareholders' equity

Total shareholders' equity amounted to SEK 759.4 million (669.6) as of Tuesday, December 31, 2019. Equity attributable to Vitec's shareholders totaled SEK 759.4 million (669.6).

As of December 31, there was an ongoing convertible program for employees, and a convertible bond signed in conjunction with an acquisition. These amounted to SEK 51.7 million and are convertible to a maximum of 460,768 class B shares, and increase share capital by SEK 0.05 million.

### Employees

In 2019 Vitec had an average of 693 (613) employees, of which 210 (182) were women. At year-end, the number of employees was 742 (643).

### Sustainability Report

A sustainability report has been prepared and reviewed by the company's auditors. See pages 14-25 and 112 of this report.

### Guidelines for the remuneration of senior executives

The 2019 AGM passed a resolution adopting the following guidelines for remuneration to the Group's CEO and other members of senior executives at Vitec. The AGM's resolution concur with previously applied remuneration policies. The guidelines apply to agreements signed after the 2019 AGM, or to any subsequent cases of amendments to remuneration. The Board of Directors has not appointed a Remuneration Committee, but instead manages, in its entirety, issues pertaining to remuneration and other employment terms and conditions. The AGM resolved that remuneration of senior

executives is to consist of a fixed salary and pension privileges. Pension benefits must be defined-contribution based. The total remuneration should be competitive in the market and be proportionate to each executive's responsibility and authority. When determining salaries, consideration must be given to the individual's field of responsibilities, expertise and experience, which are generally subject to annual reviews. The Board of Directors may deviate from these guidelines if there are specific reasons to do so in an individual case.

Guidelines for the remuneration of senior executives can be seen in Note 4A. The Board of Directors proposes that the 2020 Annual General Meeting resolve that these guidelines for remuneration for senior executives should apply until the 2024 Annual General Meeting, unless circumstances arise that require an earlier revision. The guidelines apply to the group "senior executives." Remuneration included in the guidelines shall include salary and other remuneration to senior executives. Remuneration is equated with the transfer of securities and granting the right to acquire securities from the company in the future. The guidelines do not apply to remuneration resolved by the general meeting.

### Parent Company

The Parent Company's net sales totaled SEK 66.2 million (63.4) and essentially comprised invoicing to subsidiaries for intra-Group services rendered, pertaining to premises, data communication and telephony, financial reporting, HR and management/operations development. Profit after tax amounted to SEK 133.8 million (68.7), including anticipated dividends from subsidiaries.

The Parent Company's cash and cash equivalents totaled SEK -6.0 million (222.9). Cash and cash equivalents comprise a Group currency account, where the Parent Company holds a top (group) account with the bank. Consequently, subsidiary cash and cash equivalents comprise receivables/liabilities to the Parent Company. The Parent Company has an agreement for an overdraft facility of SEK 120 million (20) and an acquisition loan facility of SEK 500 million, of which SEK 100.5 million was unutilized at the balance-sheet date.

Investments totaled to SEK 0.2 million (0.6) for intangible fixed assets, SEK 1.4 million (0.8) for tangible fixed assets, and SEK 349.8 (214.1) for participations in Group companies.

Non-current interest-bearing liabilities totaled SEK 467.4 million (503.5) in the form of SEK 415.7 million (463.7) in bank loans and SEK 51.7 million (39.8) for convertible debentures. Current interest-bearing liabilities totaled SEK 3.0 million (5.6) and pertained entirely to bank loans. During the year, new loans of SEK 237.0 million were raised.

At the end of the financial year, a merger was carried out with the wholly owned subsidiary 3L System AB. The merger has not had any material effect on the Parent Company's balance sheet.

In April, dividends of SEK 38.8 million (32.8) were paid.

## Risks and uncertainties

The Group is exposed to various risks, in part through its activities, and in part in the form of financial risks. Below is an account of the most critical factors and our risk management initiatives to address them.

Our business model, with a high proportion of recurring revenues, provides us with stable and predictable cash flows that foster conditions for a long-term approach. We develop and provide software applications for various niches, where each niche represents a separate market. We conduct our operations through our 23 independent business units. This

diversification in the market and among business units, along with a large number of customers, limits business-related risks for the Group as a whole.

The ongoing pandemic is being managed within the framework of the Group's existing risk management procedures and affects areas such as market risks, employees and recruitment, management risks and cyclical changes.

The corporate governance report on pages 43–50 describes our internal controls and risk management in greater detail.

## RISK

## MANAGEMENT

### Acquisitions

To varying degrees, acquisition scenarios always entail risks with potentially adverse effects on the acquiring party. Acquisition-related risks comprise risks such as financial, legal and operational risks. There are numerous financial risks, but particularly high risks include paying a high purchase consideration and risks that arise from the financing of the purchase price, which could occur with the absorption or takeover of interest-bearing loans that are negatively charged to the Group's earnings and financial position. There are numerous legal risks, but particularly high risks are linked to the assumption of liabilities for the acquired company or the acquired asset's obligations, historical operations and tax scenario.

Highly experienced individuals use a structured approach to carry out the acquisition process. Each acquisition is preceded by meticulous analyses.

Impairment testing is performed annually on acquired goodwill, brands, customer agreements and product rights.

### Integration of completed acquisitions

To a large extent, operational risks associated with acquisitions comprise the integration of acquired companies or assets while retaining profitability. There are no guarantees that the positive operational or financial effects expected beforehand, which normally prompt an acquisition, will indeed be fulfilled or that they will not result in any adverse impact on the Group's earnings and financial position. Neither are there any guarantees that acquisitions implemented by the Group will have a positive impact on the Group.

All acquired companies are assigned a Vice President of Operations (VPO) to whom they will report. The VPO is responsible for the integration process. The integration process follows a standardized flow that is also adapted to each individual company. This approach ensures that integration is as efficient as possible.

### Market risks

The market risks are relatively diverse as we operate in different markets and in different countries. Consequently, the likelihood that some portion of the Group could be affected is relatively high, but the damage is limited. We are moving to more markets and adding new niches, for which reason this trend will continue. Vitec has signed agreements with a large number of customers, though some individual business units may be dependent on a limited number of customers.

Vitec's Board of Directors deem that the Group is not, to any critical extent, dependent on any individual customer. However, the customer structure could be more or less clustered within the Group's different business units. Within the Finance & Insurance, Education & Health and Estate Agents segments, there are sporadic cases of major customers and framework agreements with customers on behalf of franchise holders that would constitute a higher customer dependency than for the Group as a whole. No individual customer accounts for more than 2.1% of the Group's recurring revenues.

RISK	MANAGEMENT
<p><b>Customer operations</b></p> <p>We have about half of our customer operations in our own data centers. These data centers must work for Vitec to be able to fulfill their deliveries.</p>	<p>The operation takes place in two geographically separated operations centers. The infrastructure has built-in redundancies that allow for equipment to break down without disrupting operations. A contingency organization is in place to handle any problem that may arise beyond regular working hours. Information is processed in accordance with applicable laws and regulations, and is secured by storing backups in other locations. A procedure for handling operational disturbances was adopted by Group Management, through which processes and information routes were established for managing disruptions. The Group conducts annual drills on crisis management.</p>
<p><b>Investments in product development</b></p> <p>Vitec invests substantial resources every year toward the development of new and existing products, which is a requisite to our continued delivery of competitive software. It is highly important that we can finance and achieve yields resulting from product development.</p>	<p>To optimize the planning, implementation and follow-up of the Group's product development, the Group adopts a product-investment plan through the annual budgeting process, which is followed up monthly for each business unit. In major projects, a management team is appointed, with relevant members from Group Management and staff functions.</p>
<p><b>Risks of major obligations/ transactions</b></p> <p>Major obligations/transactions can have a major impact on profitability and credibility if we should be unsuccessful. Internal projects increase in importance from a risk perspective.</p> <p>The Group's business units occasionally sign agreements with customers to commit to projects at a predetermined fixed price, known as fixed-price projects. Fixed-price projects could result in significant losses if the actual labor resources spent exceed the required labor resources calculated at the time of the offer.</p>	<p>Procurement and contracts for major deals take place in accordance with a structured process within the framework of the Group's authorization rules. During the project phase regular follow-up is provided to the management team.</p>
<p><b>Employees and recruitment</b></p> <p>We are extremely dependent on a qualified workforce and specialized skills. There is a risk that this cannot occur under acceptable terms and conditions, despite market-rate remuneration, due to the prevailing tough competition for experienced employees from other software and product-development companies.</p>	<p>We can attract and retain qualified employees by being a modern employer that offers interesting job assignments, flexible working hours, and career opportunities within the Group.</p> <p>The Group's geographic spread allows for various positions to be localized based on the labor market in different parts of the Nordic region.</p>
<p><b>Management risks</b></p> <p>Risks associated with the organization (succession, leadership, preparedness for layoffs/unplanned absences, unused capacity/opportunities) and the people in it.</p>	<ul style="list-style-type: none"> <li>▪ Arrange a forum to exchange experiences and provide content that promotes consensus and collaboration.</li> <li>▪ Continue developing and coordinating procedures, policies, etc.</li> <li>▪ Define leadership requirements, as well as recruitment methodology and selection tools.</li> <li>▪ Hold the introductory program for managers regularly.</li> <li>▪ Develop criteria for evaluating managers.</li> <li>▪ Formulate an exit strategy.</li> </ul>

## RISK

## MANAGEMENT

### Supplier dependence

We purchase bandwidth from telecommunications companies, which is crucial to Vitec's ability to pursue operations. We also purchase support services that are integrated in our software, such as property-related information or information by text messages. Despite access to alternative provider solutions, we are dependent on the supply reliability of providers to avoid operational disruptions that could have adverse consequences on our earnings and financial position.

A well-functioning procurement process is the key to cost-efficient purchasing and ensuring that suppliers live up to our requirements.

### Environmental risks

Our assessment is that emissions and waste comprise the areas in which Vitec has the most significant adverse environmental impact. Emissions are indirectly caused by the electricity consumption of data centers and office premises, as well as by our employees' business travel. Waste primarily comprises electronic scrap.

We describe our efforts to reduce our environmental impact in our sustainability report on pages 14-25.

### Cyclical changes

The Group's development and financial position is partly subject to factors in the business environment that are beyond our influence, such as the general economy, conditions in the customers' markets, or the existence of competitive new products and services. Although Vitec offers enterprise systems that are often central to and prioritized by customers, the renewal of annual agreements and new sales are impacted by a general decline in spending by the business community in times of recession.

Our software is business-critical for our customers, which is also an important part of our acquisition criteria. Our payment model usually is not linked to the price trend for customer services, assets or similar. Usually we charge per user. We constantly monitor developments in the niches in which we operate through annual in-depth meetings with our business units. Our business model is constantly navigating toward recurring revenues, rather than non-recurring revenue in the form of licensing or consulting services.

### Technology development

Technology and markets are undergoing continuous development in the software industry. Our ability to anticipate changes in customer needs and adapting our offering accordingly is key to Vitec's continued growth and to remaining a relevant participant on the market.

We have a product investment plan on both the business unit and overarching levels. The plan is updated and adopted in conjunction with the budget process each year, with monthly follow-up.

### Intellectual property rights

Development-intensive software companies always run a risk of new or existing competitors copying other developed solutions.

We constantly develop our software based on the knowledge we have within the segment and in dialog with our customers. As a result, we can always offer systems that solve relevant problems for the customers.  
We are also careful about always owning all rights to our software applications; customers purchase the right to use them on their own behalf, but Vitec has all other rights.

RISK	MANAGEMENT
<p><b>Product liability</b></p> <p>Any errors that arise in the products could lead to demands for accountability and claims for damages.</p>	<p>Projects that concern the vital processes of our customers are subjected to test runs conducted in onsite test environments prior to production launch. In some cases, we also offer trial runs. To the extent possible, we use standard industry agreements with clauses on monetary limits. All Group companies are covered by the standard insurance for product liability, which limits direct risks.</p>

### Other disputes

<p>As with all commercial enterprises, disputes may arise, due, for example, to the differing opinions of parties on liability, interpretations of responsibilities and so forth.</p>	<p>To the extent possible, Vitec uses standard industry agreements with clauses on monetary limits. Major contracts that deviate from standard agreements are subject to approval by Group Management and/or by the Parent Company's Board of Directors, together with insurance and legal experts. Neither Vitec nor its subsidiaries are presently a party to any dispute, or to judicial or arbitration proceedings.</p>
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### Financial risks

<p>The financial risks are currency risks consisting of transaction risk and translation risk, interest rate risk for loans in the bank with floating interest rates, refinancing risk, credit risk for accounts receivable and liquidity risk when investing cash and cash equivalents.</p> <p>Our exposure to financial risks and management of these risks are described in Note 11.</p> <p>Currency risks (transactions and translation, where translation risk is greater) – Low but increasing Interest rate risk (loans in bank with variable interest) – Low Refinancing – Average, stable Credit risk (receivables, mainly accounts receivable) – Low, stable Liquidity risk (investment of cash and cash equivalents) – Low, stable</p>	<p>Financial risks are managed through regular reconciliation with the Group's financial policy, which is updated annually.</p>
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### Sensitivity analysis

The following is a report of how earnings and earnings per share are impacted by various factors.

- Vitec purchases services, subscriptions and statistical data from external suppliers for SEK 130.1 million annually. A change of 1% would have an impact of approximately SEK 1.1 million on profit after tax.
- The Group's greatest cost item is personnel expenses, which totaled SEK 609.1 million. A change of 1% would have an impact of approximately SEK 5.0 million on profit after tax.
- Corporate acquisitions are largely financed by bank loans or convertibles. The interest rate is mostly variable. An interest-rate change of 1% on existing interest-bearing liabilities at 12/31/2019 would impact profit after tax by SEK 4.1 million.
- Vitec's commitment to foreign subsidiaries is increasing, which entails heightened currency and translation risks. With the Group's current composition, currency exposure exists in Norwegian crowns (NKK) and Danish crowns (DKK) and Euros (EUR). A 5% change in the rates of these currencies this year would have impacted the Group's profit after tax by approximately SEK 4.4 million.

Impact factors	Change, %	Impact on earnings, SEK thousand		Impact on earnings SEK/share	
		2019	2018	2019	2018
Subcontractors and subscriptions	+/- 1	1,088	861	0.03	0.03
Personnel expenses	+/- 1	5,014	4,068	0.15	0.14
Borrowing interest rate (on change in percentage on borrowing interest rate)	+/- 1	4,081	4,077	0.13	0.14
Change in NOK, DKK and EUR exchange rate	+/- 5	4,421	3,330	0.14	0.11

# Message from the Chairman of the Board

## Profitable growth through carefully formulated growth strategy and good corporate governance

As I look back at 2019, I see yet another year with a solid performance. A year marked by high-paced expansion, with five acquisitions completed in line with our well-designed growth strategy. This strategy, combined with good corporate governance, provides a stable foundation for continued profitable growth.

Vitec holds a leading position in Vertical Market Software in the Nordic region and the long-term perspective, which is the common denominator throughout the company, is crucial for our future. Our business concept, combined with clear values and a strong brand promise, are crucial components of our corporate culture. Customers can rely on Vitec today – and tomorrow. In the same spirit, decisions by the Board of Directors regarding strategy, targets and corporate governance have been made to ensure continued progress.

The Board has long possessed the necessary combination of skills and experience that are essential for sound decision-making. Board discussions have been rewarding and forward-looking, and the varied background and professional experience of the members contribute to the overall dynamic and active Board work.

Vitec's Board of Directors comprises five directors – two women and three men. The calendar of meetings is mainly linked to quarterly reports, year-end reports and the Annual General Meeting. In addition, decisions about acquisitions or

financing are usually occasions for additional Board meetings. On these occasions the Board discusses the current list of prospects for acquisition. The agendas comprise a fixed reporting session, in addition to specific issues that require discussion and resolution.

Although the company's cash flow is robust, external financing is also required for acquisitions. In 2019, as was mentioned previously, five acquisitions were completed and a large part of the Board's work concerned the implementation and follow-up of acquisition processes, as well as issues about relevant financing.

At the annual in-depth meeting, acquired companies are assessed, and the acquisition strategy is reviewed and supplemented as needed.

The constant acquisition of new operations and strong growth also entails that the Group reorganize and adapt. Corporate governance issues are therefore recurring items on the Board of Directors' agenda. Remuneration and auditing issues are managed in their entirety by the Board of Directors. The Chairman performs an annual assessment of the Board's work and reports the results to the Nomination Committee.

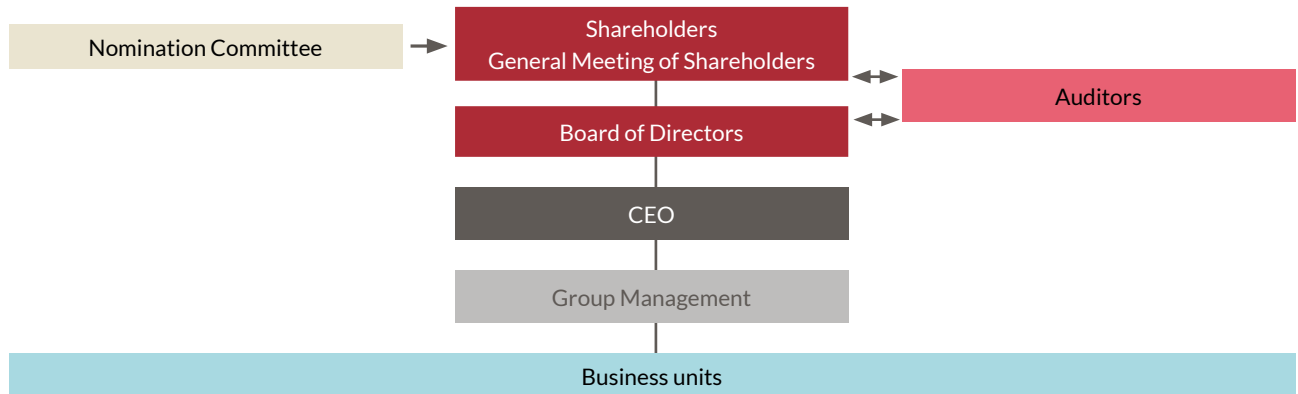
**Crister Stjernfelt, Chairman of the Board**



# Corporate governance report

Corporate governance defines and allocates responsibilities and roles with respects to shareholders, the Board of Directors, management and other stakeholders.

Structure for corporate governance at Vitec



## External governance documents

The Swedish Companies Act, Swedish Annual Accounts Act, Rule Book for Issuers, Swedish Corporate Governance Code and other relevant laws and regulations.

## Internal governance documents

Business concept, goals and strategies, Articles of Association, the Board of Directors' Rules of Procedure, CEO's instructions, Code of Conduct and policies.

## Regulatory framework

Vitec's corporate governance is based on Swedish legislation. The external framework mainly comprises:

- Swedish Companies Act
- The Annual Accounts Act
- The Rulebook for Issuers on Nasdaq Stockholm
- Swedish Corporate Governance Code

Vitec also applies internal control instruments, the most important of which is the Articles of Association adopted by the AGM, followed by the Board of Directors' Rules of Procedure and the Board of Directors' instructions to the CEO. The Board of Directors has also adopted a number of binding policies, guidelines and instructions that are applicable to the Group's operations.

The Swedish Corporate Governance Code is based on the principle of "comply or explain," which means that deviations from the framework are permissible on the condition that we disclose the reason(s) for the deviation and also disclose the chosen alternative. Vitec complies with the regulations, with the exception that the composition of the Nomination Committee does not follow the Code (items 2.3 and 2.4). The Nomination Committee has appointed Olov Sandberg as its Chairman, which can be considered a natural choice, when taking into account Vitec's ownership structure. The controlling influence of the principal owners is of such importance that the chosen option was to include themselves in Nomination Committee. Members of the Nomination Committees deem that there are no conflicts of interest in accepting the assignment.

## The share and shareholders

The Vitec Software Group's class B share is listed on the Nasdaq Stockholm. At the end of 2019 Vitec had 6,416 shareholders. Lars Stenlund and Olov Sandberg were the largest

shareholders, with 5.2% of capital and 25.2% of votes, and 4.5% of capital and 22.7% of votes, respectively. The company's 3 largest shareholders in terms of votes owned 100% of class A shares and 0.7% of class B shares, and the company's 10 largest shareholders owned 43.7% of class B shares. At the same date, the total market value was SEK 6,026 million. The number of shares was 32,573,216, of which 29,223,216 were class B shares and 3,350,000 were class A shares.

## General Meeting of Shareholders

The General Meeting of Shareholders is the highest decision-making body in the company. Shareholders are given the opportunity to exercise their influence as represented by their shareholdings at this meeting. Each class A share represents ten votes and each class B share represents one vote. All shareholders who are registered in the share register maintained by Euroclear on the record date and who have notified their intent to participate in due time are entitled to attend the Meeting and to vote. Shareholders who cannot participate in person may elect a representative. A regular meeting of shareholders (AGM) is to be held within six months from the end of the financial year. The AGM's mandatory tasks include adopting income statement and balance sheet, and processing the profit/loss for the year. The AGM also resolves on remuneration policies for senior executives and on whether to discharge the Board members and CEO from liability. The AGM chooses Board members, based on proposals from the Nomination Committee (see below), to serve until the end of the next Annual General Meeting. The Articles of Association are amended through resolutions passed by the AGM pursuant to the regulations of the Swedish Companies Act. The AGM is held in Swedish and broadcast live via our website, [vitecsoftware.com](http://vitecsoftware.com).

### **2019 Annual General Meeting**

The AGM was held on April 10 at Folkets Hus in Umeå, Sweden. The company's Board of Directors, management, Nomination Committee and auditors were in attendance at the AGM. A total of 125 shareholders were present, representing 63.8% of the votes. Minutes of the AGM are available at our website, [vitecsoftware.com](http://vitecsoftware.com).

### **2020 Annual General Meeting**

The 2020 Annual General Meeting will be held on June 23 at P5 in Väven in Umeå, Sweden. For more information, see our website, [vitecsoftware.com](http://vitecsoftware.com).

### **Nomination Committee**

The Nomination Committee's primary task is to present nominees to the AGM for election as the Board's members and Chairman, and nominees for auditors, in consultation with the Audit Committee. The Nomination Committee's work is to be characterized by transparency and discussion to achieve a well-balanced Board of Directors. The Nomination Committee adopted regulation 4.1 of the Swedish Corporate Governance Code as its diversity policy when preparing the list of candidates for the Board, with the aim of creating a well-functioning Board composition with respect to diversity and broad representation, in terms of gender, nationality, age and industry experience. The purpose of the Nomination Committee is to nominate a Board comprising members who complement each other with their experiences and expertise, so as to enable the Board to contribute to the positive development of the company. The Nomination Committee consistently focuses on diversity, in order to ensure that the Board of Directors has varying perspectives on Board work and the considerations given. The Nomination Committee also considers the need for renewal and carefully investigates whether the nominated Board members are able to devote sufficient time and due attention to Board work. All shareholders have the opportunity to submit motions concerning prospective Board members to the Nomination Committee.

The Nomination Committee has participated in the evaluation of the Board. The Nomination Committee is also tasked with preparing nominees to Chair the AGM, proposals on the remuneration of the Board and any fees to committees and subcommittees, and auditor's fees. The 2019 AGM resolved that each of the three largest shareholders be allowed to appoint their own member in the Nomination Committee. It was also resolved that the Nomination Committee should comprise the Chairman of the Board and three committee members. The members of the Nomination Committee serving until the AGM on Tuesday, June 23, 2020, comprise:

- Crister Stjernfelt, Chairman of the Board, Vitec. Holder of 8,000 class B shares.
- Jerker Vallbo, CIO/CTO Vitec. Holder of 360,000 class A shares and 100,541 class B shares (incl. family members).
- Lars Stenlund, CEO, Vitec Holder of 1,570,000 class A shares and 152,280 class B shares (incl. family members).
- Olov Sandberg, Holder of 1,420,000 class A shares and 88,995 class B shares (incl. family members).

The Nomination Committee has held one meeting for the 2020 AGM. No fees were paid for the Nomination Committee's work.

### **Articles of Association**

The company's activities comprise the purchase, management and sale of real estate and chattels, and other activities consistent therewith. The share capital shall be not less than SEK 1,600,000 and not more than SEK 6,400,000. The company's shares are to be issuable in two series, referred to as class A and class B. When voting at the AGM, each class A share carries ten votes and a class B share carries one vote. If both classes of share are issued, the total number of shares of each share class may not exceed 99 hundredths of the total number of shares in the company. The Articles of Association can be found in their entirety at our website, [vitecsoftware.com](http://vitecsoftware.com).

### **Board of Directors**

The Board's duty is to manage the company's affairs on behalf of the shareholders. Board work is governed by applicable laws and recommendations, and by the Board of Directors' Rules of Procedure, which comprises rules for the division of duties between the Board and CEO, financial reporting, investments and financing. The Rules of Procedure are adopted annually at the statutory Board meeting in direct connection to the AGM.

#### ***The Board's responsibility***

The Board of Directors has overarching responsibility for the Group's organization and management, and ensuring that the guidelines for the management of the company's funds are appropriately formulated. The Board of Directors is responsible for ensuring that Vitec is managed pursuant to applicable laws and regulations, and adheres to the Rule Book for Issuers and the Swedish Corporate Governance Code, and the Group's adopted internal regulations. The Board is also responsible for developing and ensuring compliance with the Group's strategies through plans and goals, decisions regarding acquisitions and divestments of business operations, major investments, appointments and remuneration of Group Management, and the continuous monitoring of operations throughout the year. The Board of Directors adopts the annual accounts, current business plan, business-related policies and the CEO's Rules of Procedure. The Board of Directors is also to adopt the requisite guidelines for company's behavior in society, with the aim of ensuring long-term value creation and that guidelines are adhered to with respect to the company's behavior.

#### ***Board composition***

According to the articles of association, Vitec's Board is to comprise three to ten members, and a maximum of three deputy members. The Board of Directors consists of five regular members and no deputies, and no member is employed by the company. Board members are elected by shareholders at the AGM, with a one-year term of office. The CEO is not a member of the Board, but presents reports at all Board meetings, except for when the CEO's work is under evaluation. The CEO reports to the Board about the Group's operational activities and ensures that the Board receives objective and relevant decision data. Board meetings comply with the requirements of Nasdaq Stockholm and the Swedish Corporate Governance Code with respect to independent Board members. Further information about each Board member is available at our website, [vitecsoftware.com](http://vitecsoftware.com), under Investors, Corporate governance.



*Kaj Sandart, Anna Valtonen, Crister Stjernfelt, Birgitta Johansson-Hedberg and Jan Friedman.*

### **Board members**

#### ***Crister Stjernfelt***

Chairman of the Board since 2013, Board Member since 2009. Born in 1943.

BSc in Business and Economics from Stockholm University. Other assignments/positions: Chairman of the Board at AcelQ AB and Ariser AB. Board member of Carmenta AB. Former CEO and President of WM-Data AB, as well as CEO of Logica AB.

Holdings in Vitec: 8,000 class B shares, no convertibles.

#### ***Anna Valtonen***

Board member since 2012. Born in 1974. PhD. Department of Industrial and Strategic Design, Helsinki, Finland, 2007. Other assignments/positions: Vice President of Aalto University, and Professor of Strategic Design. Former dean of the School of Arts, Design and Architecture at Aalto University (2014–2019), and former professor and President of Umeå Institute of Design (2009–2014). Prior to this, industrial design at companies such as Nokia (1997–2009), where the most recent position was Head of Design Research & Foresight. Chairperson of the Board of the Design Museum in Helsinki and Board member of Kalevala Jewelry. Also has several other international assignments and seats on various boards.

Holdings in Vitec: No shares, no convertibles.

#### ***Birgitta Johansson-Hedberg***

Board member since 2011. Born in 1947. BA, MSc in Psychology from Lund University, 1972.

Other assignments/positions: Board Chairman of Sörmlands Sparbank. Board member of Brandstorp Holding AB, Hedberg Ekologkonsult AB and Sparbankernas Ägareförening. Former CEO of Lantmännen, Föreningssparbanken and Liber. Holdings in Vitec: 7,500 class B shares, no convertibles.

#### ***Jan Friedman***

Board member since 2010. Born in 1952. MBA from the Stockholm School of Economics in 1978.

Other assignments/positions: Chairman of the boards of Sportamore AB (publ), Nordic Public Affairs AB, Moment Group AB (publ), Grönklittsgruppen AB, Ticmate AB, Infrontit-Partner AB, and IFITAB Holding AB. Many years of experience from various CEO, board and consultancy assignments. Holdings in Vitec: 258,650 class B shares through the company, no convertibles.

#### ***Kaj Sandart***

Board member since 1998. Born in 1953.

MSc in Engineering from the Royal Swedish Institute of Technology in 1977.

Other assignments/positions: Board member of Hallvarsson & Halvarsson Group and Deputy Member at Milox AB. Board member of association, Baltic Deepwater Life. Former Director of Communications at ÅF and CEO of Svensk Energiförsörjning.

Holdings in Vitec: 121,000 class B shares (including family members), no convertibles.

### Chairman of the Board

The Chairman of the Board, Crister Stjernfelt, manages Board work to ensure compliance with laws and regulations. The Chairman monitors operations through a dialog with the CEO, and is responsible for ensuring that other Board members receive the requisite information for high-quality discussions and well-informed decisions. The Chairman also participates in the assessment and career development issues of the Group's senior executives.

### The Board's work

In the course of a financial year, Vitec holds a minimum of five regular Board meetings and a statutory Board meeting directly connected to the AGM. Extraordinary board meetings are held as needed. In 2019, a total of seven Board meetings were held, including statutory meetings. All Board members elected by the AGM were present at all of the Board meetings, with the exception of Board member Jan Friedman, who notified the Board that he would be absent from one meeting. At minuted meetings, the Group's earnings and financial position were processed, and interim reports and annual accounts were approved for publication. Issues pertaining to the future were processed, such as market assessments, potential acquisitions, the focus of business activities and organizational issues. All of the meetings adhered to an approved agenda that was, together with documentation for each item on the agenda, communicated to all Board members about one week prior to the meeting.

Minutes of the meetings were sent to all Board members, in accordance with the Swedish Corporate Governance Code. At year-end, the Board's work was evaluated.

### Evaluation

The Board's work is evaluated once a year, by having Board members answer a number of predefined questions about both formal and collaborative relationships. The Chairman compiles the answers, including comments, and presents them to the Nomination Committee. The evaluation for the

2019 financial year indicates well-functioning collaborations and solid efficiency within Board work. All of the Board members were positive about continued commitment.

### Key decisions

In December, Vitec expanded its overdraft credit facility from SEK 20 to 120 million in addition to the acquisition loan facility of SEK 500 million through Nordea. Both the overdraft credit facility and the acquisition loan facility are used as financing for acquisitions and enable Vitec to continue growing through acquisitions of vertically niched software companies.

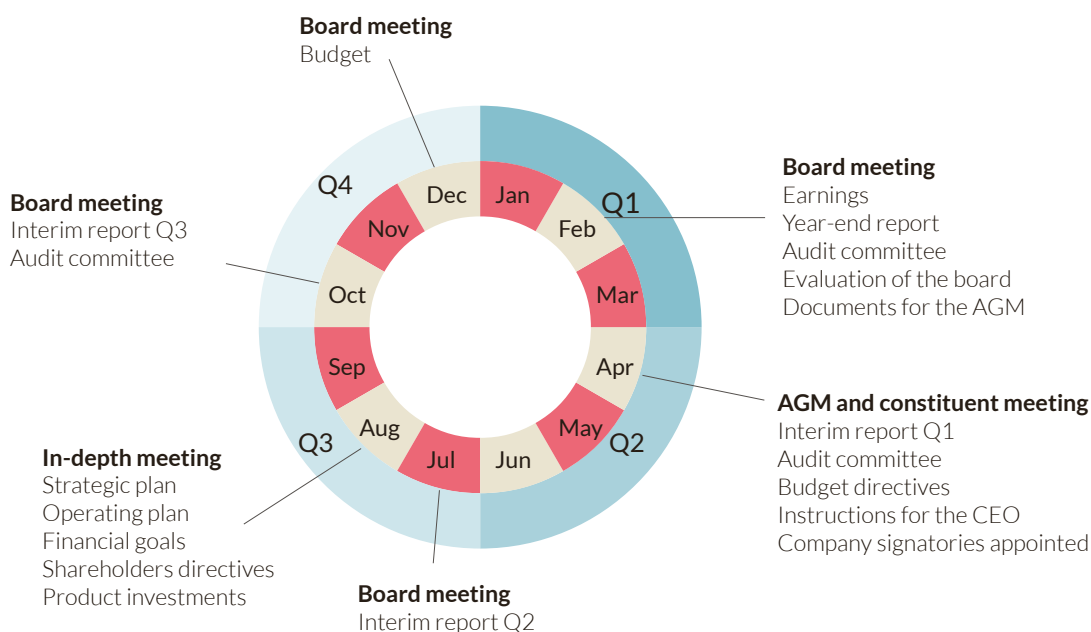
In 2019, convertible debenture loan no. 1707, which was raised in conjunction with the acquisition of MV Nordic A/S, totaling 2,000 convertible debentures of SEK 10,000 each at a nominal value of SEK 20.0 million, was converted in its entirety. As a result of the conversion, the company's total number of shares increased to 32,573,216, allocated as 3,350,000 class A shares and 29,223,216 class B shares. Share capital increased by SEK 23,432 to total SEK 3,257,322.

In conjunction with the acquisition of Odin Systemer AS, convertible acquisition loan no. 1906 was issued for a total of SEK 30.4 million. The duration of the loan is from June 12, 2019 - 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.

In 2019, the following five corporate acquisitions were completed:

- Avoine Oy with products aimed at sports associations and labor unions in Finland. The application is delivered as Software as a Service (SaaS). The company reported sales of SEK 29.4 million, with an adjusted EBITDA of SEK 6.3 million for the 2018 financial year.

### Annual cycle of Board work



- Web Insurance Management Systems AS (WIMS) develops products aimed at the insurance industry in Norway, Denmark and Sweden. The company reported sales of SEK 26.5 million, with an adjusted EBITDA of SEK 4.7 million for the 2018 financial year.
- Odin Systemer AS develops products aimed at hair and beauty salons in Norway. The company reported sales of SEK 66.5 million, with an adjusted EBITDA of SEK 13.9 million for the 2018 financial year.
- M&V Software Oy, which develops products aimed at church-related administration in Finland. The company reported sales of SEK 19.4 million in 2019, with an adjusted EBITDA of SEK 4.6 million.
- HK data AS, whose products are aimed at the health and welfare sectors in Norway. Customers include businesses, municipalities, counties and volunteer organizations. The company reported sales of SEK 17.0 million, with an adjusted EBITDA of SEK 1.8 million for the 2018 financial year.

### **The Board's Rules of Procedure**

The Board's Rules of Procedure were adopted on Wednesday, April 10, 2019, and are to be revised annually at the statutory Board meeting, or revised as needed. The Rules of Procedure specify, among other items, the Board of Directors' responsibilities and assignments, the Chairman's assignments and auditing issues, and also indicates specific reports and financial information that the Board of Directors should receive in advance of each regular Board meeting. In addition, the Rules of Procedure comprise instructions to the CEO. The Rules of Procedure also define the Board's work in its capacity as Remuneration Committee.

### **Audit Committee and Remuneration Committee**

The Board of Directors, as a whole, acts as both the Audit Committee and Remuneration Committee. The description of the Audit Committee's assignments is attached as an appendix to the current Rules of Procedure. The Remuneration Committee's work is regulated in the relevant rules of procedure. The Rules of Procedure and attachments were adopted at the statutory Board meeting held on Wednesday, April 10, 2019. In 2019, the Audit Committee held three meetings and the Remuneration Committee held meetings in conjunction with regular Board meetings.

### **CEO and Group Management**

The CEO is appointed by the Board of Directors. Lars Stenlund is CEO of the company. Group Management otherwise includes Gert Gustafsson, COO as of March 1, 2020; Lars Eriksson, COO until February 29, 2020; Patrik Fransson, IR Officer; and Olle Backman, CFO. The CEO is responsible for the daily management of the company and the Group's activities in accordance with the Board's instructions and regulations. This entails responsibility for financial reporting, preparing information and decision data, and ensuring that agreements and other measures do not conflict with applicable laws and regulations. The Chairman of the Board holds annual assessment dialogs with the CEO, pursuant to the CEO's instructions and the applicable specification of requirements.

Group Management cooperates with the CEO and they are jointly responsible for day-to-day operations. Group Management consists of the CEO, CFO, COO and the IR Officer. Group Management normally convenes monthly to review the preceding month's results, the Group's funding and acquisitions, and to make appropriate decisions and discuss related strategic issues. A longer in-depth meeting is held jointly with the Board of Directors once a year and as needed. In addition to Group Management, there is a functional senior management group for Group-wide strategic issues such as policies, brand, communication and HR, in which the heads of the Group's functions (HR, Brand and Communication, CTO/CIO, VPO) participate. In addition, daily operational issues are addressed by an operational management group, which includes all VPOs. Members from Group Management are included in both of these groups.

Decisions are made in the respective management forum, pursuant to guidelines resolved by the Board of Directors' and instructions on the division of responsibilities between the Board and CEO. Group Management also presents issues that are to be resolved by the Board. The members of Group Management and their positions are presented on page 49.

### **Auditors**

The AGM elects one or two auditors annually, or one or two registered auditing firms, with a maximum of two deputy auditors. The auditors review the company's annual report, accounts and the administration reports of the Board of Directors' and CEO. At the 2019 AGM, PricewaterhouseCoopers AB was elected, with Niklas Renström as auditor in charge. The Group's auditors participate in all audit committee meetings, and in particular, provide a debriefing of its findings concerning internal controls, review of the third quarter interim report and the annual accounts.

### **Internal controls**

The Board is responsible for the internal controls pursuant to the Swedish Companies Act and the Swedish Corporate Governance Code. Reports on internal controls and risk management concerning the financial reporting for the 2019 financial year have been prepared and submitted by the Board pursuant to the Swedish Annual Accounts Act Chap. 6 Sect. 6, and Item 7.4 of the Swedish Corporate Governance Code.

The Board is responsible for corporate governance work within Vitec, and thus, for working with internal controls. The overarching aim is to protect the Group's assets and thereby, the investments of shareholders. The Board is also responsible for ensuring that financial statements are prepared pursuant to applicable laws. The Group's financial statements are subject to quality assurance, by means of the Board processing all critical accounting matters and financial statements submitted by Vitec. This requires that the Board process matters pertaining to internal controls, regulatory compliance, material uncertainties in recognized values, any uncorrected misstatements, events after the balance-sheet date, changes in estimations and assessments, any realized irregularities and other circumstances that impact the quality of financial reporting.

### **Control environment**

Proactive and committed Board work is the basis of effective internal controls. The Board has established well-defined processes and rules of procedure for its work. A vital component of the Board's work is to prepare and approve a number of fundamental policies, guidelines and frameworks pertaining to financial reporting. The company's governing documents comprise the "Board of Directors' Rules of Procedure" and the "CEO's instructions." The aim of these rules of procedure and policies is to create the foundation for efficient internal controls. Follow-ups and revision are continuously undertaken and are communicated to all employees involved with financial reporting. The Board continuously evaluates the company's performance and results by means of an appropriate reporting package that comprises the income statement and prepared key metrics, as well as other material operational and financial information. The Board of Directors functions in its entirety as the Audit Committee. Thus, the Board of Directors in its entirety has monitored risk-management and internal-control systems in 2019. These systems are intended to ensure that operations are conducted pursuant to laws and regulations, as well as the efficiency of operations and reliability of financial reporting. The Board has reviewed and evaluated the procedures for financial accounting and reporting and followed this up with evaluations of the work performed by the external auditors, their qualifications and independence. Other adopted policies that provide the basis for Vitec's internal controls include the Finance Policy, Information Policy, Information Security Policy and IT policy. All business units work within, or are preparing to work within, the same structure, accounting system, accounting plan and policies, which facilitates the creation of appropriate procedures and control systems. Every business unit has rules of procedure adopted by Group Management and some business unit also have an internal board appointed by Group Management.

### **Risk assessment**

At Vitec, we apply a method of risk management and risk assessment to ensure that the risks to which the Group is exposed and which may impact internal controls and financial reporting are managed by means of the adopted processes. Material risks that are considered include operational risks and risks pertaining to acquisitions and product development, sustainability risks, and risks that impact financial reporting. A systematic and documented updating of all identified risks is undertaken annually.

For risks that impact financial statements, we work continuously and proactively on their analyses, assessment and management, to ensure that the risks to which the company is exposed are managed appropriately within the adopted framework. Risk assessment takes into account, among other matters, the administrative procedures pertaining to invoicing and waste management. Material risks with a potential impact on financial reporting include items based on estimations and assessments, such as ongoing development projects and goodwill.

### **Risk management**

Risks are monitored in different ways and at different levels. At every meeting, Vitec's Board of Directors receives a presentation of the Group's earnings and financial position,

liquidity and key metrics. Group Management jointly reviews the results of all reporting units monthly. The Group's investments are managed according to established authorization rules, where Group Management annually approves product investments, which constitute the single largest category. Product investments are subject to their own separate processes within budget work and monitoring. Monthly debriefing is undertaken and documented. A board is appointed for selected business units as needed. A business unit board comprises a minimum of one member from Group Management and convenes two to four times annually, and minutes are taken. Operational management engages in close dialog with the CEO of each business unit and conducts detailed monthly reviews of major projects, product development, outstanding accounts receivable, etc. Financial risks such as liquidity, currency, credit and refinancing risks are managed by Group Management, subject to the governance of the Finance Policy adopted by the Board of Directors.

### **Control activities**

Control activities are designed to manage activities that the Board and Group Management deem to be significant for operations, internal controls and financial reporting. Control structures are designed to manage risks that the Board deems to be material to the internal controls of financial reporting. These control structures consist of an organization with a well-defined division of responsibilities, well-defined procedures and distinct roles. Examples of control activities include the reporting of decision-making processes for substantial decisions (such as on new major customers, investments, and agreements), as well as the review of all submitted financial reports. The regular analyses of financial reporting, combined with a Group-level analysis, are highly important in ensuring that the financial reports do not include any material errors.

In accordance with the Swedish Companies Act, the Board of Directors is to appoint an Audit Committee. The Board has found it appropriate for the Audit Committee to comprise the Board in its entirety. The relatively small size of the Board is deemed to facilitate such work. Accounting competencies exist among several Board members.

### **Information and communication**

Vitec's governing documents, such as its policies, guidelines and manuals pertaining to internal and external communication, are subject to continuous updates and are communicated internally through relevant channels, such as internal meetings, internal newsletter e-mails and the Group's intranet. Communication with external parties is governed by a clearly established communication policy comprising all the guidelines on the dissemination of information. The aim of the policy is to ensure that all disclosure requirements pursuant to the applicable regulations on issuers of shares are correctly and fully complied with. Subordinate to this policy is a special document that clarifies the practical handling of transparency information. Information regarding financial reporting in the form of instructions, manuals, schedules and checklists is also posted on our intranet. The Group's closing instructions are also key to our financial reporting and are available on our intranet; these instructions are continuously updated with new applicable regulatory frameworks, such as from IFRS and the Nasdaq Stockholm. We also have a special information security policy.



*Lars Stenlund, Patrik Fransson, Gert Gustafsson and Olle Backman*

### **Members of Group Management**

#### ***Lars Stenlund***

CEO and founder of the company, together with Olov Sandberg. Lars was a Board member of Vitec from 1985 to 2009. Employed since 1985. Born in 1958.

PhD in applied physics (1987) from Umeå University. Board member of Umeå University, Umeå Universitet Holding AB, Treac AB. Previous experience: Assistant professor at Umeå University.

Holdings in Vitec: 1,570,000 class A shares, 152,280 class B shares (including family members). No convertibles. No warrants.

#### ***Patrik Fransson***

IR Officer.

Employed since 2011. Born in 1966.

Computer science, Umeå University, 1990, MBA Executive Program, Stockholm School of Economics.

Previous experience: WM-data, Director Logica, CIO of H&M and CEO of CodeFactory AB. Board member of Avtre AB and Tempus Information Systems AB.

Holdings in Vitec: 107,572 class B shares. 2,403 KV1801. No warrants.

#### ***Gert Gustafsson***

COO beginning March 1, 2020. Employed since 2017. Born in 1973. Bachelor's Degree Electronic Engineering, University West 1994, Masters Degree Business Administration, Växjö University 1998.

Previous experience: Vice President of Operations (VPO), Vitec. Various senior positions within Ericsson in Sweden, the Nordic countries and the US, most recently as Managing Director of Ericsson Broadcast & Media Services Nordics.

Holdings in Vitec: 30,000 class B shares. No warrants.

#### ***Olle Backman***

CFO. Employed since 2019. Born in 1969. MBA, Uppsala University 1993.

Previous experience: CEO Eitech AB, CEO Enycon AB, CFO Konftel AB.

Holdings in Vitec: 10,000 class B shares. No warrants.

#### ***Lars Eriksson***

COO until February 29, 2020. Employed since 2011. Born in 1955.

MSc. Eng., Industrial Economics from Linköping University in 1979. Board member of Affärskonsulting Lars Eriksson AB. Previous experience: CEO and Board member of Företagsbyrån i Stockholm AB.

Holdings in Vitec: 21,000 class B shares. 2,403 KV1801. No warrants.

### **Follow-up and monitoring**

The business units are followed up monthly by the VPO together with the management of the respective business unit. Group Management has appointed an internal board for some operational units. For issues of strategic importance, projects are created, where Group Management participates in the management group. Group Management analyses the Group's outcome compared with the preceding year, budget and forecasts. Group Management's analyses and conclusions are communicated to the Board at every regular meeting.

We continuously assess internal controls on financial reporting and ensure the function of Board reports. This is mainly undertaken by asking questions about and participating in the CFO's work. The company's auditors participate on three occasions annually and provide information about their observations of the company's internal procedures and control systems, which allows for Board members to ask questions. On an annual basis, the Board takes decisions on significant risk areas and evaluates the internal controls.

### **Internal audit**

Having taken into consideration the size and complexity of operations, combined with existing reports to the Board and Audit Committee, the Board of Directors has concluded that it is not financially justifiable to set up a separate internal audit function. The above mentioned internal controls are deemed to be sufficient for assuring the quality of financial reporting.

### **Share and ownership structure**

At the close of the financial year, the total number of shares issued was 32,573,216, of which 3,350,000 were class A shares (33,500,000 votes) and the remaining 29,223,216 were class B shares (29,223,216 votes). Current share capital is approximately SEK 3.3 million, with a quotient value of SEK 0.10 per share. The ownership structure and Board of Direc-

tors' shares pertain to holdings at 12/31/2019, to the best of Vitec's knowledge. The number of shareholders was 6,416.

Apart from a pre-emption clause for class A shares, there were no provisions limiting the right to share transfers. There are no limitations on the number of votes each shareholder is entitled to cast at the AGM or other general meetings. Board members and any deputy Board members are appointed for at the AGM for the period until the next AGM. There are no rules in the Articles of Association regarding the appointment and dismissal of Board members. Vitec Software Group AB (publ) has not signed any agreements that could be impacted by any takeover bids. Vitec Software Group AB (publ) does not hold any treasury shares.

Employees of Vitec Software Group AB (publ) do not hold shares that restrict them from the direct exercise of their voting rights. An ongoing convertibles program for employees allows for conversion to a maximum of 200,288 class B shares. There is also a convertible debenture originating from the acquisition of Odin Systemer AS, valued at SEK 32.6 million, which, upon full conversion will increase the number of shares by 260,480 class B shares.

There is an authorization by the 2019 AGM that entitles the Board of Directors to pass one or more resolutions up to and including the date of the next AGM regarding the issue of up to 2,500,000 new class B shares deviating from the preferential rights of shareholders. The reason that the Board should be able to deviate from shareholders' preferential rights is to enable cost-effective financing of acquisitions of companies or product rights. Vitec is listed on the Nasdaq Stockholm Mid Cap list. As of Monday, December 30, 2019, the share price was SEK 185 (77.60). At year-end, the total market value of the issued shares was SEK 6,026 million (2,509).

The share was traded under the Mid Cap segment as of January 2, 2017. The Mid Cap segment includes companies with a market capitalization of between EUR 150 million and EUR 1 billion.



Crister Stjernfelt

# Multi-year overview

		2019	2018	2017	2016	2015	2014	2013
Net sales	(SEK million)	1,156	1,017	855	675	618	492	372
of which, Auto	(SEK million)	181	170	156	119	71	28	-
of which, Energy	(SEK million)	29	26	26	26	24	23	20
of which, Real Estate	(SEK million)	216	206	190	158	143	134	131
of which, Finance & Insurance	(SEK million)	163	132	142	127	101	55	14
of which, Environment	(SEK million)	50	46	44	23	11	22	26
of which, Estate Agents	(SEK million)	159	155	138	155	207	186	181
of which, Education & Health	(SEK million)	356	278	158	66	61	44	-
of which, shared	(SEK million)	3	2	1	1	-	1	-
Growth	(%)	14	19	27	9	26	32	-5
EBITA	(SEK million)	247	212	171	133	131	92	54
Operating profit (EBIT)	(SEK million)	144	128	107	88	101	69	41
Profit after financial items	(SEK million)	130	117	98	82	95	65	38
Profit after tax	(SEK million)	102	97	79	67	78	49	30
Profit after tax attributable to the Parent Company shareholders	(SEK million)	102	97	79	67	78	49	30
Earnings growth attributable to the Parent Company shareholders	(%)	5	22	19	-15	59	62	-3
EBITA margin	(%)	21	21	20	20	21	19	14
Operating margin	(%)	12	13	12	13	16	14	11
Profit margin	(%)	9	10	9	10	13	10	8
Balance-sheet total	(SEK million)	1,890	1,676	1,262	1,097	872	773	388
Equity/assets ratio	(%)	40	40	32	30	31	34	44
Equity/assets ratio after full conversion	(%)	43	42	35	32	33	37	48
Debt/equity ratio	(multiple)	1.50	1.75	2.22	2.25	2.09	1.70	1.53
Return on capital employed	(%)	12	13	14	14	21	18	16
Return on equity	(%)	14	18	22	22	29	23	19
Sales per employee	SEK 000s	1,669	1,658	1,584	1,445	1,465	1,430	1,332
Added value per employee	SEK 000s	1,339	1,316	1,258	1,198	1,212	1,164	1,052
Personnel expenses per employee	SEK 000s	879	858	828	813	797	801	793
Average no. of employees	(persons)	693	613	540	467	422	344	279
Adjusted equity per share	(SEK)	23.31	20.71	13.34	11.37	9.24	8.85	6.39
Earnings per share	(SEK)	3.16	3.23	2.70	2.27	2.66	1.75	1.16
Earnings per share after dilution	(SEK)	3.18	3.22	2.70	2.25	2.64	1.68	1.09
Dividend paid per share	(SEK)	1.20	1.10	1.00	0.90	0.67	0.55	0.50
Cash flow per share	(SEK)	9.90	8.01	6.78	5.20	5.09	4.40	1.97
<b>Basis of computation:</b>								
Earnings from calculation of earnings per share	(SEK million)	102	97	79	67	78	49	30
Cash flow from calculation of cash flow per share	(SEK million)	321	240	200	153	150	123	52
Average number of shares (weighted average)	(thousands)	32,372	30,017	29,425	29,397	29,397	28,003	26,142
Number of shares after dilution	(thousands)	32,717	30,437	29,539	29,839	29,788	29,432	28,175
No. of shares issued at balance-sheet date	(thousands)	32,573	32,339	29,839	29,397	29,397	29,397	26,542
Share price at close of the respective period	(SEK)	185.00	77.60	87.00	75.50	75.00	26.50	17.70

For definitions, refer to page 114, Definitions of key indicators.

# Proposed appropriation of profits

## THE FOLLOWING FUNDS AT THE DISPOSAL OF AGM:

Earnings brought forward	206,013,859
Share premium reserve	343,763,290
Profit for the year	133,815,652
	<b>683,592,801</b>

## THE BOARD OF DIRECTORS PROPOSES THAT THESE FUNDS BE DISTRIBUTED AS FOLLOWS:

Dividends of SEK 1.35 per share to shareholders	43,973,842
To be carried forward to the share premium reserve	343,763,290
To be carried forward	295,855,669
	<b>683,592,801</b>

### **The Board of Directors' statement pursuant to the Swedish Companies Act (2005:551) Chap. 18 Sect. 4**

The Board of Directors proposes that shareholders at the AGM of Tuesday, June 23, 2020, pass a resolution on a maximum dividend of SEK 43,973,842. This statement was prepared pursuant to the provisions of the Swedish Companies Act chap. 18 Sect. 4 and constitutes the Board of Directors' assessment of whether the proposed dividend is justifiable with regard to the provisions of the Swedish Companies Act Chap. 17 Sect. 3, paragraphs 2 and 3.

The Board of Directors' deems that the scope of the proposed dividend strikes a satisfactory balance between the Group's capital structure and future growth potential. The Board's understanding is that the proposed dividend will not prevent the company and the rest of the Group from fulfilling their short- or long-term obligations, and that it is thus justifiable, with consideration given to what is referred to as the "prudence rule" of the Swedish Companies Act (2005:551) Chap. 17 Sect. 3.



*Anette Juul Larsen and  
Line Aalykke, Odense*

# Consolidated statement of profit/loss

	NOTE	2019	2018
<b>OPERATING REVENUES</b>	(2,3)		
Recurring revenues		907,535	743,856
License revenues		17,836	34,988
Service revenues		162,672	148,700
Other		68,206	89,219
<b>Net sales</b>		<b>1,156,249</b>	<b>1,016,763</b>
Capitalized development costs		138,738	127,549
Other operating revenues	(5A)	-	6,402
<b>TOTAL REVENUES</b>		<b>1,294,987</b>	<b>1,150,714</b>
<b>OPERATING EXPENSES</b>			
Goods for resale		-51,728	-68,695
Subcontractors and subscriptions		-130,142	-110,515
Other external expenses	(5B)	-149,691	-157,655
Personnel expenses	(4A-B)	-609,114	-526,367
Depreciation/amortization and impairment	(8A)	-210,040	-158,463
Other operating expenses	(5A)	-351	-647
<b>TOTAL EXPENSES</b>		<b>-1,151,065</b>	<b>-1,022,342</b>
<b>OPERATING PROFIT</b>		<b>143,922</b>	<b>128,372</b>
Financial income		1,851	289
Financial expenses		-15,748	-11,886
<b>NET FINANCIAL ITEMS</b>	(5C)	<b>-13,897</b>	<b>-11,597</b>
<b>PROFIT BEFORE TAX</b>		<b>130,025</b>	<b>116,775</b>
Tax	(6)	-27,858	-19,855
<b>PROFIT FOR THE YEAR</b>		<b>102,166</b>	<b>96,920</b>
<i>Profit for the year attributable to:</i>			
Parent Company shareholders		102,166	96,920
<i>Earnings per share</i>	(15A)		
Before dilution		3.16	3.23
After dilution		3.18	3.22
Average number of shares		32,372,267	30,016,982
Number of shares after dilution		32,717,425	30,436,771

# Consolidated statement of comprehensive income

	Note	2019	2018
<b>PROFIT FOR THE YEAR</b>		102,166	96,920
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be restated in profit or loss			
Restatement of net investments in foreign operations		10,582	28,637
Net investment hedges for foreign operations		-6,004	-16,302
Deferred tax on net investment hedges for foreign operations		1,285	3,489
		<b>5,863</b>	<b>15,824</b>
Items restricted from restatement in profit or loss			
Remeasurement of net pension obligations		720	-4,334
Deferred tax on net pension obligations		-158	953
		<b>562</b>	<b>-3,381</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME/LOSS</b>		<b>6,425</b>	<b>12,443</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>108,592</b>	<b>109,363</b>
<i>Total comprehensive income attributable to:</i>			
Parent Company shareholders		<b>108,592</b>	<b>109,363</b>

# Consolidated statement of financial position

	Note	Dec 31, 2019	Dec 31, 2018
<b>ASSETS</b>			
<b>Fixed assets</b>	(8A)		
<i>Intangible fixed assets</i>			
Goodwill		617,900	385,570
Capitalized development expenditure		345,130	269,043
Software		2,252	3,154
Brands		86,566	80,321
Product rights		263,065	269,988
Customer agreements		150,784	122,906
		<b>1,465,698</b>	<b>1,130,982</b>
<i>Tangible property, plant and equipment</i>			
Buildings		8,236	8,422
Investments in leased premises		3,973	3,016
Equipment, fixtures and fittings		32,453	25,715
Right-to-use assets		85,994	2,636
		<b>130,656</b>	<b>39,788</b>
<i>Financial fixed assets</i>			
Other non-current receivables		2,008	947
Deferred tax assets	(6)	7,015	8,243
		<b>9,023</b>	<b>9,190</b>
<b>Total non-current assets</b>		<b>1,605,377</b>	<b>1,179,961</b>
<b>Current assets</b>			
<i>Inventories</i>			
Goods for resale	(8C)	3,781	5,302
		<b>3,781</b>	<b>5,302</b>
<i>Current receivables</i>			
Accounts receivable	(9A)	197,378	201,297
Current tax assets		20,368	20,740
Other receivables		8,211	6,346
Prepaid expenses and accrued income	(8D)	38,564	26,701
		<b>264,521</b>	<b>255,083</b>
<i>Short-term investments</i>			
Cash and cash equivalents	(9B)	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>

	Note	DEC 31, 2019	DEC 31, 2018
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	(12)		
Share capital		3,257	3,234
Other capital contributions		316,637	316,637
Reserves		13,017	6,591
Retained earnings including profit of the year		426,520	343,166
<b>Equity attributable to Parent Company shareholders</b>		<b>759,432</b>	<b>669,628</b>
<b>Non-current liabilities</b>			
Convertible debentures	(9, 9D, 9E,11)	51,686	39,828
Liabilities to credit institutions	(9,9E,11)	415,721	463,805
Post-employment remuneration of employees	(4B)	5,036	4,792
Finance lease, non-current portion		55,822	169
Other non-current liabilities	(9,9E,11)	44,682	876
Deferred tax	(6)	174,031	152,887
<b>Total non-current liabilities</b>		<b>746,979</b>	<b>662,357</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	(9, 9E,11)	3,026	5,620
Accounts payable		34,758	39,910
Tax liabilities		10,666	12,923
Finance lease, current portion		30,847	1,878
Other liabilities		73,635	70,393
Accrued expenses and prepaid income	(8E)	230,994	212,939
<b>Total current liabilities</b>		<b>383,925</b>	<b>343,663</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,890,336</b>	<b>1,675,648</b>
<b>Pledged assets</b>	(15B)	<b>798,451</b>	<b>803,118</b>
<b>Contingent liabilities</b>		<b>-</b>	<b>-</b>

# Consolidated statement of changes in equity

	Share capital	Other capital contributions	Reserves*	Retained earnings	Total equity attributable to parent company shareholders
<b>OPENING EQUITY, JANUARY 1, 2018</b>	<b>2,984</b>	<b>121,963</b>	<b>-5,852</b>	<b>279,069</b>	<b>398,164</b>
Profit for the year	-	-	-	96,920	96,920
Other comprehensive income	-	-	12,443	-	12,443
<b>Total comprehensive income/loss</b>	<b>-</b>	<b>-</b>	<b>12,443</b>	<b>96,920</b>	<b>109,363</b>
New share issue after issuing costs**	250	194,674	-	-	194,924
Dividends paid	-	-	-	-32,823	-32,823
<b>Transactions with shareholders</b>	<b>250</b>	<b>194,674</b>	<b>-</b>	<b>-32,823</b>	<b>162,101</b>
<b>CLOSING EQUITY, DECEMBER 31, 2018</b>	<b>3,234</b>	<b>316,637</b>	<b>6,591</b>	<b>343,166</b>	<b>669,628</b>
Correction of error***	-	-	-	-2,456	-2,456
Profit for the year	-	-	-	102,166	102,166
Other comprehensive income	-	-	6,425	-	6,426
<b>Total comprehensive income/loss</b>	<b>-</b>	<b>-</b>	<b>6,425</b>	<b>102,166</b>	<b>108,592</b>
Convertible debenture with stock options	-	-	-	2,448	2,448
Redemption of debentures	23	-	-	20,003	20,026
Dividends paid	-	-	-	-38,807	-38,807
<b>Transactions with shareholders</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>-16,356</b>	<b>-16,333</b>
<b>CLOSING EQUITY, DECEMBER 31, 2019</b>	<b>3,257</b>	<b>316,637</b>	<b>13,017</b>	<b>426,520</b>	<b>759,432</b>

\* Reserves comprise actuarial changes to pension liabilities and to translation differences when translating foreign operations, as well as hedge accounting of the same.

\*\* New share issues were recognized in their net amounts after issuing costs of SEK 2,576,000.

\*\*\* Correction of error relates to restatement of vacation liability resulting from the new Vacation Law that has come into force in Denmark.

# Consolidated statement of cash flows

	Note	2019	2018
<b>OPERATING ACTIVITIES</b>			
Operating profit		143,922	128,373
<i>Adjustments for non-cash items</i>			
Other operating revenues		-	-6,402
Depreciation/amortization and impairment		210,040	158,463
Unrealized foreign exchange gains		351	647
		<b>354,313</b>	<b>281,081</b>
Interest received		1,851	289
Interest paid		-11,022	-10,675
Income tax paid		-24,515	-30,218
<b>CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL</b>		<b>320,627</b>	<b>240,477</b>
<i>Changes in working capital</i>			
Decrease/increase in inventories		2,200	115
Decrease/increase in accounts receivable		13,165	-18,982
Decrease/increase in operating receivables		-9,943	-21,543
Decrease/increase in accounts payable		-9,288	3,807
Decrease/increase in operating liabilities		-33,517	-6,755
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>283,245</b>	<b>197,119</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries (net impact on liquidity)*		-218,865	-134,285
Purchase of intangible fixed assets and capitalized development costs		-141,022	-128,289
Purchase of property, plant and equipment		-15,625	-14,346
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-375,512</b>	<b>-276,920</b>
<b>FINANCING ACTIVITIES</b>			
Dividends to Parent Company shareholders		-38,807	-32,823
Borrowings	(13)	236,962	181,928
Repayment of loans**	(13)	-325,488	-90,023
New share issue		-	194,924
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-127,334</b>	<b>254,006</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-219,600</b>	<b>174,205</b>
<b>CASH AND CASH EQUIVALENTS ON JAN 1</b>		<b>235,302</b>	<b>57,968</b>
Exchange-rate differences in cash and cash equivalents		956	3,129
<b>CASH AND CASH EQUIVALENTS AT YEAR-END***</b>		<b>16,658</b>	<b>235,302</b>

\*Payment pertaining to the acquisition of subsidiaries during the period, comprising payment for Avoine Oy, WIMS AS, Odin Systemer AS, M&V Software Oy and HK data AS. Net cash flow was SEK 207.8 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 supplementary purchase considerations pertaining to PP7 Affärssystem AB and SEK 10.1 million for Cito IT A/S. The payments did not entail any changes to controlling influence or the total number of shares held.

Payment pertaining to the acquisition of subsidiaries in 2018 pertained to payment for PP7 Affärssystem AB, Agrando AS, Cito IT A/S and Smart Visitor System AB. Net cash flow was SEK 110.0 million. The acquisitions 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 supplementary purchase considerations 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.

\*\*Amortization consisted of SEK 3.4 million (6.6) for amortization on bank loans and SEK 284.7 million (83.4) in repayments to credit facilities.

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

# Parent Company income statement

	Note	2019	2018
<b>OPERATING REVENUES</b>			
Net sales	(14A)	65,720	62,350
Other operating revenues	(5A)	77,086	69,041
<b>OPERATING EXPENSES</b>			
	(14A)		
Other external expenses	(5B)	-124,565	-120,591
Personnel expenses	(4)	-42,308	-37,332
Depreciation/amortization and impairment losses	(8B)	-2,076	-2,386
<b>OPERATING PROFIT/LOSS</b>		<b>-26,143</b>	<b>-28,918</b>
<b>PROFIT FROM FINANCIAL ITEMS:</b>			
	(5C)		
Income from participation in Group companies		131,301	77,599
Interest income and similar profit items		772	437
Interest expenses and similar loss items		-12,357	-11,817
<b>NET FINANCIAL ITEMS</b>		<b>119,716</b>	<b>66,219</b>
<b>PROFIT AFTER FINANCIAL ITEMS</b>		<b>93,573</b>	<b>37,302</b>
Appropriations	(14C)	40,506	28,481
<b>PROFIT BEFORE TAX</b>		<b>134,080</b>	<b>65,783</b>
Tax	(6)	-264	2,874
<b>PROFIT FOR THE YEAR</b>		<b>133,816</b>	<b>68,657</b>

Profit for the year is in line with the total comprehensive income



*Silva Virtanen, Espoo*

# Balance sheet, Parent Company

	Note	DEC 31, 2019	DEC 31, 2018
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Intangible fixed assets</i>			
Software	(8B)	1,559	2,419
		<b>1,559</b>	<b>2,419</b>
<i>Tangible property, plant and equipment</i>			
Buildings	(8B)	8,236	8,423
Investments in leased premises		1,672	786
Equipment, fixtures and fittings		1,776	2,081
		<b>11,684</b>	<b>11,290</b>
<i>Financial fixed assets</i>			
Participations in subsidiaries	(8B, 7B)	1,533,228	1,180,384
Receivables from Group companies		-	5,704
Deferred tax assets	(6)	2,148	2,931
		<b>1,535,376</b>	<b>1,189,019</b>
<b>Total non-current assets</b>		<b>1,548,619</b>	<b>1,202,728</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies		192,019	87,380
Current tax assets		4,692	4,687
Other receivables		3,943	2,298
Prepaid expenses and accrued income	(10D)	4,008	4,345
		<b>204,662</b>	<b>98,710</b>
<i>Cash and bank balances</i>			
		-	222,908
<b>Total current assets</b>		<b>204,662</b>	<b>321,618</b>
<b>TOTAL ASSETS</b>		<b>1,753,281</b>	<b>1,524,346</b>

	Note	DEC 31, 2019	DEC 31, 2018
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<i>Restricted equity</i>	(12)		
Share capital		3,257	3,234
Statutory reserve		14,917	14,917
<b>Total restricted equity</b>		<b>18,174</b>	<b>18,151</b>
<i>Unrestricted equity</i>			
Share premium reserve		343,763	321,312
Earnings brought forward		206,014	176,112
Profit for the year		133,816	68,656
<b>Total unrestricted equity</b>		<b>683,592</b>	<b>566,079</b>
<b>Total shareholders' equity</b>		<b>701,767</b>	<b>584,231</b>
<b>Untaxed reserves</b>	(14D,14E)	2,042	2,448
<b>Non-current liabilities</b>			
Convertible debentures	(9D,9E,11)	51,686	39,828
Liabilities to credit institutions	(9E,11)	415,738	463,709
Other non-current liabilities	(9E,11)	41,110	-
<b>Total non-current liabilities</b>		<b>508,534</b>	<b>503,537</b>
<b>Current liabilities</b>			
Overdraft facility	(9E)	6,006	-
Liabilities to credit institutions	(9E,11)	3,032	5,620
Accounts payable		5,666	5,462
Liabilities to Group companies		513,484	405,424
Other short-term liabilities		6,845	12,042
Accrued expenses and prepaid income	(8E)	5,904	5,582
<b>Total current liabilities</b>		<b>540,937</b>	<b>434,130</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,753,281</b>	<b>1,524,346</b>
<b>Pledged assets</b>	(15B)	<b>648,565</b>	<b>649,465</b>
<b>Contingent liabilities</b>		<b>-</b>	<b>-</b>

# Parent Company changes in shareholders' equity

	Share capital	Statutory reserve	Share premium reserve	Retained earnings and net income for the year	Total shareholders' equity
<b>OPENING EQUITY, JAN 1, 2018</b>	<b>2,984</b>	<b>14,917</b>	<b>126,638</b>	<b>208,935</b>	<b>353,473</b>
New share issue after issuing costs**	250	-	194,674	-	194,924
Dividends paid	-	-	-	-32,823	-32,823
Profit for the year	-	-	-	68,656	68,656
<b>OPENING EQUITY, JAN 1, 2019</b>	<b>3,234</b>	<b>14,917</b>	<b>321,312</b>	<b>244,768</b>	<b>584,231</b>
Convertible debenture with stock options	-	-	2,448	-	2,448
Debenture conversion	23	-	20,003	-	20,026
Merger results	-	-	-	53	53
Dividends paid	-	-	-	-38,807	-38,807
Profit for the year	-	-	-	133,816	133,816
<b>CLOSING EQUITY, 31 DECEMBER, 2019</b>	<b>3,257</b>	<b>14,917</b>	<b>343,763</b>	<b>339,830</b>	<b>701,767</b>

\*\*New share issues were recognized in their net amounts after issuing costs of SEK 2,576,000.

# Cash Flow Statement, Parent Company (indirect method)

	Note	2019	2018
<b>OPERATING ACTIVITIES</b>			
Operating profit		-26,143	-28,917
<i>Adjustments for non-cash items</i>			
Depreciation/amortization and impairment losses		2,076	2,386
		<b>-24,067</b>	<b>-26,531</b>
Dividends and Group contributions received		77,599	64,898
Interest received		772	437
Interest paid		-10,584	-10,777
Income tax paid		-5	-5
<b>CASH FLOW FROM OPERATING ACTIVATES BEFORE CHANGES IN WORKING CAPITAL</b>		<b>43,715</b>	<b>28,022</b>
<i>Changes in working capital</i>			
Increase/Decrease in operating receivables		8,128	32,243
Increase/Decrease in operating liabilities		111,635	79,916
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>163,478</b>	<b>140,181</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries*		-300,552	-223,743
Purchase of intangible assets		-190	-598
Purchase of property, plant and equipment		-1,420	-764
Change in non-current receivables		5,704	1,999
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-296,457</b>	<b>-223,106</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		-38,807	-32,823
Borrowings	(13)	236,962	181,928
New share issue		-	194,924
Repayment of debt**	(13)	-288,083	-89,812
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-89,928</b>	<b>254,217</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-222,908</b>	<b>171,290</b>
Cash and cash equivalents on Jan 1		222,908	51,616
<b>CASH AND CASH EQUIVALENTS AT YEAR-END***</b>		<b>0</b>	<b>222,908</b>

\*Payment pertaining to the acquisition of subsidiaries during the period, comprising payment for Avoine Oy, WIMS AS, Odin Systemer AS, M&V Software Oy and HK data AS. The purchase consideration was SEK 289.5 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 supplementary purchase considerations pertaining to PP7 Affärssystem AB and SEK 10.1 million for Cito IT A/S. The payments did not entail any changes to controlling influence or the total number of shares held.

Payment pertaining to the acquisition of subsidiaries in 2018 pertained to payment for PP7 Affärssystem AB, Agrando AS, Cito IT A/S and Smart Visitor System AB. The purchase consideration was SEK 199.4 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 supplementary purchase considerations 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. In addition, legal expenses of SEK 0.07 million were paid for acquisitions from the preceding year.

\*\*Amortization consisted of SEK 3.4 million (6.4) for amortization on bank loans and SEK 284.7 million (83.4) in repayments to credit facilities.

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

## NOTE 1 ACCOUNTING AND MEASUREMENT POLICIES

### General

The consolidated accounts were prepared pursuant to the Swedish Annual Accounts Act, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU for application within the EU. Recommendation RFR 1, Supplementary accounting rules for corporate groups, issued by the Swedish Financial Reporting Board, has also been applied.

The Parent Company applies the same accounting policies as the Group, with the exception of entries specified in Note 14 of the Parent Company's accounting policies.

The Annual Report and the consolidated financial statements were approved for publication by the Board of Directors on Monday, March 30, 2020. The consolidated statement of comprehensive income and the statement of financial position, and the Parent Company income statement and balance sheet, are subject to approval by the AGM on Tuesday, June 23, 2020.

### Presentation of accounting policies and notes:

The notes of the annual accounts are grouped into principal areas, where accounting policies are collected for a group of notes. General accounting and measurement policies are presented in Note 1.

#### Note groupings:

1. General accounting and measurement policies
2. Segments
3. Revenues from contracts with customers
4. Remuneration of employees
5. Other significant profit/loss items
6. Tax
7. The Group's composition
8. Non-financial assets and liabilities
9. Financial assets and liabilities
10. Leasing
11. Financial risks and capital risk management
12. Shareholders' equity
13. Cash flow
14. Parent Company
15. Miscellaneous information
16. Events after the balance-sheet date

### Prerequisites for preparing the financial reports

#### Functional currency and reporting currency

The Parent Company's functional currency is SEK, which is also the presentation currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All amounts are rounded off and recognized to the nearest thousand SEK (SEK thousand) unless otherwise indicated.

### Valuation bases

Assets and liabilities are measured at their historical cost. No financial assets or liabilities are recognized at a value that substantially deviates from their fair value at Tuesday, December 31, 2019.

#### Classification of current and long-term items

In all significant respects, long-term receivables and liabilities are recognized in the amounts that are expected to fall due for payment after one year, counted from the close of the reporting period. Current receivables and liabilities fall due for payment within one year of the close of the reporting period.

#### Receivables and liabilities in foreign currency

Operating receivables and liabilities in foreign currency are translated to the exchange rate at the end of the reporting period and exchange-rate differences are recognized in operating profit/loss.

### Estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of critical accounting estimates and assumptions. The Board of Directors and management exercise their judgment in the process of applying the company's accounting policies. These estimates and assumptions are based on historic experience and other factors that are deemed to be plausible under existing circumstances. If other assumptions are made or other circumstances influence the matter the actual outcome can differ from these assessments. The principles for estimates and assumptions are subject to regular testing. Up to and including the submission date of annual accounts, nothing has occurred to prompt any amendments.

The areas in which estimates and assumptions are of material significance to Vitec's consolidated financial statements are:

- Capitalized development expenditure, product rights, customer agreements, brands and goodwill. These primarily pertain to the recovery of the value for development work, product rights and customer agreements, as well as impairment testing for brands and goodwill. The estimates and assumptions that are associated with a significant risk for material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed in Note 8, Non-financial assets and liabilities.
- Defined-benefit pension plans. These primarily pertain to a pension plan in Norway and the actuarial assumptions used for the calculation. The assumptions are reported under Note 4, Remuneration of employees.
- Supplementary purchase considerations for corporate acquisitions. These pertain to acquisitions where the purchase consideration is divided into two or more parts. One part that is paid in conjunction with the acquisition and other parts that are paid in the event that specified terms and conditions are fulfilled within a specified period of time following the acquisition. These may pertain to,

for example, earnings growth, an improved percentage of recurring revenues and/or guarantee commitments. Purchase considerations are measured at fair value at the acquisition date. An acquisition plan must be established within 12 months, after which adjustments to the purchase consideration are recognized in profit/loss for the year. At December 31, 2019, there was three supplementary purchase consideration in the balance sheet subject to assessment.

- M&V Software Oy, a supplementary purchase consideration that can generate a payment during the first quarter of 2021.
- WIMS AS, a supplementary purchase consideration that can generate a payment during the first quarter of 2021.
- Avoine Oy, a supplementary purchase consideration that can generate a payment during the first quarter of 2020.

#### **Provisions**

Provisions are recognized in the balance sheet when there is a formal or informal obligation as a result of a past event and it is likely that an outflow of resources will be necessary to settle the obligation and a reliable estimation of the amount can be made. In cases where part of or the entire the amount required for settling a provision is expected to be compensated for by a third party or parties, the compensation is recognized when, and only when, it is essentially ascertained that it will be paid for if the obligation is to be settled. The

compensation is recognized as a separate asset in the balance sheet. The amount recognized for the compensation may not exceed the provision. The cost of a provision is recognized in profit or loss as net after deduction for any compensation from third parties.

#### **New or amended accounting policies as of 2019**

IFRS 16 Leasing came into force on January 1, 2019. The new standard entails the elimination of any differences between operating and finance lease. 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.

#### **New or amended accounting policies as of 2020**

A number of new or amended standards entered into force as of 2020. These have not been applied in advance by Vitec and none are expected to have a material effect on the Group's accounts.



*Patrik Ådahl och  
Marianne Wargh, Espoo*

## NOTE 2 SEGMENTS

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 administrative segments. These segments in turn consist of 23 independent business units.

In 2019, Vitec Group's segments comprised: Auto, Energy, Real Estate, Finance & Insurance, Environment, Estate Agents and Education & Health.

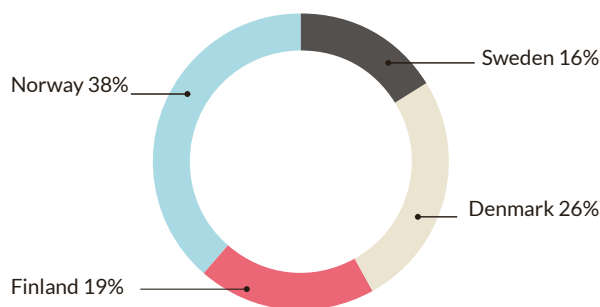
- Auto: software for the automotive industry and machinery sector in Denmark, Finland, Norway and Sweden.
- Energy: advanced forecasting systems for electricity traders, as well as calculation and mapping systems to owners of electricity and district-heating grids. The geographic market for this segment comprises the Nordic and Baltic countries, the rest of Europe and the Middle East.
- Real Estate: turnkey enterprise-management system for the construction and real-estate sectors in Norway and Sweden.

- Finance & Insurance: software for banks, financial institutions and insurance companies in Denmark, Norway and Sweden.
- Environment: software for private and municipal waste-and-resource processing in Finland.
- Estate Agents: software for real estate agents in Norway and Sweden.
- Education & Health: software for individuals with reading and writing difficulties in Denmark, Norway and Sweden; software for healthcare companies in Finland; software for church-related administration in Norway, Sweden and Finland; software for pharmacies in Denmark; software for recreation and cultural administration in Norway and Sweden; sports associations and labor unions in Finland; software for hair and beauty salons in Norway; as well as software for the health and welfare sector in Norway.

Further information about segment revenues can be found in Note 3.

### Fixed assets per country

	Fixed assets	
	2019	2018
Sweden	258.4	221.8
Denmark	415.3	406.0
Finland	310.3	229.1
Norway	612.3	314.0
	<b>1,596.4</b>	<b>1,170.8</b>



Juuso Pitkänen, Tero Eklund and Anita van Gils, Tampere, Finland

## OPERATING SEGMENTS

	Auto		Energy		Real Estate		Finance & Insurance		Environment	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<i>Per operating segment (SEK million)</i>										
<b>Net sales</b>	<b>184.0</b>	<b>170.6</b>	<b>28.6</b>	<b>26.1</b>	<b>216.4</b>	<b>206.7</b>	<b>163.4</b>	<b>133.1</b>	<b>51.2</b>	<b>47.8</b>
Capitalized own work	26.4	19.0	2.8	2.6	21.2	23.6	24.5	24.9	4.1	2.6
Depreciation/amortization and impairment losses	-25.5	-23.4	-1.9	-1.9	-16.1	-17.9	-28.8	-23.4	-4.2	-3.7
<b>Operating profit</b>	<b>32.7</b>	<b>28.3</b>	<b>10.0</b>	<b>9.3</b>	<b>51.4</b>	<b>44.3</b>	<b>22.3</b>	<b>12.7</b>	<b>7.5</b>	<b>5.5</b>
Net financial items	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0
<b>Consolidated profit/loss before tax</b>										
<b>Fixed assets</b>										
Investments in fixed assets for the year	32.4	20.1	2.8	2.6	23.1	36.1	101.0	28.1	7.2	2.8
<b>Fixed assets by segment</b>										
Goodwill and brands	114.8	112.8	0.0	0.0	62.6	61.6	87.5	36.7	12.3	12.1
Product rights and customer agreements	63.3	77.5	0.0	0.0	13.4	19.0	56.0	48.5	16.6	19.3
Capitalized development expenditure	56.8	39.3	7.9	6.9	59.2	49.0	76.8	66.1	8.4	5.4
Other tangible and intangible fixed assets	7.6	2.7	0.0	0.0	1.6	0.5	5.9	4.6	2.0	0.2
<b>Total fixed assets by segment</b>	<b>242.5</b>	<b>232.3</b>	<b>7.9</b>	<b>6.9</b>	<b>136.8</b>	<b>130.1</b>	<b>226.3</b>	<b>155.9</b>	<b>39.3</b>	<b>37.0</b>

## OPERATING SEGMENTS, CONT'D

	Estate Agents		Education & Health		Group-wide		Eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<i>Per operating segment (SEK million)</i>										
<b>Net sales</b>	<b>161.8</b>	<b>161.8</b>	<b>356.1</b>	<b>277.3</b>	<b>157.1</b>	<b>131.2</b>	<b>-162.4</b>	<b>-137.6</b>	<b>1,156.2</b>	<b>1,016.8</b>
Capitalized own work	24.1	26.2	35.6	28.8	-	-	-	-	138.7	127.6
Depreciation/amortization and impairment losses	-26.5	-25.5	-62.9	-47.0	-45.4	-9.5	1.3	0.2	-210.0	-152.1
<b>Operating profit</b>	<b>18.7</b>	<b>23.9</b>	<b>15.0</b>	<b>9.5</b>	<b>-13.7</b>	<b>-5.1</b>	<b>-</b>	<b>-</b>	<b>143.9</b>	<b>128.4</b>
Net financial items	0.0	0.0	0.6	-0.1	-14.5	-11.5	-	-	-13.9	-11.6
<b>Consolidated profit/loss before tax</b>									<b>130.0</b>	<b>116.8</b>
<b>Fixed assets</b>										
Total investments in fixed assets for the year	24.6	26.2	348.4	203.8	84.9	7.7	-	-	624.4	327.4
<b>Fixed assets by segment</b>										
Goodwill and brands	95.2	94.0	332.1	148.7	0.0	0.0	-	-	704.5	465.9
Product rights and customer agreements	19.7	27.0	240.6	201.6	0.0	0.0	-	-	409.7	392.9
Capitalized development expenditure	61.7	53.7	74.3	48.6	0.0	0.0	-	-	345.1	269.0
Other tangible and intangible fixed assets	1.5	1.9	32.6	4.0	85.8	29.0	-	-	137.0	42.9
<b>Total fixed assets by segment</b>	<b>178.1</b>	<b>176.6</b>	<b>679.6</b>	<b>402.9</b>	<b>85.8</b>	<b>29.1</b>	<b>0.0</b>	<b>0.0</b>	<b>1,596.4</b>	<b>1,170.8</b>

## NOTE 3 REVENUES FROM CONTRACTS WITH CUSTOMERS

### Revenue recognition

We recognize revenue in accordance with IFRS 15 Revenue from Contracts with Customers

In accordance with IFRS 15, revenues are recognized when the customer obtains control of the service and performance obligations are fulfilled.

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, temporary 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) in third-party usufruct.

Our most frequent contract types pertain to SaaS, 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. SaaS comprises agreements on all types of subscriptions and cloud services. Temporary usufruct, support and maintenance are always included. Operations, upgrades, information services may also be included, depending on the contractual setup.

### Recurring revenues

Recurring revenues mainly comprise annual agreements on SaaS, maintenance, support, operations and information services. Our information services are recognized at the date of delivery, while other agreements are recognized using a flat distribution across the contractual period, once the customer obtains control of the service and the performance obligation is fulfilled.

### License revenues

License revenues comprise nonrecurring fees from the sale of software licenses. Sales of software licenses are to be recognized upon fulfilment of the performance obligation. Recognition then pertains to the entire license fee at the given date. Agreements on support and maintenance that are signed together with sales of licenses are invoiced separately and recognized as recurring revenues.

### Service revenues

Service revenues comprise consultancy services on a cost-plus basis and consultancy services at a fixed price. Service revenues can be recognized either over time or at a given date. The recognition of revenues over time requires that the customer obtain and utilize benefits while Vitec delivers its obligations. In these cases, we recognize our obligations in stages, in pace with the degree of completion. The degree of completion is calculated based on the extent that the contractually agreed delivery is fulfilled, taking into account the contractually agreed and completed functionalities, as well as actual time spent in relation to estimated time. For example, for an implementation project where the customer can gradually utilize software functionality, the project is to be gradually recognized in relation to the degree of completion.

If this criterion is not fulfilled, the revenue is recognized at the given date in conjunction with the completion of the service. For example, conferences and training courses, where delivery occurs at a single occasion.

Revenues that are yet to be invoiced to customers are recognized as accrued revenues in the balance sheet. None of our fixed-price agreements are classified under non-current revenues.

### Other

Other revenues mainly comprise sales of goods such as hardware and third-party software, excluding third-party licenses, which are recognized as license revenues. Recognition occurs upon delivery.

## REVENUES FROM CONTRACTS WITH CUSTOMERS

	Auto		Energy		Real Estate		Finance & Insurance		Environment	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<i>Per operating segment (SEK million)</i>										
Recurring revenues	158.5	146.3	21.5	19.9	141.8	128.1	139.4	116.3	41.4	37.0
Licenses	5.3	5.2	0.0	0.1	4.3	6.5	0.2	0.3	0.3	1.5
Service revenues	13.1	13.4	6.9	5.9	66.1	68.0	22.2	15.1	6.4	6.2
Other	4.6	5.4	0.2	0.2	3.7	3.8	0.9	0.6	1.5	1.3
Internal sales	2.6	0.3	0.0	0.0	0.6	0.3	0.6	0.8	1.7	1.8
<b>Net sales</b>	<b>184.0</b>	<b>170.6</b>	<b>28.6</b>	<b>26.1</b>	<b>216.4</b>	<b>206.7</b>	<b>163.4</b>	<b>133.1</b>	<b>51.2</b>	<b>47.8</b>
<b>Date of revenue recognition</b>										
Services transferred to customers over time, flat distribution	135.5	125.7	21.5	19.9	138.9	125.6	139.2	116.3	15.5	11.6
Services transferred to customers over time, in pace with use	36.1	34.0	6.9	5.9	68.9	70.5	22.5	15.1	32.2	31.6
Services transferred to customers at a given time	9.9	10.6	0.3	0.3	8.0	10.2	1.1	0.9	1.8	2.8

## REVENUES FROM CONTRACTS WITH CUSTOMERS, CONT'D

	Estate Agents		Education & Health		Group-wide		Eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<i>Per operating segment (SEK million)</i>										
Recurring revenues	146.8	135.4	258.1	160.9	0.1	0.1	-	-	907.5	743.9
Licenses	0.2	0.1	7.5	21.4	0.0	0.0	-	-	17.9	35.0
Service revenues	11.9	19.5	35.9	20.4	0.3	0.2	-	-	162.7	148.7
Other	0.4	0.5	54.5	75.6	2.4	1.9	-	-	68.2	89.2
Internal sales	2.5	6.3	0.0	-1.0	154.4	129.1	-162.4	-137.6	0.0	0.0
<b>Net sales</b>	<b>161.8</b>	<b>161.8</b>	<b>356.1</b>	<b>277.3</b>	<b>157.1</b>	<b>131.2</b>	<b>-162.4</b>	<b>-137.6</b>	<b>1,156.2</b>	<b>1,016.8</b>
<b>Date of revenue recognition</b>										
Services transferred to customers over time, flat distribution	96.2	92.3	233.9	155.8	0.1	0.1	-	-	780.7	647.2
Services transferred to customers over time, in pace with use	62.5	62.5	60.1	25.6	0.3	0.3	-	-	289.5	245.3
Services transferred to customers at a given time	0.6	0.6	62.1	97.0	2.4	1.9	-	-	86.0	124.2

There are no revenues from performance obligations fulfilled during previous periods.

## Contractual assets and contractual liabilities

The Group recognizes the following revenue-related contractual assets and liabilities

### ASSETS

	2019	2018
Accounts receivable	197.4	201.3
Accrued revenues from contracts with customers	16.7	3.4
<b>Total contractual assets</b>	<b>214.1</b>	<b>204.7</b>

### CONTRACTUAL LIABILITIES

	2019	2018
Prepaid revenues from contracts with customers	130.5	123.4

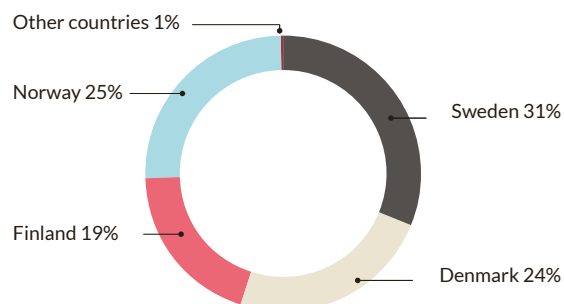
Most of our recurring revenues are invoiced in advance. At the date of invoicing, a receivable and a prepaid revenue are entered into the balance sheet. The receivable is removed upon payment, while the prepaid revenue is distributed over the period that the invoice pertains to.

Accounts receivable include an impairment provision for anticipated bad-debt losses of SEK 1,862,000 (1,014,000).

The change in contractual assets and contractual liabilities is attributable to acquisitions, which contributed SEK 11.5 million in increased contractual assets and SEK 6.9 million in increased contractual liabilities.

## The Group's sales distribution is based on the customers' domiciles.

	Net sales	
	2019	2018
Sweden	358.0	325.0
Denmark	274.3	286.4
Finland	224.3	184.8
Norway	289.9	212.3
Rest of Europe	8.4	6.3
Rest of the world	1.3	2.0
	<b>1,156.2</b>	<b>1,016.8</b>



## NOTE 4 REMUNERATION OF EMPLOYEES

### Remuneration of employees

Short-term remuneration is estimated without discounting and is recognized when the services have been rendered. Costs for bonuses and other variable payroll components are recognized when there is a legal or informal obligation for the company to pay or such remuneration and the amount can be reliably calculated.

Pensions and other post-employment remuneration can be classified as defined contribution plans or defined benefit plans. Most of the Group's pension provisions comprise defined-contribution plans that are fulfilled through regular payments to independent government agencies or entities. Liabilities with respect to fees for defined-contribution plans are recognized as a cost in profit or loss as they arise. There are a small number of employees in Sweden with defined-benefit ITP plans, with regular payments to Alecta. These are recognized as defined-contribution plans due

to Alecta's nondelivery of requisite information. There is insufficient data for recognizing the plan as a defined-benefit plan. However, there are no indications of any substantial provisions exceeding amounts that are paid to Alecta. There are also a small number of employees in Norway who are affiliated with a defined-benefit plan.

Remuneration in the event of employment termination is recognized as a provision in conjunction with the employee's termination only in cases when the company is demonstrably obligated either to terminate an employee prior to the normal date, or when benefits are paid as an offer to encourage voluntary termination. When remuneration is paid as an offer to encourage voluntary termination, a cost is recognized, as well as a provision, if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

## NOTE 4A EMPLOYEES, PERSONNEL EXPENSES AND REMUNERATION OF SENIOR EXECUTIVES

### AVERAGE NO. OF EMPLOYEES

	Women		Men		Total	
	2019	2018	2019	2018	2019	2018
<b>Parent Company</b>						
Sweden	22	18	8	9	30	27
<b>Subsidiaries</b>						
Sweden	68	61	174	159	242	220
Denmark	45	49	120	119	165	168
Finland	35	24	80	73	115	97
Norway	40	30	101	71	141	101
<b>Group total</b>	<b>210</b>	<b>182</b>	<b>483</b>	<b>431</b>	<b>693</b>	<b>613</b>

At year-end, the number of employees was 742 (643).

### GENDER DISTRIBUTION AMONG SENIOR EXECUTIVES

The Parent Company's Board of Directors comprises five directors, of which two are women. The Group's senior management comprises four individuals, all are men. The

operational senior management and CEOs of subsidiaries comprise one woman and 24 men.

### SALARIES AND OTHER REMUNERATION

	Salaries and other remuneration		Social Security expenses		(of which, pension contributions)	
	2019	2018	2019	2018	2019	2018
Parent Company	25,073	21,582	14,595	11,810	5,520 *	4,260 *
Subsidiaries	412,835	355,688	111,738	98,881	43,920	37,932
<b>Group total</b>	<b>437,908</b>	<b>377,270</b>	<b>126,333</b>	<b>110,691</b>	<b>49,440 **</b>	<b>42,192 **</b>

\* Of the Parent Company's pension contributions, SEK 2,737,000 (2,034,000) relate to the Group's senior executives.

\*\* Of the Group's pension contributions, SEK 6,668,000 (4,668,000) pertains to the Group's senior executives.

### SALARIES AND OTHER REMUNERATION DISTRIBUTED BETWEEN BOARD MEMBERS, SENIOR EXECUTIVES AND OTHER EMPLOYEES

	Senior executives (of which bonus payments and similar)		Other employees	
	2019	2018	2019	2018
Parent Company	8,432 (0)	8,179 (0)	16,641	13,403
Subsidiaries	30,995 (0)	23,834 (0)	381,840	331,854
<b>Group total</b>	<b>39,428 (0)</b>	<b>32,013 (0)</b>	<b>398,481</b>	<b>345,257</b>

## Senior executives

Senior executives of the Parent Company comprise its Board of Directors and the Group's senior management.

Senior executives in subsidiaries comprise the CEOs of the subsidiaries, who constitute separate reporting units.

## Remuneration of Board members and senior executives of the Parent Company

All remuneration is considered competitive. External Board members are paid board fees.

No variable remuneration is paid. There are no consultancy agreements for any Board members or senior executives.

Board fees are paid in accordance with resolutions passed by the AGM. The Chairman of the Board is paid a fee of SEK 270,000 annually. The other four Board members who are not employees of the Group are paid fees totaling SEK 540,000 annually. In both cases, the remuneration level applies as of the date of the AGM.

Remuneration to the CEO totaled SEK 2,448,000. No board fees were paid. The CEO's pension solution from the

company entitles the CEO to an annual premium payment amounting to 35% of the salary. In the event of termination from company's side, the salary is to be paid during the six-month notice period, as well as severance pay comprising 18 monthly salaries. Severance pay is reconciled against any remuneration from other employers.

The pension plans are defined-contribution and based on the retirement age of 65. Between Vitec and other senior executives, the period of notice is normally set pursuant to current legislation or applicable collective agreements. In the event of termination from Vitec's side, Olle Backman and Patrik Fransson will be entitled to six months of severance pay.

There is an ongoing convertibles program for employees and senior executives, in the form of convertible debentures. The shares were issued on market terms. Consequently, there are no benefits that can be recognized as share-based remuneration. The shareholdings and convertible debentures of Board members and senior executives are presented in the Corporate Governance Report.

	Basic salary/Board fees		Other benefits		Pension premiums		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Chairman of the Board, Crister Stjernfelt	270	270	-	-	-	-	270	270
Board member Anna Valtonen	135	135	-	-	-	-	135	135
Board member Birgitta Johansson-Hedberg	135	135	-	-	-	-	135	135
Board member Jan Friedman	135	135	-	-	-	-	135	135
Board member Kaj Sandart	135	135	-	-	-	-	135	135
President and CEO Lars Stenlund	2,448	2,448	5	-	840	1,023	3,293	3,471
*Other senior executives of the Parent Company	5,174	4,921	27	16	1,897	1,011	7,098	5,948
<b>Total</b>	<b>8,432</b>	<b>8,179</b>	<b>32</b>	<b>16</b>	<b>2,737</b>	<b>2,034</b>	<b>11,201</b>	<b>10,229</b>

\* "Other senior executives" of the Parent Company refer to Lars Eriksson, Patrik Fransson, Olle Backman (June-December) and Maria Kröger (January-April).

## NOTE 4B PENSIONS

Vitec has both defined-contribution and defined-benefit pension plans. The defined-benefit plans are in Sweden and Norway. The Swedish defined-benefit pension plans are secured through coverage by Alecta. For the 2019 fiscal year, the company did not have access to the information necessary to support recognition of this plan as a defined-benefit plan. Accordingly, the Alecta ITP2 pension plan covered by insurance in Alecta is recognized as a defined-contribution plan. The premium for the defined-benefit retirement pensions and family pension plans are individually calculated and are subject to factors such as salary, previously earned pensions and the expected remaining term of service. The expected fees in the next reporting period for ITP2 insurance covered by Alecta are SEK 2,490,000 (2,456,000). The collective consolidation level for Alecta was 148% (142) in 2019.

### Defined-contribution plans

Defined-contribution pension plans entail that the company make periodic payments to separate government agencies or funds, and the level of remuneration is subject to the yield achieved for these investments. Fees for the year for defined-contribution pension insurance, including Alecta ITP2, totaled SEK 46,636,000 (40,593,000).

### Defined-benefit plans

These pension plans refer to some of the Norwegian subsidiaries and comprise retirement pensions in companies that were acquired during 2014. An employee must be enrolled in the plan for a certain amount of years to achieve full entitlement to a retirement pension. The funded pension obligations are secured by plan assets. Fees for the year for defined-benefit pension plans totaled SEK 1,536,000. The forecast for fees in 2020 is SEK 1,544,000.

## COMMITMENTS TO EMPLOYEE BENEFITS, DEFINED-BENEFIT PLANS

	Group	
	DEC 31, 2019	DEC 31, 2018
Other pension obligations, Norway	5,036	4,792
<b>Total defined-benefit plans</b>	<b>5,036</b>	<b>4,792</b>

## DEFINED-BENEFIT OBLIGATIONS AND VALUE OF PLAN ASSETS

	Group	
	DEC 31, 2019	DEC 31, 2018
Present value of funded defined-benefit obligations, Norway	20,026	18,439
Fair value of plan assets, Norway	-15,613	-14,240
<b>Net</b>	<b>4,414</b>	<b>4,199</b>
Estimated employer contributions	622	592
<b>Net indebtedness for funded obligations, Norway</b>	<b>5,036</b>	<b>4,792</b>

## RECONCILIATION OF NET AMOUNT FOR PENSIONS IN THE BALANCE SHEET

	Group	
	DEC 31, 2019	DEC 31, 2018
Opening balance	4,792	8,225
Net pension costs for the year	1,122	1,862
Investments in pension funds, incl. employer contributions	-1,753	-1,155
Actuarial changes recognized in other comprehensive income	720	-4,334
Translation differences	155	194
<b>Total defined-benefit plans</b>	<b>5,036</b>	<b>4,792</b>

## CHANGES IN OBLIGATIONS FOR DEFINED-BENEFIT PLANS RECOGNIZED IN THE BALANCE SHEET

	Group	
	DEC 31, 2019	DEC 31, 2018
Opening balance	18,944	20,926
Actuarial changes	82	-4,105
Interest and fees	1,313	1,896
Pension payments for the year	-318	-264
Translation differences	706	492
	<b>20,726</b>	<b>18,944</b>

## CHANGE IN PLAN ASSETS

	Group	
	DEC 31, 2019	DEC 31, 2018
Opening balance	14,240	13,718
Actuarial changes	-638	-812
Interest and fees	-68	-67
Investments in pension funds	1,536	1,012
Pension payments for the year	-318	-264
Change in value	397	331
Translation differences	464	321
	<b>15,613</b>	<b>14,240</b>

## ACTUARIAL ASSUMPTIONS

%	Group	
	DEC 31, 2019	DEC 31, 2018
Discount rate	1.80	2.60
Expected return on pension fund assets	1.80	2.60
Future pay increases	2.25	2.75
Future increase of pensions	2.00	2.50
Future increases in base amounts	2.00	2.50
Employee turnover	0.00	0.00
Payroll tax	14.10	14.10

## NOTE 5 OTHER SIGNIFICANT PROFIT/LOSS ITEMS

### NOTE 5A OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

There were no other operating revenues in the Group on the balance-sheet date.

The Parent Company's other operating revenues consist in their entirety of exchange gains/losses.

Other operating expenses pertained in their entirety to exchange-rate gains/losses attributable to receivables and liabilities from operations.

### NOTE 5B FEES AND REIMBURSEMENT OF COSTS TO AUDITORS

	Group		Parent Company	
	2019	2018	2019	2018
PwC, audit assignment	2,326	2,367	954	1,052
PwC, auditing activities beyond auditing assignment	268	146	98	25
PwC, tax advisory services	567	238	66	-
PwC, other assignments	-	11	-	11
Deloitte, audit assignment	-	108	-	-
Deloitte, auditing activities beyond auditing assignment	-	-	-	-
Deloitte, tax advisory services	-	-	-	-
Deloitte, other assignments	-	-	-	-
Other auditors, audit assignment	26	114	-	-
Other auditors, auditing activities beyond auditing assignment	-	-	-	-
Other auditors, tax consultancy services and other assignments	100	84	-	-
<b>Total auditing fees</b>	<b>3,287</b>	<b>3,068</b>	<b>1,118</b>	<b>1,088</b>

Of the audit assignments, SEK 954,000 pertained to PwC Sweden; of other statutory assignments, SEK 98,000 pertained to PwC Sweden; of the fees for tax advisory services, SEK 66 pertained to PwC Sweden; and of other assignments, SEK 0,000 pertained to PwC Sweden.

**NOTE 5C NET FINANCIAL ITEMS****Financial income and expenses**

Financial income exclusively comprises interest income from financial investments in the form of fixed-interest investments, as well as dividend income for the Parent Company. Dividend income is recognized when the right to receive the dividend has been established. Anticipated dividends are recognized in Parent Company only when the contributing company is a wholly owned subsidiary. Financial expenses

comprise interest expenses on borrowings and accounts payable. Borrowing expenses are recognized in profit/loss applying the effective-interest-rate method, apart from cases that are directly attributable to purchasing, construction or production of a qualifying asset, since this is included in the cost of the asset. Any profit or loss from the divestment of subsidiaries are recognized as a financial expense or income, since the amounts are unsubstantial.

**NET FINANCIAL ITEMS**

	Group		Parent Company	
	2019	2018	2019	2018
Interest income	1,851	636	772	437
Dividends from subsidiaries	-	-	131,301	77,599
Other financial expenses	-5	-32	-	-
Interest expenses	-15,743	-12,202	-12,357	-11,817
<b>Net financial items</b>	<b>-13,897</b>	<b>-11,597</b>	<b>119,716</b>	<b>66,219</b>



Heidi Marie Taksdal, Stavanger

## NOTE 6 TAX

### Taxes

The Group's total tax expenses take the form of current tax and deferred tax. Tax is recognized in profit/loss for the year except for when the underlying transaction is recognized in other comprehensive income or in equity, in which case the associated tax effect is recognized in other comprehensive income or in equity. Current tax is tax that is to be paid or received in the current year. This also includes adjustments of current tax attributable to prior periods. Deferred tax is calculated using the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. Calculation of the amounts is based on how the temporary differences are expected to reverse using enacted tax rates or tax regulations announced at the close of the period. Temporary differences are not taken into account

in consolidated goodwill, nor are differences pertaining to participations in subsidiaries or associated companies that are not expected to become subject to tax in the foreseeable future. Deferred tax assets relating to deductible temporary differences and loss carryforwards are only recognized to the extent that it is probable they will be utilized and result in lower future tax payments.

Deferred tax assets and liabilities are offset against each other when there is a legal right of offset for the particular tax receivables and tax liabilities and when the deferred tax assets and tax liabilities pertain to taxes levied by one and the same tax authority and pertain to either the same tax subject or different tax subjects, in cases where there is an intention to settle the balances by means of net payment.

### TAX EXPENSE

	Group		Parent Company	
	2019	2018	2019	2018
<b>Current tax</b>				
Current tax on profit/loss for the year	-26,939	-20,891	-	-
Adjustment of current tax from previous years	-	15	519	-
	<b>-26,939</b>	<b>-20,876</b>	<b>519</b>	<b>-</b>
<b>Deferred tax</b>				
Deferred tax pertaining to temporary differences	-919	2,292	-783	2,874
Remeasurement of deferred tax due to change in tax rate	-	-1,271	-	-
	<b>-919</b>	<b>1,021</b>	<b>-783</b>	<b>2,874</b>
<b>Total recognized tax expense</b>	<b>-27,858</b>	<b>-19,855</b>	<b>-264</b>	<b>2,874</b>

### RECONCILIATION BETWEEN APPLICABLE AND EFFECTIVE TAX RATES

	Group		Parent Company	
	2019	2018	2019	2018
Recognized profit before tax	130,028	116,776	134,080	65,783
Of which Sweden	43,793	47,937	-	-
Of which Finland	37,891	19,892	-	-
Of which Norway	35,351	22,272	-	-
Of which Denmark	12,993	26,675	-	-
Tax according to applicable tax rates	-27,435	-25,217	-28,693	-14,472
Tax effect of:				
- non-deductible expenses	-1,313	-536	-188	-210
- non-taxable revenues	1,410	2,478	28,099	17,072
- change in tax loss carryforward/temporary differences	1,136	1,600	-	567
- tax attributable to previous years	-1,656	52	519	-
- effects of changes in tax rates	-	1,768	-	-83
<b>Recognized effective tax</b>	<b>-27,858</b>	<b>-19,855</b>	<b>-264</b>	<b>2,874</b>

## RECOGNIZED DEFERRED TAX ASSETS

	Group		Parent Company	
	2019	2018	2019	2018
Deferred tax on tax-loss carryforwards	6,128	7,624	2,148	2,931
Differences between book value and taxable value of fixed assets	887	619	-	-
<b>Closing balance</b>	<b>7,015</b>	<b>8,243</b>	<b>2,148</b>	<b>2,931</b>

## RECOGNIZED DEFERRED TAX LIABILITIES

	Group		Parent Company	
	2019	2018	2019	2018
Product rights, customer agreements and brands	102,768	95,881	-	-
Capitalized development expenditure	73,772	57,972	-	-
Pension liabilities	-1,000	-1,054	-	-
Untaxed reserves	-1,509	88	-	-
<b>Deferred tax liabilities</b>	<b>174,031</b>	<b>152,887</b>	<b>-</b>	<b>-</b>

## CHANGE IN DEFERRED TAX ON TEMPORARY DIFFERENCES

	Jan 1, 2019	Recognized in comprehensive income for the year	Recognized in other comprehensive income	Recognized in shareholders' equity	Dec 31, 2019
Acquired net assets	94,351	-16,407	1,653	21,694	101,292
Effects of changes in tax rates	476	-	-	-	476
Net investment hedge	-	1,285	-	-1,285	0
Accumulated depreciation/amortization	88	-1,597	-	-	-1,509
Capitalized development expenditure	57,972	15,800	-	-	73,772
	<b>152,887</b>	<b>-919</b>	<b>1,653</b>	<b>20,409</b>	<b>174,031</b>

All deferred tax assets with respect to loss carry-forwards were capitalized.

## CHANGE IN DEFERRED TAX ON TEMPORARY DIFFERENCES

	Jan 1, 2019	Recognized in comprehensive income for the year	Recognized in other comprehensive income	Recognized in shareholders' equity	Dec 31, 2019
Accumulated depreciation/amortization	8,243	-1,228	-	-	7,015
	<b>8,243</b>	<b>-1,228</b>	<b>-</b>	<b>-</b>	<b>7,015</b>

## NOTE 7 THE GROUP'S COMPOSITION

### Consolidated financial statements

The Group comprises all companies over which the Group holds a controlling influence. The Group controls a company when it is exposed to or has the right to a variable return from its holding in the company and has the possibility to influence this return through its influence in the company. Subsidiaries are included in the consolidated accounts as from the date when control passes to the Group. They are excluded from the consolidated accounts as from the date when this control no longer exists.

The acquisition of a subsidiary is viewed as a transaction through which the Group indirectly acquires the assets of the subsidiary and assumes its liabilities. An acquisition analysis determines the fair value of acquired assets and assumed liabilities on the acquisition date. The value of any non-controlling interests is also determined. Transaction fees that arise are recognized directly in profit/loss for the year.

In the case of business acquisitions where the consideration transferred, any non-controlling interests and the fair value of previously held participations (step acquisitions) exceed the fair value of the acquired assets and assumed liabilities that are to be recognized separately, the difference is recognized as goodwill. Should the difference be negative, which is known as a bargain purchase, it is recognized directly in net profit. Consideration transferred in conjunction with the acquisition does not include payments pertaining to settlement of previous business relationships. This type of settlement is recognized through profit or loss.

Conditional purchase considerations/supplementary purchase considerations are recognized at fair value at the acquisition date. If the contingent consideration is classified

as an equity instrument, no remeasurement takes place and settlement is directly recognized in equity. Other contingent considerations are remeasured for each financial statement and the difference is recognized in net profit. Acquisitions from non-controlling interests are recognized as a transaction in equity, meaning a transaction between the shareholders of Parent Company (in profit brought forward) and the non-controlling interest. Changes in non-controlling interests are based on their proportionate share of net assets. This is the reason why goodwill does not arise from these transactions. Goodwill is not amortized, but is instead subject to impairment testing on an annual basis. The financial statements of subsidiaries are consolidated from the date of acquisition until the date when the controlling influence ceases.

Intra-Group assets and liabilities, income and expenses are eliminated, as are unrealized gains and losses between Group companies. Unrealized losses are eliminated in the same manner as unrealized gains, but only insofar as no impairment requirement exists. The Group's equity includes only parts of the subsidiary's equity that were added following acquisition.

### Transfer pricing

When invoicing between Group companies, prices are set corresponding to market terms, where the end customer is an external customer. In cases where invoicing pertains to intra-Group services within the same country, invoicing are priced on a cost-plus basis. Decisions about what prices shall apply are made by Group Management. In cases of invoicing to foreign subsidiaries or between foreign subsidiaries, application of the cost-plus method is prioritized.

## NOTE 7A 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 and complementary expertise requirements, as well as anticipated synergy effects, in the form of the joint development of our products. As of December 31, acquisition-related costs totaled SEK 2.5 million and were recognized as other external costs in the statement of comprehensive income. From the acquisition date up to and including December 31, revenues in the

acquired company totaled SEK 25.2 million and profit before tax totaled 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 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 an EBITDA improvement as of December 31, 2019, and is measured at maximum outcome.

### PRELIMINARY ACQUISITION PLAN

	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
Tangible 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>Group's purchase costs</b>			<b>54,768</b>
<b>Calculation of net cash outflow</b>			<b>Fair value</b>
Group's purchase costs			-54,768
Expensed portion of contingent consideration			5,292
Acquired cash and cash equivalents			25,552
<b>Net cash outflow</b>			<b>-23,924</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 and complementary expertise requirements, as well as anticipated synergy effects, in the form of the joint development of our products. As of December 31, acquisition-related costs totaled SEK 1.5 million and were recognized as other external costs in the statement of comprehensive income. From the acquisition date up to and including December 31, revenues in the

acquired company totaled SEK 17.4 million and profit before tax totaled 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 an EBITDA improvement as of December 31, 2019, and at December 31, 2020, and is measured at maximum outcome.

### PRELIMINARY ACQUISITION PLAN

	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
Tangible 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
Non-current liabilities	-16	-	-16
Current liabilities	-7,449	-	-7,449
<b>Net identifiable assets and liabilities</b>	<b>6,566</b>	<b>15,439</b>	<b>22,004</b>
Consolidated goodwill			51,380
<b>Total</b>			<b>73,385</b>
<b>Group's purchase costs</b>			<b>73,385</b>
<b>Calculation of net cash outflow</b>			<b>Fair value</b>
Group's purchase costs			-73,385
Expensed portion of contingent consideration			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. After the date of the acquisition the company changed its name to Vitec Fixit Systemer AS.

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 and complementary expertise requirements, as well as anticipated synergy effects, in the form of the joint development of our products. As of December 31, acquisition-related costs totaled SEK 4.6 million and were recognized as other external costs in

the statement of comprehensive income. From the acquisition date up to and including December 31, revenues in the acquired company totaled SEK 36.4 million and profit before tax totaled 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

	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
Tangible 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>Group's purchase costs</b>			<b>173,132</b>
<b>Calculation of net cash outflow</b>			<b>Fair value</b>
Group's purchase costs			-173,132
Convertible debenture			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, Vitec acquired all shares and voting rights of the Finnish software company, M&V Software Oy. The products are aimed at church-related administration in Finland.

The company was consolidated as of the acquisition date. In conjunction 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 and complementary expertise requirements, as well as anticipated synergy effects, in the form of the joint development of our products. As of December 31, acquisition-related costs totaled SEK 1.9 million and were recognized as other external costs in the statement of comprehensive income. From the acquisition date up to and including December 31,

revenues in the acquired company totaled SEK 1.7 million and profit before tax totaled 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 expensed portion of the contingent consideration will be subject to an EBITDA improvement as of December 31, 2020, and is measured at maximum outcome.

### PRELIMINARY ACQUISITION PLAN

	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
Tangible 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>Group's purchase costs</b>			<b>43,266</b>
<b>Calculation of net cash outflow</b>			<b>Fair value</b>
Group's purchase 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, Vitec acquired all shares and voting rights of the Norwegian software company, HK data AS. The products are aimed at the health and welfare 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 and complementary expertise requirements, as well as anticipated synergy effects, in the form of the joint development of our products. As of December 31, acquisition-related costs totaled SEK 1.2 million and were recognized as other external costs in the statement of comprehensive income. From the acquisition

date up to and including December 31, revenues in the acquired company totaled SEK 1.9 million and profit before tax totaled 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

	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
Tangible 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
Non-current liabilities	-20	-	-20
Current liabilities	-3,033	-	-3,033
<b>Net identifiable assets and liabilities</b>	<b>4,992</b>	<b>12,858</b>	<b>17,850</b>
Consolidated goodwill			3,124
<b>Total</b>			<b>20,974</b>
<b>Group's purchase costs</b>			<b>20,974</b>
<b>Calculation of net cash outflow</b>			<b>Fair value</b>
Group's purchase costs			-20,974
Acquired cash and cash equivalents			5,703
<b>Net cash outflow</b>			<b>-15,270</b>

## NOTE 7B PARTICIPATIONS IN SUBSIDIARIES

Subsidiaries		Acqui- sition year	Share of equity, %	Share of votes, %	Number of participa- tions	Carrying amount Dec. 31, 2019	Carrying amount Dec. 31, 2018	Adjusted shareholders' equity, Dec 31, 2019
3L Media AB	Software company	2019	100	100	1,000	2,542	-	503
Vitec Förvaltningssystem AB	Software company, Parent Company of Vitec Capifast AB	2019	100	100	1,000	99,503	-	20,638
3L System AB*	Holding company, Parent Company of 3L Media and Vitec Förvaltningssystem AB	2009	100	100	2,350,400	0	121,751	0
Malmkroppen AB	Dormant company	2019	100	100	50	1,000	-	1,000
HK data AS	Software company	2019	100	100	50	21,138	-	5,505
Vitec Katrina Oy	Software company	2019	100	100	13,200	44,133	-	2,422
Vitec WIMS AS	Software company	2019	100	100	1,217	73,711	-	9,701
Vitec Fixit Systemer AS	Software company	2019	100	100	268	173,365	-	24,992
Avoine Oy	Software company	2019	100	100	3,818	56,129	-	16,532
Vitec Financial Services AS	Responsible for accounting administration in Norway	2018	100	100	30,000	44	44	93
Vitec Smart Visitor System AB	Software company	2018	100	100	4,000	32,434	32,434	5,861
Vitec Cito A/S	Software company	2018	100	100	500,000	87,797	87,796	34,539
Vitec Agrando AS	Software company, Parent Company of Vitec Agrando AB, which in turn is the Parent Company of Agrando Asia (Pvt) Ltd.	2018	100	100	1,129,500	78,852	78,849	34,217
Vitec PP7 AB	Software company	2018	100	100	799,000	10,900	10,900	3,899
Vitec MV A/S	Software company, Parent Company of Vitec MV AS and Vitec MV AB	2017	100	100	600	111,870	108,797	2,566
Vitec Plania AS	Software company	2016	100	100	330	54,202	54,202	10,371
Vitec Futursoft Oy	Software company	2016	100	100	100	107,073	107,073	42,135
Vitec Tietomitta Oy	Software company	2016	100	100	7,922	46,179	46,179	29,253
Vitec Nice AS	Software company	2015	100	100	40,000	26,045	26,045	6,346
Vitec Infoeasy AS	Software company	2015	100	100	1,000	16,930	16,930	4,475
Vitec Datamann A/S	Software company	2015	100	100	3,000	56,714	56,714	16,515
ADservice Scandinavia AB	Dormant company	2015	100	100	1,000	400	400	213
Vitec Aloc A/S	Software company, Parent Company of Vitec Aloc AS	2014	100	100	20,000	88,658	88,658	62,282
Vitec Autodata AS	Software company	2014	100	100	30,000	37,010	37,010	18,552
IMHO Oy	Holding company, owns 47% of the shares in AcuVitec	2014	100	100	19,800	34,439	34,439	6,531
AcuVitec Oy	Software company	2014	53	53	85,714	38,836	38,836	26,907
Vitec Megler AS	Software company, Parent Company of Vitec IT-Drift AS and Vitec Megler AB	2012	100	100	3,256,596	120,548	120,548	22,696
Vitec Capitex AB	Software company	2011	100	100	1,000	8,289	8,289	3,065
Capitex AB	Dormant company	2010	100	100	5,000	17,527	17,527	784
Vitec Mäklarsystem AB	Software company	2007	100	100	1,000	68,083	68,083	4,805
Vitec Software AB	Dormant company	2005	100	100	2,000	999	999	506
Vitec AB	Dormant company	2003	100	100	18,000	2,654	2,654	3,046
Vitec Fastighetssystem AB	Dormant company	2000	100	100	200,000	12,665	12,665	2,660
Vitec IT-Drift AB	Responsible for internal IT	1999	100	100	1,000	1,008	1,008	4,314
Vitec Energy AB	Software company	1998	100	100	1,000	1,551	1,551	2,861
<b>Total</b>						<b>1,533,231</b>	<b>1,180,384</b>	<b>430,785</b>

\* merger of 3L System AB Dec. 27, 2019.

Vitec regularly acquires companies and operations that either become separate business units or are incorporated into existing business units. Restructuring is undertaken from time to time, which results in the operations of two or more companies being merged into a single business unit. In these cases, the above book values may be restated by transferring assets identified in the course of the acquisition process, such as goodwill, product rights, customer agreements and brands. Any such occurrences are described in the annual accounts.

Vitec Software Group AB owns the following companies through subsidiaries:

- Via Vitec Agrando AS – Vitec Agrando AB (software company) and Agrando Asia (Pvt) Ltd. (product development on assignment by the Parent Company).
- Via Vitec Megler AS - Vitec IT Drift AS (responsible for server operations in Norway) and Vitec Megler AB (product development on assignment by Parent Company Vitec Megler AS).
- Via IMHO Oy – AcuVitec Oy (holding company).
- Via Vitec Aloc A/S – Vitec Aloc AS (sales company).
- Via Vitec MV A/S – Vitec MV AB (sales company) and Vitec MV AS (sales company).
- Via Vitec Förvaltningssystem AB – Vitec Capifast AB (software company).



*Tuomas Tokola, Silva Virtanen and  
Toni Poikela, Espoo*

## SUBSIDIARIES' CORPORATE REGISTRATION NUMBERS AND REGISTERED OFFICES

	Corporate registration number	Registered office
Malmkroppen AB	559234-2934	Umeå, Sweden
Vitec HK data AS	965309926	Moelv, Norway
Vitec Katrina Oy	15995354	Rauma, Finland
Vitec WIMS AS	984952953	Oslo, Norway
Vitec Fixit Systemer AS	982821843	Bergen, Norway
Avoine Oy	19353375	Tampere, Finland
Vitec Smart Visitor System AB	556267-6972	Umeå, Sweden
Vitec Cito A/S	16724041	Allerød, Denmark
Vitec Agrando AS	970991786	Sandnes, Norway
Vitec Agrando AS	556672-5056	Älvsjö, Sweden
Agrando Asia (Pvt) Ltd	-	Sri Lanka
Vitec PP7 AB	556392-2060	Umeå, Sweden
Vitec Financial Services AS	920592287	Oslo, Norway
Vitec MV A/S	15314400	Odense, Denmark
Vitec MV AS	981205308	Oslo, Norway
Vitec MV AB	556438-3080	Malmö, Sweden
Vitec Plania AS	841239172	Stavanger, Norway
Vitec Futursoft Oy	14942533	Espoo, Finland
Vitec Tietomitta Oy	9060034	Espoo, Finland
Vitec Nice AS	844699832	Oslo, Norway
Vitec Infoeasy AS	981875923	Bergen, Norway
Vitec Datamann A/S	59943510	Søborg, Denmark
ADservice Scandinavia AB	556659-1466	Stockholm, Sweden
Vitec Megler AB	559035-4816	Kalmar, Sweden
Vitec Aloc AS	976876768	Oslo, Norway
Vitec Aloc A/S	14788484	Odense, Denmark
Vitec Autodata AS	817159362	Oslo, Norway
IMHO Oy	25351376	Tampere, Finland
AcuVitec Oy	18369420	Tampere, Finland
Vitec IT Drift AS	986363238	Oslo, Norway
Vitec Megler AS	944507302	Oslo, Norway
Vitec Capitex AB	556875-8105	Umeå, Sweden
Vitec Capifast AB	556844-4110	Stockholm, Sweden
Capitex AB	556197-8437	Kalmar, Sweden
3L Media AB	556584-9931	Stockholm, Sweden
Vitec Förvaltningssystem AB	556591-2101	Stockholm, Sweden
Vitec Mäklarsystem AB	556367-6500	Umeå, Sweden
Vitec Software AB	556443-2200	Umeå, Sweden
Vitec AB	556571-5090	Umeå, Sweden
Vitec Fastighetssystem AB	556563-7773	Umeå, Sweden
Vitec IT-Drift AB	556459-9347	Umeå, Sweden
Vitec Energy AB	556347-7073	Umeå, Sweden

## NOTE 8 NON-FINANCIAL ASSETS AND LIABILITIES

This note contains information about the Group's non-financial assets and liabilities. Our non-financial assets and

liabilities are presented in the table below.

Non-financial assets, Group	Note	Non-financial assets		Non-financial liabilities	
		2019	2018	2019	2018
Intangible fixed assets	(8A)	1,465,698	1,130,982	-	-
Tangible property, plant and equipment	(8A)	130,656	39,789	-	-
Other non-current receivables		2,008	947	-	-
Deferred tax assets	(6)	7,015	8,243	-	-
Inventories	(8C)	3,781	5,302	-	-
Current tax assets		20,368	20,740	-	-
Prepaid expenses and accrued income	(8D)	38,564	26,701	-	-
<b>Non-financial liabilities, Group</b>					
Post-employment remuneration of employees	(4B)	-	-	5,036	4,792
Deferred tax	(6)	-	-	174,031	152,887
Tax liabilities		-	-	10,666	12,923
Other liabilities		-	-	68,418	60,017
Accrued expenses and prepaid income	(8E)	-	-	166,222	157,778
<b>Total</b>		<b>1,668,090</b>	<b>1,232,704</b>	<b>424,373</b>	<b>388,397</b>

### Tangible and intangible fixed assets

#### Intangible fixed assets

##### Goodwill

In the event of an acquisition, goodwill is recognized whenever the consideration transferred exceeds the fair value of the identifiable acquired assets and assumed liabilities. Vitec has chosen not to apply IFRS retroactively for goodwill stemming from acquisitions completed before January 1, 2004.

Goodwill is measured at cost, less any accumulated impairment losses. Goodwill is allocated to cash-generating units and subject to impairment testing a minimum of once annually; refer to the heading, "Impairment of non-financial assets" below. Testing is based on estimates and assumptions that are subject to uncertainties.

##### Capitalized development expenditure

Expenses for software development are capitalized when it is probable that the project will be successful with respect to its commercial and technical potential, and the costs can be reliably estimated. Development work comprises research and development. Only development-related expenses are capitalized as an asset in the balance sheet. The cost of the asset consists of salaries and other expenses directly related to development work. Capitalized development costs acquired before and including December 31, 2016, are amortized according to an estimated useful life of 5 years. Capitalized development costs acquired as of January 1, 2017, are amortized according to an estimated useful life of 10 years. An asset's value is subject to regular testing and testing for each development project, after which it is impaired as necessary. Assets are recognized at their cost, less accumulated amortization and any write-downs. Testing is based on estimates and assumptions that are subject to uncertainties.

##### Software

These assets comprise usufruct for standard software, in the form of enterprise systems, consolidated accounting systems, development environments and other administrative systems. These assets are amortized over 5 years and recognized at cost, less accumulated amortization and any write-downs.

##### Brands

Brands are normally considered to have an indefinite useful life. Brands are measured at cost, less any accumulated impairment losses. Brands are allocated to cash-generating units and subject to impairment testing a minimum of once annually. Testing is based on estimates and assumptions that are subject to uncertainties. The Group exclusively holds brands that are identified through acquisition analyses.

##### Product rights

Product rights primarily comprise acquired source code. These are amortized over 5 to 10 years. Amortization follows a declining balance amortization model for acquisitions completed as of the fourth quarter of 2016. For acquisitions completed before this date, amortization is on a straight-line basis. Assets are recognized at their cost, less accumulated amortization and any write-downs. An asset's value is tested using an estimation of future discounted cash flows. This form of testing is based on estimates and assumptions that are subject to uncertainties.

##### Customer agreements

Acquired customer agreements are amortized over 8 to 10 years and recognized at cost, less accumulated amortization and any write-downs. Amortization follows a declining balance amortization model for acquisitions completed as of the fourth quarter of 2016. For acquisitions completed before this date, amortization is on a straight-line basis.

### Tangible property, plant and equipment

Property, plant and equipment are recognized in the statement of financial position when it is probable that future financial benefits will accrue to the company and the cost of the asset can be reliably calculated. Tangible assets are recognized at cost, less accumulated depreciation and any impairment. The cost includes the purchase price and costs directly attributable to the asset to bring it to location and make it usable in operations. Gains or losses arising on the divestment or scrapping of a tangible asset comprise the difference between the sales price and the carrying amount of the asset, less direct selling expenses. Gains and losses are recognized as other operating revenue/expenses.

Depreciation of property, plant and equipment is based on the assets depreciable amount, which corresponds to the original cost and comprises 20%–33% annually for computers, and 10%–20% annually for other equipment. Investments in leased premises are depreciated over the remaining lease period. The Parent Company owns an owner-occupied apartment that is depreciated at 2% annually.

### Leased assets

When reporting a finance lease with substantive substitution rights, assets are recognized as fixed assets in the Group's statement of financial position, measured to the present value of minimum lease payments upon signing of the agreement. Assets are depreciated over their useful life. Commitments to future lease payments are recognized as current and non-current liabilities.

### Inventories

Inventories are measured at average cost and exist only to an insignificant extent.

### Impairment of non-financial assets

The value of capitalized development expenditure, product rights, customer agreements, brands and goodwill are tested to determine impairment requirements, if any. Goodwill and brands with indefinite useful lives are tested annually. Testing is undertaken by comparing the recognized amount with the recoverable amount, where the recoverable amount is the higher of the asset's fair value (less selling expenses) and the value-in-use. Useful value is calculated by discounting future cash flows that the asset is expected to generate, indefinitely, with an interest rate based on the market's assessment of risk-free interest and risk. Cash flow is based on budgets/forecasts adopted by Group Management.

## NOTE 8A FIXED ASSETS, GROUP

### INTANGIBLE FIXED ASSETS (SEK MILLION)

	Goodwill		Capitalized development expenditure		Computer software		Brands		Product rights		Customer agreements		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Opening cost	422.8	315.8	452.7	323.9	22.5	21.7	80.5	74.3	521.3	469.7	188.8	136.0	1688.6	1341.4
Purchasing*	230.2	101.8	138.7	127.5	0.3	0.7	4.7	3.5	52.4	27.2	58.3	49.3	484.6	310.0
Divestments/Asset retirement	-1.0	-	-	-0.2	-	-	-	-	-0.6	-9.1	-	-	-1.6	-9.3
Business combinations	-	-	-	-	-	-	-	-	1.3	20.0	-	-	1.3	20.0
Reclassifications	2.4	-	-	-	-	-	-	-	-3.0	-	-	-	-0.7	-
Translation differences	-0.2	5.1	5.1	1.4	0.0	0.0	1.5	2.7	7.9	13.5	2.0	3.5	16.3	26.4
<b>Closing amortized cost</b>	<b>654.1</b>	<b>422.8</b>	<b>596.5</b>	<b>452.7</b>	<b>22.8</b>	<b>22.5</b>	<b>86.7</b>	<b>80.5</b>	<b>579.3</b>	<b>521.3</b>	<b>249.1</b>	<b>188.8</b>	<b>2188.5</b>	<b>1688.6</b>
Opening amortization	-37.2	-33.2	-183.6	-126.0	-19.4	-17.7	-0.1	0.0	-251.4	-179.0	-65.9	-41.1	-557.6	-397.0
Business combinations	-	-	-	-	-	-	-	-	-	-18.9	-	-	-	-18.9
Divestments/Asset retirement	1.0	-	-	0.1	-	-	-	-	0.6	9.1	-	-	1.6	9.2
Translation differences	0.0	0.0	-1.7	-0.5	0.0	0.0	-	-	-2.8	-3.2	-0.7	-0.9	-5.2	-4.7
Amortization and impairment for the year	-	-4.0	-66.0	-57.2	-1.2	-1.6	-	-0.1	-62.6	-59.4	-31.7	-23.9	-161.6	-146.2
<b>Closing amortization and impairment losses</b>	<b>-36.2</b>	<b>-37.2</b>	<b>-251.4</b>	<b>-183.6</b>	<b>-20.6</b>	<b>-19.4</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-316.2</b>	<b>-251.4</b>	<b>-98.3</b>	<b>-65.9</b>	<b>-722.8</b>	<b>-557.6</b>
<b>Carrying amount</b>	<b>617.9</b>	<b>385.6</b>	<b>345.1</b>	<b>269.0</b>	<b>2.2</b>	<b>3.1</b>	<b>86.6</b>	<b>80.3</b>	<b>263.1</b>	<b>270.0</b>	<b>150.8</b>	<b>123.0</b>	<b>1465.7</b>	<b>1131.0</b>

\*Goodwill, brands, customer agreements and product rights are attributable to acquisitions, while capitalized development expenditure stems from inhouse-manhours spent and to a lesser extent, purchased consultancy services. Software is attributable to purchasing.

### Impairment testing of goodwill and brands

Goodwill is not continuously impaired, but its value is tested a minimum of once annually in accordance with IAS 36. Testing was most recently conducted in December 2019. Goodwill is allocated to cash-generating units, which are equivalent to operating segments in the case of Vitec. The recoverable amount was calculated on the basis of value in use and proceeds from the current assessment of cash flows for the next five-year period. Assumptions were made concerning revenue growth, the gross margin, overhead increases, working-capital requirements and investment requirements. The parameters were set to correspond to budgeted earnings for the 2020 financial year. For the remaining part of the five-year period, an annual growth rate of 2% (2) was assumed for all segments. For cash flows beyond the five-year period, growth has also been assumed to amount to 2% (2) annually. Cost increases for costs beyond 2020 have been assumed to be 1.5%. Cash flows were discounted to a weighted average capital cost (WACC) corresponding to 7.2% before tax and 8.8% after tax. The weighted average capital cost was adapted to prevailing interest-rate levels and market-risk premiums in the Swedish stock market. The calculations indicate that useful value exceeds the carrying amount at segment levels. A sensitivity analysis indicates that goodwill values would be justifiable even if the discount rate were to be raised by one percentage point or if the persistent growth rate (beyond the five-year period) were to fall to zero percent. Impairment testing has indicated no existing impairment requirements for any of the segments.

### Goodwill

Goodwill amounted to SEK 617,901,000 (385,571,000). The item, goodwill, was allocated to the segments as follows: Auto SEK 66,107,000 (64,808,000), Real Estate SEK 44,691,000 (44,267,000), Finance & Insurance SEK 83,644,000 (33,524,000), Education & Health SEK 319,054,000 (139,824,000), Environment SEK 11,740,000 (11,599,000) and Estate Agents SEK 92,664,000 (91,549,000).

### Capitalized development expenditure

Capitalized development expenditure comprises in-house-manhours spent on product development and to a lesser extent, external consultancy services. Impairment commences in accordance with the prudence principle when capitalization is entered into the books. Impairment period 5–10 years

Capitalized development expenditure is recognized at a project level and testing of the asset's value is performed periodically and per development project, after which it is impaired as required. No impairment requirements arose during the year.

### Software

Software comprises acquired usufruct/software licenses, such as the Group's enterprise system and consolidated accounting systems, as well as other administrative systems. Assets are impaired over 5 years.

### Brands

Brands amounted to SEK 86,569,000 (80,324,000). The item, brands, was distributed among the segments as follows: Auto SEK 48,704,000 (47,944,000), Real Estate SEK 17,907,000 (17,349,000), Finance & Insurance SEK 3,882,000 (3,162,000), Education & Health SEK 13,015,000 (8,896,000), Environment SEK 522,000 (514,000) and Estate Agents SEK 2,539,000 (2,459,000). All brands are identified in the acquisition analyses prepared. Brands are considered to have an indefinite useful life, since they are highly recognizable and have been established for quite some time. There are presently no known legal, contractual or competition factors limiting their useful life. Impairment testing is performed annually on brands at the segment level in accordance with same principles and on the same date as the impairment testing of goodwill.

## Product rights

Product rights comprise acquired product rights. Their impairment period is 5–10 years. The previously adopted useful life of 5 years for product rights has been deemed to be unfair. Although our history demonstrates that useful lives exceed 10 years, we have found a logical conformity between our proprietarily developed software/capitalized development expenditure and the software/product rights that we acquire, and have therefore adopted an impairment period of 10 years for both classes of assets. Impairment is implemented in accordance with a declining-balance depreciation model, which is deemed to reflect actual usage in a more relevant manner, since product rights consist of several components, with each component presumably has a service life of 3 to 20 years. The declining-balance amortization model entails a higher impairment rate at the beginning of useful life. The declining balance amortization method has been applied as of the fourth quarter of 2016. For acquisitions completed before this date, amortization is on a straight-line basis.

The cost, residual value and remaining impairment period for product rights of material value amounted to:

### PRODUCT RIGHTS

	Amortized cost (SEK thousand)	Residual value (SEK thousand)	Remaining impairment period (years)
<b>Auto</b>			
Autodata	17,873	7,455	4.3
Infoeasy	10,739	5,892	5.5
Datamann	30,589	19,003	5.5
Futursoft	21,377	9,317	6.7
<b>Real Estate</b>			
PP7	2,794	933	8.3
Plania	15,822	6,426	6.9
Förvaltningssystem	25,500	0	0
Capitex	4,185	209	0.5
<b>Finance &amp; Insurance</b>			
WIMS	8,173	6,893	9.3
Capitex	4,185	209	0.5
Aloc	47,914	24,409	4.5
Nice	15,019	9,325	5.9
<b>Environment</b>			
Tietomitta	18,061	13,026	8.5
<b>Estate Agents</b>			
Mäklarsystem	15,700	0	0
Capitex	19,530	977	0.5
Megler	59,728	15,209	5.2

## Education & Health

HK data	10,024	10,051	9.9
Katrina	8,777	8,623	9.9
Fixit	20,234	17,383	9.5
Avoine	3,167	2,628	9.2
Acute	72,763	43,865	4.2
MV	67,509	42,373	7.5
Agrando	13,709	9,147	8.3
Cito	4,355	3,131	8.4
Actor Smartbook	6,318	2,466	8.8

## Customer agreements

Customer agreements are identified through acquisition analyses. Their impairment period is 8–10 years. The useful life of customer agreements is based on how long net payments can be expected to be received from these agreements, taking into account legal and economic factors. The amortized cost of customer agreements, residual values and remaining impairment period amounted to:

### CUSTOMER AGREEMENTS

	Amortized cost (SEK thousand)	Residual value (SEK thousand)	Remaining impairment period (years)
<b>Auto</b>			
Autodata	10,950	3,076	2.3
Infoeasy	1,378	756	5.5
Datamann	11,472	7,127	5.5
Futursoft	14,277	10,691	6.7
<b>Real Estate</b>			
PP7	3,818	1,275	8.3
Plania	6,761	4,491	6.9
<b>Finance &amp; Insurance</b>			
WIMS	10,931	9,220	9.3
Aloc	8,550	3,025	2.5
Nice	4,435	2,754	5.9
<b>Environment</b>			
Tietomitta	4,936	3,560	6.5
<b>Estate Agents</b>			
Megler	11,284	3,712	5.2
Adservice	204	106	5.2
<b>Education &amp; Health</b>			
HK data	5,955	5,971	9.9
Katrina	1,099	1,080	9.9
Fixit	29,443	25,295	9.5
Avoine	10,834	8,990	9.2
Acute	21,392	8,804	2.2
MV	29,676	18,626	7.5
Agrando	21,160	14,118	8.3
Cito	14,538	10,451	8.4
Actor Smartbook	9,794	7,656	8.8

## TANGIBLE FIXED ASSETS (SEK MILLION)

	Buildings		Investments in leased premises		Right-to-use assets		Equipment, fixtures and fittings		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Opening cost	9.4	9.6	10.8	9.0	8.5	9.5	62.9	60.4	91.6	88.5
Reclassifications, Opening balance according to IFRS 16	-	-	-	-	62.8	-	-	-	62.8	-
Purchasing	-	-	2.5	1.1	56.0	0.5	13.2	13.2	71.7	14.8
Sales/Disposals	-	-0.2	-	0.0	-2.8	-1.9	-1.0	-13.9	-3.8	-16.0
Business combinations	-	0.0	0.4	0.6	-	0.0	3.2	2.2	3.6	2.8
Translation differences	-	0.0	0.1	0.2	0.3	0.3	0.8	0.9	1.1	1.4
<b>Closing accumulated cost</b>	<b>9.4</b>	<b>9.4</b>	<b>13.8</b>	<b>10.8</b>	<b>124.8</b>	<b>8.5</b>	<b>79.0</b>	<b>62.9</b>	<b>227.0</b>	<b>91.6</b>
Opening depreciation	-0.9	-0.9	-7.8	-6.2	-5.9	-4.7	-37.0	-38.8	-51.7	-50.6
Sales/Disposals	-	0.2	-	0.0	2.7	1.6	0.7	12.9	3.3	14.7
Business combinations	-	-	0.0	-	-	-	0.4	-1.5	0.4	-1.5
Translation differences	-	0.0	0.0	-0.1	-0.1	-0.2	-0.4	-0.5	-0.6	-0.8
Depreciation and impairment for the year	-0.2	-0.2	-2.0	-1.5	-35.4	-2.6	-10.1	-9.2	-47.8	-13.5
<b>Closing depreciation and impairment losses</b>	<b>-1.1</b>	<b>-0.9</b>	<b>-9.8</b>	<b>-7.8</b>	<b>-38.7</b>	<b>-5.9</b>	<b>-46.4</b>	<b>-37.0</b>	<b>-96.3</b>	<b>-51.8</b>
<b>Carrying amount</b>	<b>8.3</b>	<b>8.5</b>	<b>4.0</b>	<b>3.0</b>	<b>86.0</b>	<b>2.6</b>	<b>32.6</b>	<b>25.9</b>	<b>130.7</b>	<b>39.8</b>



## NOTE 8B PARENT COMPANY FIXED ASSETS

### INTANGIBLE FIXED ASSETS (SEK MILLION)

	Software		Product rights		Total	
	2019	2018	2019	2018	2019	2018
Opening cost	10.3	9.7	0.6	9.7	10.9	19.5
Purchasing	0.2	0.6	-	-	0.2	0.6
Divestments/Asset retirement	-	-	-	-9.1	0.0	-9.1
<b>Closing cost</b>	<b>10.5</b>	<b>10.3</b>	<b>0.6</b>	<b>0.6</b>	<b>11.1</b>	<b>10.9</b>
Opening impairment losses	-7.9	-6.4	-0.6	-9.7	-8.5	-16.2
Divestments/Asset retirement	-	-	-	9.1	0.0	9.1
Impairment for the year	-1.1	-1.5	-	-	-1.1	-1.5
<b>Closing impairment losses</b>	<b>-9.0</b>	<b>-7.9</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-9.6</b>	<b>-8.5</b>
<b>Carrying amount</b>	<b>1.6</b>	<b>2.4</b>	<b>0.0</b>	<b>0.0</b>	<b>1.6</b>	<b>2.4</b>

### TANGIBLE FIXED ASSETS (SEK MILLION)

	Buildings		Investments in leased premises		Equipment, fixtures and fittings*		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Opening cost	9.3	9.3	3.3	2.8	4.0	3.7	16.6	15.9
Purchasing	-	-	1.4	0.5	0.1	0.3	1.4	0.8
Merger 3L System	-	-	1.8	-	3.0	-	4.8	-
<b>Closing accumulated cost</b>	<b>9.3</b>	<b>9.3</b>	<b>6.5</b>	<b>3.3</b>	<b>7.0</b>	<b>4.0</b>	<b>22.8</b>	<b>16.6</b>
Opening depreciation	-0.9	-0.7	-2.5	-2.2	-1.9	-1.5	-5.3	-4.4
Merger 3L System	-	-	-1.8	-	-3.0	-	-4.8	-
Depreciation for the year	-0.2	-0.2	-0.5	-0.3	-0.4	-0.4	-1.0	-0.9
<b>Closing depreciation</b>	<b>-1.1</b>	<b>-0.9</b>	<b>-4.8</b>	<b>-2.5</b>	<b>-5.2</b>	<b>-1.9</b>	<b>-11.1</b>	<b>-5.3</b>
<b>Carrying amount</b>	<b>8.2</b>	<b>8.4</b>	<b>1.7</b>	<b>0.8</b>	<b>1.8</b>	<b>2.1</b>	<b>11.7</b>	<b>11.3</b>

\* Equipment, fixtures and fittings includes computers.

### FINANCIAL FIXED ASSETS (SEK MILLION)

<b>Participations in subsidiaries</b>	<b>2019</b>	<b>2018</b>
Opening cost	1,180.4	972.5
Acquisitions for the year	349.8	214.1
Adjustments to purchase consideration	-	-6.2
Capital contribution paid	3.1	-
	<b>1,533.2</b>	<b>1,180.4</b>
<b>Other financial fixed assets</b>		
Deferred tax assets	2.1	2.9
Other financial receivables	-	5.7
<b>Carrying amount</b>	<b>1,535.4</b>	<b>1,189.0</b>

### NOTE 8C INVENTORIES

Inventories comprises goods for resale and exist to an immaterial extent. The value as of December 31, 2019, was SEK 3,781,000 (5,302,000).

**NOTE 8D PREPAID EXPENSES AND ACCRUED INCOME**

	Group		Parent Company	
	DEC 31, 2019	DEC 31, 2018	DEC 31, 2019	DEC 31, 2018
Deferred income	16,905	2,217	-	-
Prepaid rent	4,549	5,571	2,418	2,203
Other prepaid expenses	17,110	18,914	1,590	2,142
<b>Total</b>	<b>38,564</b>	<b>26,701</b>	<b>4,008</b>	<b>4,345</b>

**NOTE 8E ACCRUED EXPENSES AND PREPAID INCOME**

	Group		Parent Company	
	DEC 31, 2019	DEC 31, 2018	DEC 31, 2019	DEC 31, 2018
Accrued salaries	51,505	40,548	3,039	2,894
Accrued special payroll tax	5,002	5,116	1,249	895
Prepaid income	144,552	135,805	-	-
Social Security expenses	16,668	16,857	955	909
Other accrued expenses	13,267	14,613	661	884
<b>Total</b>	<b>230,994</b>	<b>212,939</b>	<b>5,904</b>	<b>5,582</b>

Accrued salaries and other accrued expenses are classified as financial liabilities.



*Client, Juuso Pitkänen, Emilia Talvio and  
Tajja Haapala, Tampere*

## NOTE 9 FINANCIAL ASSETS AND LIABILITIES

	Note	Financial assets measured at amortized cost		Financial liabilities measured at fair value in the income statement		Other financial liabilities measured at amortized cost	
		2019	2018	2019	2018	2019	2018
<b>Financial assets, Group</b>							
Accounts receivable	9A	197,378	201,297	-	-	-	-
Other receivables	-	8,211	6,346	-	-	-	-
Cash and cash equivalents	9B	16,658	235,302	-	-	-	-
<b>Financial liabilities, Group</b>							
Convertible debentures (non-current)	9D	-	-	-	-	51,686	39,828
Liabilities to credit institutions (non-current)	9E	-	-	-	-	415,721	463,805
Liabilities to credit institutions (current)	9E	-	-	-	-	3,026	5,620
Liabilities for finance lease (non-current)		-	-	-	-	55,822	169
Liabilities for finance lease (current)		-	-	-	-	30,847	1,878
Other liabilities (non-current)	9E, 10A	-	-	41,127	-	3,555	876
Other liabilities (current)	9C, 9E, 10A	-	-	5,217	9,632	-	744
Accounts payable	-	-	-	-	-	34,758	39,910
Accrued expenses	8E	-	-	-	-	64,772	55,161
		<b>222,247</b>	<b>442,945</b>	<b>46,344</b>	<b>9,632</b>	<b>660,187</b>	<b>607,991</b>

### Financial assets

The Group's financial assets comprise accounts receivable, other receivables, and cash and cash equivalents. Other receivables comprise tax accounts, current receivables for employees and other current receivables.

### Financial liabilities

Financial liabilities comprise convertible debentures, liabilities to credit institutions, other liabilities, accounts payable and components of accrued expenses.

Other liabilities comprise supplementary purchase considerations from acquisitions, finance lease and non-current vacation pay liability. Accounts payable are unsecured and are normally paid within 30 days. The fair value of accounts payable and other liabilities are deemed to correspond their carrying amount, since by nature, they are current. Financial accrued expenses comprise accrued salaries and other accrued expenses.

### Recognition of financial assets and liabilities

A financial asset or financial liability is recognized in the statement of financial position when the company becomes a contracting party in accordance with the instrument's contractual conditions. A receivable is recognized when the company has performed and a contractual obligation exists for the counterparty to pay, even if an invoice has not yet been sent. Accounts receivable are recognized in the statement of financial position when an invoice has been sent. A liability is recognized when the counterparty has performed and a contractual obligation exists for the company to pay, even if an invoice has not yet been received. Accounts

payable are recognized when an invoice has been received. A financial asset is derecognized from the statement of financial position when the contractual rights are realized, expire or the company loses control of them. The same applies to a portion of a financial asset. A financial liability is derecognized from the statement of financial position when the contractual obligation is met or terminated in another manner. The same applies to portions of a financial liability.

### Classification and measurement

In accordance with IFRS 9, a company must either classify financial assets at their amortized cost, at fair value through comprehensive income, or at fair value through profit or loss, on the basis of both:

- The company's business model of administering financial assets.
- The nature of contractual cash flows from the financial asset.

Our financial assets comprise accounts receivable, other receivables, and cash and cash equivalents. These are measured at amortized cost. We have no financial assets measured at fair value.

In accordance with IFRS 9, a company must classify financial liabilities at their amortized cost, with the exception of contingent considerations, which are to be classified at fair value.

Of our financial liabilities, accounts payable, accrued expenses and loan liabilities are classified as amortized costs. Supplementary purchase consideration from acquisitions is classified at fair value.

## NOTE 9A ACCOUNTS RECEIVABLE

Accounts receivable are amounts attributable to customers and pertain to sold goods or services rendered under operating activities. Accounts receivable are generally due for payment within 30 days and therefore, all accounts receivable are classified as current assets. Accounts receivable are initially recognized at the transaction price. The Group has accounts receivable with the aim of collecting contractual cash flows and therefore measures them at subsequent reporting points as amortized costs, applying the effective-interest method.

Accounts receivable are recognized at the amount expected to be received, after deductions for doubtful accounts receivable. We apply the simplified method for calculating anticipated credit losses. The method entails using anticipated losses for the entire term of the receivable as a basis for accounts receivable and accrued income from contracts with customers. To calculate anticipated credit losses, accounts receivable are grouped together based on their credit-risk characteristics and their number of days overdue. Accrued income from contracts with customers are attributable to

yet-to-be invoiced services that have, in all material respects, the same risk characteristics as already-invoiced services rendered for similar contracts. Consequently, we consider the loss levels of accounts receivable to be a reasonable estimate of the loss levels of assets. Accounts receivable are written off when there are no reasonable expectations of repayment. Indicators that there are no reasonable expectations of repayment include the debtor's failure to adhere to the repayment schedule or when contractual payments are more than 90 days past due.

Credit losses on accounts receivable are recognized as credit losses – net, under operating profit/loss. Recovery of previously written off amounts are recognized in the same line, in profit or loss.

The Group's accounts receivable as of December 31, 2019, totaled SEK 197,378,000. Provision for doubtful accounts receivable totaled SEK 1,862,000 (1,014,000). The Group's realized bad-debt losses in 2019 totaled SEK 524,000 (743,000).

### MATURITY ANALYSIS PERTAINING TO PROVISIONS ON DOUBTFUL RECEIVABLES

	2019	2018
Overdue less than 3 months	36	238
Overdue 3 to 6 months	342	166
Overdue more than 6 months	1,484	610
	<b>1,862</b>	<b>1,014</b>

### MATURITY ANALYSIS PERTAINING TO PAST-DUE ACCOUNTS RECEIVABLE WITH NO PROVISIONS

	2019	2018
Overdue less than 3 months	11,868	14,263
Overdue 3 to 6 months	1,114	279
Overdue more than 6 months	268	102
	<b>13,250</b>	<b>14,644</b>

### OPENING BALANCE – CLOSING BALANCE: ANALYSIS OF ANTICIPATED BAD-DEBT LOSSES

	2019	2018
Opening balance anticipated bad-debt losses	1,014	669
Increase in anticipated bad-debt losses	949	588
Bad-debt losses written off during the year	-101	-243
Closing balance anticipated bad-debt losses	<b>1,862</b>	<b>1,014</b>

## NOTE 9B CASH AND CASH EQUIVALENTS

The Parent Company's and the Group's cash and cash equivalents include the Group's holdings of Group accounts and other bank accounts, including currency accounts and funds en route. Cash and bank equivalents are measured at amortized cost. Although the Group's cash and cash equivalents are exposed to risks of currency fluctuations, they can always easily be converted to a known amount of cash on hand.

The Group's cash and cash equivalents totaled SEK 16,658,000, comprising bank balances. The Group has a Group currency account. Last year, there were current investments, SEK 46,000, which were divested in 2019. Current investments are classified in the same manner as cash and cash equivalents, since they exist only to an immaterial extent.

## NOTE 9C 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 liabilities to be in proximity to the recognized carrying amount in the annual accounts.

Under the standard, financial assets and liabilities measured at fair value are divided into three levels:

- Level 1: The fair value of financial instruments is traded in an active market.
- Level 2: The fair value of financial assets is not traded in an active market, but is determined using valuation techniques based on market data.
- Level 3: Cases where one or more significant inputs are not based on observable market data.

All of the company's financial instruments that are subject to measurement at fair value are classified as level 3. Changes for the year with respect to financial instruments at level 3 mainly pertained to received supplementary purchase considerations for acquisitions. Supplementary contingent considerations are measured at fair value based on available data, such as contractual terms and conditions, and actual assessments of the anticipated fulfillment of these terms and conditions. For the calculation of fair value, an allocated interest of 2.73% was applied. Since the difference between fair value and book value is marginal, no restatement has been made.

The table below shows the differences between fair value and book value is marginal.

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

SEK 000s	Level 1	Level 2	Level 3	Book value
Supplementary purchase consideration, M&V Software Oy			10,105	10,451
Supplementary purchase consideration, WIMS 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>

### RECURRING MEASUREMENTS AT FAIR VALUE AS OF DECEMBER 31, 2018

SEK 000s	Level 1	Level 2	Level 3	Book value
Supplementary purchase consideration, Cito IT A/S			9,632	9,632
<b>Total</b>	-	-	<b>9,632</b>	<b>9,632</b>

## NOTE 9D CONVERTIBLE DEBENTURES

Convertible debentures are recognized partly as financial liabilities and partly as shareholders' equity. Their specific allocation is based on a measurement made in conjunction with their issue. Interest expenses are distributed over the term of the loan.

The initial fair value of the convertible debenture's liability portion is calculated using market interest-rates at the date of issue applicable to an equivalent non-convertible debenture. Following the first recognition occasion, its liability portion is recognized as amortized cost until it is converted or matures. The remaining portion of the funds is recognized net after tax under shareholders' equity, and is not remeasured.

### **Bond 1801 (Convertible Employee Program), non-current liability**

In December 2017, the Parent Company issued 2,083 convertible debentures valued at SEK 10,000 each, at a nominal value of SEK 20,830,000. The estimated value of the stock option portion of the convertible bond is SEK 1,178,000. The stock-option portion is recognized as shareholders' equity in accordance with IAS 32. The remainder of the bond, including interest (SEK 1,090,000) is recognized as a non-current liability. The duration of the loan is from January 1, 2018 to December 31, 2020, at an interest rate of Stibor 180. 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 of Bond 1801 Convertible Employee Program would entail a dilution of approximately 0.7% of the capital

and 0.3% of the votes. The shares were issued on market terms. Consequently, our assessment is that there are no benefits for participants of the convertible program. The convertible program was registered with the Swedish Companies Registration Office on January 27, 2018.

To determine the value of the stock options, the bond amount is discounted to the interest it carries with the respective market interest rate. The value of the stock option comprises the difference between the two estimates. The interest rate at the date of issue is used.

### **Loan 1906 (convertible, acquisition of Odin Systemer AS) non-current liability**

In conjunction with the acquisition of Odin Systemer AS in June 2019, the Parent Company issued 3,256 convertible debentures valued at SEK 10,000 each, at a nominal value of SEK 32,560,000. The estimated value of the stock option portion of the convertible bond is SEK 2,448,000. The stock-option portion is recognized as shareholders' equity in accordance with IAS 32. The remainder of the bond, including interest (SEK 832,000) is recognized as a non-current liability. The duration of the loan is from June 12, 2019 to June 30, 2022, with an interest rate of Stibor 180. 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 of loan 1906 convertible Odin Systemer AS would entail a dilution of approximately 0.8% of capital and 0.4% of votes. The shares were issued on market terms.

Convertible debentures are recognized in the balance sheet as follows:

Nominal value of convertible debenture	53,390
Equity portion	-3,627
<b>Total</b>	<b>49,763</b>

Interest expenses*	1,923
<b>Liability portion</b>	<b>51,686</b>

\*Interest expense is calculated by multiplying the estimated market interest rate (2.74%) with the liability portion.

## NOTE 9E CURRENT AND NON-CURRENT LIABILITIES

	Group		Parent Company	
	2019	2018	2019	2018
<b>Non-current interest-bearing liabilities</b>				
Liabilities to credit institutions	415,738	463,805	415,738	463,709
Convertible debentures	51,686	39,828	51,686	39,828
<b>Total non-current interest-bearing liabilities</b>	<b>467,424</b>	<b>503,633</b>	<b>467,424</b>	<b>503,537</b>
<b>Non-current non-interest-bearing liabilities</b>				
Other liabilities	131,334	1,045	41,110	-
<b>Total non-interest-bearing liabilities</b>	<b>131,334</b>	<b>1,045</b>	<b>41,110</b>	<b>-</b>
<b>Total non-current liabilities</b>	<b>598,758</b>	<b>504,678</b>	<b>508,534</b>	<b>503,537</b>
<b>Current interest-bearing liabilities</b>				
Overdraft facility, limit SEK 120,000,000	-	-	6,006	-
Liabilities to credit institutions	3,026	5,620	3,032	5,620
<b>Total current interest-bearing liabilities</b>	<b>3,026</b>	<b>5,620</b>	<b>9,038</b>	<b>5,620</b>
<b>Total interest-bearing liabilities</b>	<b>470,450</b>	<b>509,253</b>	<b>476,462</b>	<b>509,157</b>
<b>Current non-interest-bearing liabilities</b>				
Accounts payable	34,758	39,910	5,666	5,462
Other liabilities	5,217	12,254	5,217	10,632
Accrued expenses	63,152	55,161	3,700	3,778
<b>Total current non-interest-bearing liabilities</b>	<b>103,127</b>	<b>107,325</b>	<b>14,583</b>	<b>19,872</b>
<b>Total financial liabilities</b>	<b>704,911</b>	<b>617,623</b>	<b>532,155</b>	<b>529,029</b>

### Fair value of external borrowings

The recognized value of all of the Group's borrowings correspond to their fair value, since the interest on the borrowings is on par with actual market interest rates.

### Hedging of net investments in foreign operations

The Group has raised loans in foreign currencies (EUR, NOK and DKK) as hedge for investments in foreign subsidiaries. The loans are measured using the rate on the balance-sheet date. The Group's exchange-rate differences are recognized

after adjusting for the tax portion directly in shareholders' equity. Any inefficient portions of the exchange rate are recognized as a financial item directly in profit and loss. Loans in foreign currencies identified as hedges on net investments totaled SEK 399,518,000. Exchange-rate losses from the restatement of borrowings in SEK totaled SEK 1,072,000 at the close of the reporting period and were recognized under "Other comprehensive income" after deduction for deferred tax.

## NOTE 10 LEASING

IFRS 16 Leases is effective from January 1, 2019. We apply the new standard by using the modified retrospective approach, for which reason comparative data are not restated. Reclassifications and adjustments arising from the new lease rules are therefore recognized in the opening balance as of January 1, 2019.

On adoption of IFRS 16, lease liabilities attributable to lease agreements previously classified as operating leases

are recognized in accordance with the rules in IAS 17 Leases. These liabilities have been measured at the present value of the lease payments that are not paid at that date. In the calculation, the lessee's incremental borrowing rate was used as of January 1, 2019. The lessee's weighted average incremental borrowing rate applied for these lease liabilities as of January 1, 2019, was 2.64%.

### VALUATION OF LEASE LIABILITY

	<b>2019</b>
Assumptions for operating leases as of December 31, 2018	66,679
Discount with lessee's incremental borrowing rate at transition	-2,756
Plus: liabilities for finance leases as of December 31, 2018	2,048
Plus/less: lease reclassified as finance lease	-1,088
<b>Lease liability recognized as of January 1, 2019</b>	<b>64,883</b>
Of which:	
Current lease liabilities	25,988
Long-term lease liabilities	38,895
	<b>64,883</b>

Right-of-use assets for leases of properties have been measured retrospectively, as though the new rules had always been applied.

### Adjustments recognized in the balance sheet January 1, 2019

The change in accounting policy affected the following items in the balance sheet as of 1 January, 2019:

- Property, plant and equipment – increase of SEK 62,835,000.
- Lease liabilities – increase of SEK 62,835,000.

The net impact on retained earnings on January 1, 2019, was a decrease of SEK 66,000.

### Lease activities and how these are accounted for

The leases are related to offices, server rooms, equipment and vehicles. Assets and liabilities arising from lease agree-

ments are initially recognized at their present value. Lease liabilities include the present value of fixed payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Lease payments are discounted with the lessee's incremental borrowing rate. The incremental borrowing rate is calculated based on the average interest rate for outstanding bank loans. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss to produce a constant rate of interest for the period. The lease is measured at cost and includes the amount of the initial measurement of the lease liability. All agreements are extendable. Agreements for premises comprise index clauses. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

**LEASE AGREEMENTS**

The following amounts related to lease agreements are recognized in the balance sheet:

	2019	JAN 1, 2019*
<b>Assets with right-to-use, property, plant and equipment</b>		
Properties	85,515	62,835
Equipment	-	1,622
Vehicles	478	1,013
	<b>85,993</b>	<b>65,470</b>
<b>Lease liabilities</b>		
Current liabilities	31,329	25,988
Non-current liabilities	55,822	38,895
	<b>87,151</b>	<b>64,883</b>

\* In the previous year, the group only recognized lease assets and lease liabilities in relation to lease agreements that were classified as "finance leases" under IAS 17 Leases. The assets were presented in property, plant and equipment and liabilities as part of the group's borrowings. For adjustments recognized on adoption of IFRS 16 on 1 January 2019, please see the valuation above.

Additions to the right-of-use assets relating to leases in 2019 amounted to SEK 50,860,000. The increase of SEK 9,416,000 is attributable to the acquisitions during the year; in addition, two offices moved, which entailed additional right-of-use assets totaling SEK 41,445,000.

	2019	2018
<b>Depreciation of right-of-use assets</b>		
Properties	-33,266	
Equipment	-1,702	-1,692
Vehicles	-417	-982
	<b>-35,385</b>	<b>-2,674</b>
Interest expenses (included in financial expenses)	<b>-2,954</b>	<b>-171</b>

Total cash flow for lease agreements in 2019 was SEK 37,309,000.

## NOTE 11 FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

Our finance policy for managing financial risks is based on earnings generated by operating companies and not by investments in financial instruments. Only low-risk investments are permitted. Financing operations are tasked with supporting operating companies, as well as identifying and limiting financial risks in the best manner possible. Financing operations are pursued by the Parent Company. Centralization and coordination enable economies of scale for with respect to the terms and conditions obtained for financial transactions and financing. The financial risks are managed in accordance with the finance policy adopted by the Board of Directors.

### Liquidity and financial risks

Cash and cash equivalents as of December 31, 2019, amounted to SEK 16.7 million. In addition to cash and cash equivalents, Vitec had overdraft facilities of SEK 120 million and SEK 100.5 million in an acquisition loan credit. Vitec's finance policy has guidelines on how the Group's liquidity should be managed. We strive to achieve a low-risk profile, which entails investing in Swedish banks licensed by the Financial Supervisory Authority to pursue banking operations, or foreign banks with corresponding licenses. Investments in securities are to take the form of treasury bills, money-market funds or K1-rated interest-bearing securities. Liquidity shall not fall below two months of salary payments, and the investments are to have the possibility of liquidation within one month.

Vitec has historically financed and intends to continue financing acquisitions partially by raising loans from credit institutions. Loan agreements may contain terms and conditions with restrictions on Vitec (known as covenants). There

is currently one such agreement with our bank. As of December 31, all covenants were fulfilled in their entirety. Lending entails certain risks for our shareholders. For example, in the event of a radical change of circumstances in our markets, Vitec could have problems signing for new credit facilities and thereby be required to use a greater portion of its cash flow for interest payments and amortization. This could have an adverse impact on Vitec.

### Capital management

#### Risk management

Our objectives when managing the capital structure are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure as a means of reducing the cost of capital. Like other companies in the industry, the Group monitors capital on the basis of the debt/equity ratio. This key metric is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "Current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total equity is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

Although Vitec does not utilize any absolute measurements for the debt/equity ratio, the Group's guidelines stipulate that indebtedness, except for shorter periods, must not exceed what additional financing can bring to enable a rapid response to any investment opportunities that arise.

The debt/equity ratio as of December 31, 2019 and 2018 was as follows:

#### DEBT/EQUITY RATIO, SEK MILLION

	DEC 31, 2019	DEC 31, 2018
Total borrowings	470	509
Less cash and cash equivalents	-17	-235
Net debt	454	274
Total equity	759	670
Total capital	1,213	944
Debt/Equity ratio, %*	37	29

\*Debt/equity ratio in the multi-year summary of the administration report is calculated differently; refer to Definitions of key indicators on page. 114.

#### DIVIDENDS

	2019	2018
Dividends paid totaled SEK 1.20 per share (1.10)	38,807	32,823
<b>Total dividends expensed or paid</b>	<b>38,807</b>	<b>32,823</b>
For the 2019 financial year, the Board of Directors has proposed a dividend of SEK 1.35 per share (1.2). The total amount of the proposed dividend was not recognized as a liability as of December 31, 2019, but is expected to be settled with retained earnings in June 2020.	43,974	38,807
	<b>43,974</b>	<b>38,807</b>

### Credit risk

Accounts receivable are associated with a certain amount of credit risk. Our business model frequently entails advance

payments and credit controls. We have no significant concentrations of credit risks among our accounts receivable. In cases where our customers are unable to pay their invoices

on time, or at all, we face the risk of impact by credit losses. It cannot be guaranteed that future credit losses will not increase, which would adversely impact our operations, financial position and earnings. The maximum exposure to credit risk corresponds to the Group's carrying amount for accounts receivable, which totaled SEK 197.4 million as of December 31, 2019, after provisions for estimated losses. For further information about accounts receivable, refer to Note 9. The Parent Company did not have any external credit risks at the close of the year.

### Currency risks

Currency risks can be divided into transaction exposure and translation risk. Through its ownership of foreign subsidiaries in Norway, Denmark and Finland, as well as transactions through Vitec Energy AB, Vitec's operations entail a certain amount of sales transactions in different currencies and thereby, transaction exposure, mainly to Norwegian crowns (NKK), Danish crowns (DKK) and Euros (EUR). The Group did not utilize any currency hedging in 2019.

Translation risk arises upon restatement of our subsidiaries' income statements and balance sheets into SEK from other currencies. Since our subsidiaries report in local currency, the Group is exposed to exchange-rate fluctuations upon consolidation of these companies. Acquisition of foreign subsidiaries is funded through loans in local currency to

reduce translation exposure.

The following exchange rates were used when translating the currencies of balance-sheet items on the balance-sheet date, Tuesday, December 31, 2019:

NOK	1.0578
DKK	1.3967
EUR	10.4336

A change of 5% in foreign-currency rates in 2019 would impact profit/loss for the year and shareholders' equity by approximately SEK 4.4 million, distributed as: NOK SEK 1.4 million, DKK SEK 0.9 million and EUR SEK 2.1 million.

### Interest-rate risk

Our interest-rate risk of interest-bearing assets is regulated by investing cash and cash equivalents to allow for the dates of maturity of fixed-interest terms and other investments to match known outflows and/or the amortization of debts. Long-term financing is secured through loans from banks and financing institutions, as well as convertibles. Interest rates for loans from banks and financing institutions are floating, while interest rates for convertibles are normally fixed for intervals of 180 days or, in exceptional cases, fixed for the entire term. A change of 1% in the existing loan portfolio would impact profit/loss for the year and shareholders' equity by approximately SEK 4.1 million.

## ANALYSIS OF MATURITIES

	Group		Parent Company	
	2019	2018	2019	2018
<b>Current and non-current interest-bearing liabilities, excluding convertible debentures (Capital amounts)</b>				
Less than 1 year after balance-sheet date	3,026	5,620	9,038	5,620
More than 1 but less than 3 years after balance-sheet date	411,130	458,025	411,129	457,929
More than 3 but less than 5 years after balance-sheet date	560	1,451	560	1,451
More than 5 years after the balance-sheet date	4,049	4,329	4,049	4,329
<b>Convertible debentures (Capital amounts)*</b>				
Convertibles less than 1 year after balance-sheet date	-	-	-	-
Convertibles more than 1 year but less than 3 years after balance-sheet date	51,686	39,828	51,686	39,828
<b>Interest **</b>				
Less than 1 year after balance-sheet date	12,541	12,924	12,539	12,922
More than 1 but less than 3 years after balance-sheet date	10,513	24,376	10,513	24,376
More than 3 but less than 5 years after balance-sheet date	154	132	154	132
More than 5 years after the balance-sheet date	539	462	539	462
<b>Non-interest-bearing liabilities</b>				
Less than 1 year after balance-sheet date	36,064	12,254	5,217	10,632
More than 1 but less than 3 years after balance-sheet date	84,414	1,045	41,110	-
More than 3 but less than 5 years after balance-sheet date	12,518	-	-	-
More than 5 years after the balance-sheet date	3,555	-	-	-
<b>Total capital and interest</b>				
Less than 1 year after balance-sheet date	51,631	30,798	26,794	29,174
More than 1 but less than 3 years after balance-sheet date	557,743	523,273	514,438	522,132
More than 3 but less than 5 years after balance-sheet date	13,232	1,583	714	1,583
More than 5 years after the balance-sheet date	8,143	4,790	4,588	4,790

\*The above assumptions on capital amounts are based on no conversions occurring.

\*\*The above assumptions on interest payments are based on an average interest rate of 2.09% (2.64).

\*\*\*This includes interest on unutilized portions of the acquisition loan facility. Capital amount SEK 100.5 million, interest 0.69%.

## NOTE 12 SHAREHOLDERS' EQUITY

Registered share capital on December 31, 2019, totaled SEK 3,257,323 and comprised 3,350,000 class A shares (33,500,000 votes) and 29,223,216 class B shares (29,223,216 votes). During the financial year, dividends of

SEK 1.20 per share were paid, totaling SEK 38,806,680. The proposed but as-yet-unresolved dividend amounts to SEK 1.35 per share, totaling SEK 43,973,842. Dividends are recognized as a liability once the AGM approves the dividend.

### SHARE TYPES

	DEC 31, 2019	DEC 31, 2018
<b>Shares at Jan 1</b>		
Class A shares	3,350,000	3,350,000
Class B shares	28,988,900	26,488,900
<b>Total shares at Jan 1</b>	<b>32,338,900</b>	<b>29,838,900</b>
New issue of class B shares	-	2,500,000
Conversion of class B share debentures	234,316	-
<b>Shares at year-end</b>	<b>32,573,216</b>	<b>32,338,900</b>
<b>Shares at year-end</b>		
	<b>DEC 31, 2019</b>	<b>DEC 31, 2018</b>
Class A shares	3,350,000	3,350,000
Class B shares	29,223,216	28,988,900
<b>Total shares at year-end</b>	<b>32,573,216</b>	<b>32,338,900</b>

The administration of shareholders' equity is aimed at ensuring our financial stability, managing financial risks and securing the Group's short- and long-term requirements on share capital. We will not, except for short periods, have higher borrowings than what can be raised through additional financing. The Group's capital structure is managed and adjusted according to changes in financial conditions. The Group monitors its capital deployment using various key metrics, such as net indebtedness, return on capital employed

and equity/assets ratios. Our policy on dividends stipulates that the company shall strive to distribute a minimum of one-third of net profit after tax as dividends annually. However, when assessing the scope, the company's financing requirements, capital structure and general financial position must always be taken into consideration. We encourage employees to become shareholders by issuing convertible debentures. Refer to the administration report for further detail.

## NOTE 13 CASH FLOW

### CHANGE IN LIABILITIES FOR FINANCING ACTIVITIES, GROUP

	Long-term liabilities to credit institutions		Short-term liabilities to credit institutions		Convertible debentures	
	2019	2018	2019	2018	2019	2018
<b>OPENING BALANCE</b>	<b>463,805</b>	<b>336,129</b>	<b>5,620</b>	<b>31,180</b>	<b>39,828</b>	<b>38,789</b>
Cash flow	-88,526	91,905	-	-	-	-
Change in non-cash items						
Exchange-rate fluctuations	564	10,211	-	-	-	-
Finance leases	37,309	-	-	-	-	-
Acquisition financing	-	-	-	-	30,112	-
Conversion	-	-	-	-	-20,026	-
Other	-1	-	-6	-	1,772	1,039
Reclassifications long-/short-term	2,588	25,560	-2,588	-25,560	-	-
<b>CLOSING BALANCE</b>	<b>415,738</b>	<b>463,805</b>	<b>3,026</b>	<b>5,620</b>	<b>51,686</b>	<b>39,828</b>

## CHANGE IN LIABILITIES FOR FINANCING ACTIVITIES, PARENT COMPANY

	Long-term liabilities to credit institutions		Short-term liabilities to credit institutions		Convertible debentures	
	2019	2018	2019	2018	2019	2018
<b>OPENING BALANCE</b>	<b>463,709</b>	<b>335,822</b>	<b>5,620</b>	<b>31,180</b>	<b>39,828</b>	<b>38,789</b>
Cash flow	-51,121	92,116	-	-	-	-
Change in non-cash items						
Exchange-rate fluctuations	564	10,211	-	-	-	-
Acquisition financing	-	-	-	-	30,112	-
Conversion	-	-	-	-	-20,026	-
Other	-	-	-	-	1,772	1,039
Reclassifications long-/short-term	2,588	25,560	-2,588	-25,560	-	-
<b>CLOSING BALANCE</b>	<b>415,738</b>	<b>463,709</b>	<b>3,032</b>	<b>5,620</b>	<b>51,686</b>	<b>39,828</b>

## NOT 14 PARENT COMPANY

**Parent Company accounting policies**

The Parent Company adheres to the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation, RFR 2, Accounting for Legal Entities. The application of RFR 2 entails that the Parent company apply the same accounting policies as the Group to the extent that this is possible, within the framework of the Annual Accounts Act, the Swedish Pension Obligations Vesting Act and taking into account the correlation between accounting and taxation.

No amendments were made to the Parent Company's accounting policies. The differences between the Parent Company's and the Group's accounting policies are presented below.

- The Parent Company submits an income statement. The Group submits a statement of comprehensive income. For the Parent Company, the designations "balance sheet" and "cashflow statement" are used for the statements that in the Group are designated "statement of financial position" and "cash-flow statement," respectively. The income statement and balance sheet for the Parent Company are prepared according to the stipulations of the Annual Accounts Act, while the statement of comprehensive income, statement of changes in equity and cashflow statement

are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows, respectively. The differences in relation to the consolidated statements that become apparent in the Parent Company's income statement and balance sheets pertain primarily to recognition of equity, as well as the presence of provisions as a separate heading in the balance sheet.

- Participations in subsidiaries are recognized in the Parent Company financial statements in accordance with the cost method, while the value of contingent considerations is based on the probability that the consideration will be paid. Conditional purchase considerations are recognized in the consolidated financial statements at fair value, with changes in value recognized in profit or loss. The Parent Company's financial statements include transaction fees in its carrying amounts, which is not the case for the Group.
- Untaxed reserves including deferred tax are recognized in the Parent Company. Untaxed reserves are separated into deferred tax and shareholders' equity in the Group.
- Anticipated dividends from subsidiaries are recognized in cases where the Parent Company alone is entitled to decide on the size of the dividend.

**NOTE 14A INTRA-GROUP REVENUES AND EXPENSES**

The Parent Company's net sales included invoices to Group companies at a rate of 100% (100), and essentially comprised invoicing for services pertaining to premises, data communications and telephony, financial reporting, HR and manage-

ment/operations development.

The Parent Company's expenses include invoicing from Group companies at a rate of 2% (0).

**NOTE 14B ANTICIPATED DIVIDENDS**

The Parent Company has recognized a receivable pertaining to anticipated dividends from subsidiaries. This totaled SEK 131.3 million and was distributed as follows: Vitec Capitex AB SEK 2.9 million, Vitec Energy AB SEK 2.3 million, Vitec Mäklarsystem AB SEK 4.1 million, Vitec Förvaltningssystem AB SEK 7.4 million, Vitec Autodata AS SEK 7.4 million, Vitec

Infoeasy AS SEK 2.1 million, Vitec Agrando AS SEK 3.2 million, Vitec Megler AS SEK 10.6 million, Vitec Nice AS SEK 1.1 million, Vitec Plania AS SEK 5.8 million, Vitec Datamann A/S SEK 7.4 million, Vitec Cito A/S SEK 22.7 million, AcuVitec Oy SEK 6.7 million, Vitec Futursoft Oy SEK 31.8 million and Vitec Tietomitta Oy SEK 15.9 million.

## NOTE 14C APPROPRIATIONS

	2019	2018
Differences between book depreciation and depreciation according to plan	406	-19
Group contributions received	40,100	28,500
<b>Total</b>	<b>40,506</b>	<b>28,481</b>

## NOTE 14D UNTAXED RESERVES

	DEC 31, 2019	DEC 31, 2018
Differences between book depreciation and depreciation according to plan	2,042	2,448
<b>Total</b>	<b>2,042</b>	<b>2,448</b>

## NOTE 14E DEFERRED TAX

Deferred tax 21.4% (21.4) within the Parent Company's untaxed reserves totaled SEK 437,000 (524,000).

## NOTE 15 MISCELLANEOUS INFORMATION

### NOTE 15A EARNINGS PER SHARE

Profit after tax was SEK 3.16 million (3.23). Earnings per share after dilution amounted to SEK 3.18 (3.22). Financial instruments that could yield future dilutive effects comprised

in their entirety convertible debentures, as reported under note 9D.

	DEC 31, 2019	DEC 31, 2018
Earnings per share before dilution	3.16	3.23
Earnings from calculation of earnings per share	102,166	96,920
Weighted average number of shares	32,372,267	30,058,078
Earnings per share after dilution	3.18	3.22
Earnings from calculation of earnings per share after dilution	103,938	97,959
Average number of shares after dilution	32,717,425	30,436,771

### NOTE 15B PLEDGED ASSETS, GROUP AND PARENT COMPANY

#### Contingent liabilities

A contingent liability is recognized when there is a possible obligation originating from past events whose occurrence is only confirmed by one or more uncertain future events not entirely within the company's control, that may or may not occur, or when there is an obligation originating from

past events that is not recognized as a liability or a provision because it is not likely that an outflow of resources will be required to settle the obligation, or the scope of the obligation cannot be calculated with sufficient accuracy.

Vitec has no contingent liabilities.

#### PLEDGED ASSETS FOR OWN LIABILITIES AND PROVISIONS

	Group		Parent Company	
	DEC 31, 2019	DEC 31, 2018	DEC 31, 2019	DEC 31, 2018
Chattel mortgages	39,000	39,000	39,000	39,000
Shares in subsidiaries	759,451	764,118	609,565	609,565
<b>Total</b>	<b>798,451</b>	<b>803,118</b>	<b>648,565</b>	<b>648,565</b>

## NOTE 15C RELATED-PARTY TRANSACTIONS

There are no outstanding loans, guarantees or surety bonds from Vitec on behalf of Board members, senior executives or auditors at Vitec. No Board member, senior executive or auditor at Vitec has had any direct or indirect involvement in any business transaction with Vitec that is, or was, unusual in nature, or unusual with regard to terms and conditions. The following related-party transactions were reported.

- Senior executives are included under programs comprising convertible debentures that are subscribed for on market-based terms and conditions. The following senior

executives participated in the ongoing convertibles program 1801: Patrik Fransson, SEK 250,000 and Lars Eriksson, SEK 250,000.

- All of our Swedish Group companies rent premises from the Parent Company through customary rental agreements. All of the companies that rent premises from the Parent Company are wholly owned by Vitec. In addition to costs for premises, the Parent Company invoices for intra-Group services rendered.

## NOTE 16 EVENTS AFTER THE BALANCE-SHEET DATE

### *January 20: Gert Gustafsson was appointed to serve as the new COO for Vitec*

On January 20, Vitec appointed Gert Gustafsson to serve as the new COO. He was most recently Vice President of Operations (VPO), for 7 of a total of 23 business units within the Group and has been employed since 2017. His new position begins on March 1, 2020, and he will take over after Lars Eriksson, who has chosen to retire after nine years at Vitec.

### *January 30: Vitec acquires Visiolink*

On January 30, Vitec strengthened its Nordic position in Vertical Market Software once again by acquiring all shares and voting rights in the Danish software company Visiolink Management Aps with subsidiaries, which together have around 200 customers all over Europe.

Visiolink offers a publishing system for digital versions of print media, such as daily newspapers, and targets media companies. Visiolink currently has about 200 customers in 9 European countries, where the Nordic countries account for a large portion of sales. The Visiolink Group reported sales of SEK 62.4 million in 2019, with an adjusted EBITDA of SEK 14.9 million. Payment is in cash and with a convertible, with deviation from shareholders' preferential rights in accordance with the authorization from the Annual General Meeting on April 10, 2019. The convertible matures in 36 months and at full conversion will have a dilutive effect on share capital of 0.2%. The acquisition is expected to yield an immediate increase in earnings per share for Vitec. 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 for a more 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 and complementary expertise requirements, as well as expected synergies, in the form of the joint development of our products.

### *March 17: Vitec acquired the Finnish software company, ALMA Consulting Oy.*

Vitec strengthened its Nordic position in the Vertical Software market on March 17 through the acquisition of all shares in the Finnish software company, ALMA Consulting

Oy. The company reported sales of SEK 31.6 million, with an adjusted EBITDA of SEK 7.9 million for the 2019 financial year.

ALMA Consulting Oy develops and delivers information management software for the processing industry and energy companies in Finland. The products enable companies to streamline and plan their production supporting processes. The company currently has about 100 customers. Payment will be in cash. The acquisition is expected to yield an immediate increase in earnings per share for Vitec. 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 more 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 the joint development of our products.

### *Coronavirus and Covid-19*

On March 11, 2020, the World Health Organization (WHO) declared the coronavirus disease (Covid-19) a pandemic. We have seen that the pandemic has had a severe effect on communities in large parts of Asia, the US, Europe and even the Nordic countries, where most of our operations are located. Not only has the pandemic had major consequences for human health, but the economic impact of the outbreak of the disease is also expected to be substantial.

Our focus is on reducing the risk of spreading the virus and protecting the health of our employees, at the same time that we are working to minimize the impact on our business. At the time of writing, we are working on thorough impact assessments and action plans, for which reason it is still too early to assess the effects.

Because of the current situation, on March 23 the Board of Directors of Vitec Software Group AB (publ) resolved to postpone the company's Annual General Meeting until June 23, 2020. During the period leading up to the Annual General Meeting, the Board of Directors of Vitec will carefully evaluate the situation, after which it will assess the proposal for dividends for 2019. More information will be provided in our upcoming interim reports, which can be found on our website, [vitecsoftware.com](http://vitecsoftware.com).

# Proposed appropriation of profits

## THE FOLLOWING FUNDS AT THE DISPOSAL OF AGM:

Earnings brought forward	206,013,859
Share premium reserve	343,763,290
Profit for the year	133,815,652
	<b>683,592,801</b>

## THE BOARD OF DIRECTORS PROPOSES THAT THESE FUNDS BE DISTRIBUTED AS FOLLOWS:

Dividends of SEK 1.35 per share to shareholders	43,973,842
To be carried forward to the share premium reserve	343,763,290
To be carried forward	295,855,669
	<b>683,592,801</b>

In light of the above and what has generally come to the attention of the Board of Directors, the Board of Directors deems that a comprehensive assessment of the company's and Group's financial position indicates that the dividend is justifiable with respect to the requirements placed by the nature, scope and risks of the business on the size of equity in the company and the Group, as well as the consolidation requirements, liquidity and general financial position of the company and the Group.

The consolidated financial statements and annual accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) referred to in the European Parliament's and Council's directive EC 1606/2002 of July 19, 2002, on the application of the International Financial Reporting Standards and generally accepted accounting

policies, and provides a true and fair view of the Group's and Parent Company's financial position and earnings. The administration report for the Group and the Parent Company provides a true and fair view of the business activities, financial position and results of the Group and the Parent Company, and describes material risks and uncertainties to which the Parent Company and Group companies are exposed. As stated above in Note 1, the Annual Report and the consolidated financial statements were approved for publication by the Board of Directors on Monday, March 30, 2020. The consolidated statement of comprehensive income and the statement of financial position, and the Parent Company income statement and balance sheet, are subject to approval by the AGM on Tuesday, June 23, 2020.

### Umeå, Monday, March 30, 2020

Crister Stjernfelt  
Chairman of the Board

Anna Valtonen  
Board member

Birgitta Johansson-Hedberg  
Board member

Jan Friedman  
Board member

Kaj Sandart  
Board member

Lars Stenlund  
Chief Executive Officer

Our audit report was submitted on Monday, March 30, 2020

PricewaterhouseCoopers AB  
Niklas Renström  
Authorized Public Accountant  
Auditor-in-charge

# Auditor's report

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Vitec Software Group AB (publ) for the year 2019 except for the corporate governance statement on pages 42-50. The annual accounts and consolidated accounts of the company are included on pages 32-107 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 42-50. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet and the consolidated statement of profit and loss and consolidated statement of financial position for the parent company and the group respectively.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Our audit approach

#### Audit scope

Vitec has an expressed growth strategy whereby growth is primarily achieved through the acquisition of mature software companies in the Nordic region. Through these acquisitions, Vitec secures, amongst other things, client relationships and established brands and software specific to certain industries. Company management works on an ongoing basis with the identification and evaluation of appropriate acquisi-

tion targets on the basis of a clearly defined specification of requirements. As at year-end, 31 December 2019, the group was comprised of 34 subsidiaries within 7 segments. Of the subsidiaries, there are seven companies reporting net sales in excess of MSEK 65 and which, in total, represent approximately 65% of the group's net sales. Vitec's business model is based, primarily, on the sale of subscription agreements which are recognized in income on a straight-line basis over the tenor of the agreement, so-called recurring revenues. In 2019, recurring revenues accounted for 79 percent of the group's reported net sales. In addition to five larger subsidiaries, the audit of the consolidated accounts has included, this year, the parent company, Vitec Software Group AB and the larger subsidiaries in Sweden, Norway and Denmark, comprising a significant share of the group's total external sales. In addition, all companies in the Group with external sales are subject to statutory audit that is carried out in connection with the Group audit.

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

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

### Materiality

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

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

### Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
------------------	--

**Business combinations**  
 During the year, Vitec completed five acquisitions in Norway and Finland.  
 For each business combination, company management prepares an acquisition analysis in which the difference between the net assets in the acquired company and the purchase price is allocated to identify intangible assets in the acquired company.  
 The intangible fixed assets in acquired companies are comprised of product rights, client relationships and brands. Any excess value which does not refer to intangible assets is reported as goodwill. In order to determine the value of e identified intangible assets, company management is required to undertake estimations and forecasts regarding the future development of the acquired companies.  
 Customer relationships and product rights are written off, in contrast to goodwill and brands, over their expected lifetimes. An incorrect allocation of the excess value in an acquisition analysis can, consequently, have a major impact on the financial reporting. The business combinations are complex in nature and the reporting of these is dependent on the manner in which the acquisition agreement is formulated, and the reporting involves significant estimations on behalf of management. This is the reason we have deemed that the preparation of the acquisition analyses is a key audit area.  
 As regards the above-stated accounting principles, refer to pages 81-85 and Note 1 in the 2019 annual report.

We have examined and evaluated the purchase price analyses with a special focus on the manner in which company management identify goodwill and other intangible assets, such as brands and product rights. We have undertaken this by, amongst other things, performing the following audit activities:

- Obtaining copies of the acquisition agreements and evaluating the terms of those agreements from an accounting perspective.
- Confirmed the paid purchase price against bank account excerpts.
- Assessed the company's methods and assumptions to identify intangible assets, such as product rights, brands and goodwill, and examined the allocation of the excess values of these items.
- Checked acquisition-related costs against underlying invoices.
- Verified the digressive model for depreciation against historical product lifetimes.
- Based on materiality, we have confirmed that appropriate disclosures regarding the acquisition have been provided in the annual report

**Impairment testing**  
 The group's balance sheet reports acquisition-related excess values and goodwill in a total amount of MSEK 1 114. Goodwill and acquisition-related excess values are equivalent to the difference between the value of net assets and the purchase price paid for the acquisition. In contrast with other fixed assets, there is no write-down of goodwill and brands, rather these items are tested annually for impairment or when there is an indication of an impairment requirement. Other acquisition-related fixed assets are written off over their calculated useful lifetimes. Testing, and thereby the reported values, are dependent on the Board of Directors' and management's assessments and assumptions regarding, amongst other things, growth and future profitability, and as regards the discount rate. Further events and new information can change these assessments and estimations and it is, therefore, particularly important that company management evaluates, on an ongoing basis, the reported value of acquisition-related intangible assets to ensure that such values can be motivated in consideration of any new information or circumstances. Company management's calculation of the useful lifetimes of the assets is based on the forthcoming year's budget and forecasts for the subsequent four years. A closer description of these assumptions is found in Note 8. Impairment testing involves, naturally, a large component of estimations and judgments on behalf of company management, which is the reason we have deemed this to comprise a key audit matter in our audit.  
 As regards the above-stated accounting principles, refer to pages 90-92 and Note 1 in the 2019 annual report.

In our audit, we have placed a special focus on the manner in which the company management's testing of impairment requirements has been performed. Amongst other things, we have executed the following audit activities:

- We have evaluated Vitec's process for testing any impairment requirement of goodwill.
- We have examined the manner in which group management identified cash generating units and compared them with how Vitec follows up goodwill internally.
- We evaluated the reasonability of the applied assumptions and executed sensitivity analyses as regards changed assumptions.
- We compared the calculated value in use with the market cap as at 31 December 2019.
- We evaluated management's forecast capacity through comparing previously undertaken forecasts against actual outcome.
- Based on materiality, we confirmed that sufficient disclosures had bhad been provided in the Notes in the Annual Report.

### **Other Information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-31 and 113-119. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Director's and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic

decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Vitec Software Group AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

#### **Basis for Opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### **Responsibilities of the Board of Director's and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### **Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

### **The auditor's examination of the corporate governance statement**

The Board of Directors is responsible for that the corporate governance statement on pages 42-50 has been prepared in

accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 STOCKHOLM, was appointed auditor of Vitec Software Group AB (publ) by the general meeting of the shareholders on the 10 April 2019 and has been the company's auditor since the 6 May 2015.

Stockholm March 30, 2020  
PricewaterhouseCoopers AB

**Niklas Renström**  
Authorized Public Accountant

# Auditor's report on the statutory sustainability report

### **To the general meeting of the shareholders in Vitec Software Group AB (publ), corporate identity number 556258-4804**

#### **Engagement and responsibility**

It is the board of directors who is responsible for the statutory sustainability report for the year 2019 on pages 14-25 and that it has been prepared in accordance with the Annual Accounts Act.

#### **The scope of the audit**

Our examination has been conducted in accordance with FAR's auditing standard RevR 12. The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is sub-

stantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

#### **Opinion**

A statutory sustainability report has been prepared.

Stockholm March 30, 2020  
PricewaterhouseCoopers AB

**Niklas Renström**  
Authorized Public Accountant



# Definitions of key indicators

This annual 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 indicators presented in the multiyear overview on page 51 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 the previous corresponding year.	Used to monitor the company’s sales trend.
Growth in recurring revenues	Trend in recurring revenues in relation to the previous corresponding year.	A key indicator for the management of operational activities.
Organic growth in recurring revenues	Development of the company’s recurring revenues, excluding acquired companies during the period, in relation to the previous corresponding year.	Used to monitor the company’s sales trend and transition toward recurring revenues.
EBITA	Earnings before acquisition-related costs, interest, tax and amortization of acquisition-related assets for the period.	Shows the earnings of the business 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 before depreciation/ amortization and interest.
Acquisition-related costs	Costs such as broker fees, legal fees and stamp tax (tax on single property purchases).	Used to disclose 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.

<b>Sales per employee</b>	Net sales in relation to the average number of employees.	This metric is used to assess the company's efficiency.
<b>Added value per employee</b>	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.
<b>Personnel expenses per employee</b>	Personnel expenses in relation to average number of employees.	A key indicator used to measure operational efficiency.
<b>Average no. of employees</b>	Average number of employees in the Group during the financial year.	An underlying measurement on which the calculation of other key indicators is based.
<b>AES (Adjusted equity per share)</b>	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
<b>Cash flow per share</b>	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.
<b>Number of shares after dilution</b>	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
<b>Earnings per share</b>	Profit after tax attributable to Parent Company shareholders, in relation to the average number of shares during the period.	IFRS key indicators
<b>Earnings per share after dilution</b>	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

## Estimates

### Organic growth in recurring revenues

Conditions:

- 1) Includes only business units that have been a part of Vitec Software Group for a minimum of 12 months.
- 2) Currency adjustments were made using the Riksbank's (Swedish central bank) average exchange rate for 2018. The exchange rate was used for 2019 and 2018, which thereby eliminated currency effects.

Recurring revenues by country	Local currency			SEK	
	2019	2018	Exchange rates	2019	2018
Denmark, DKK	128.4	125.9	1.38	176.7	173.2
Sweden, SEK	226.6	210.0	1.00	226.6	210.0
Norway, NOK	150.0	138.6	1.07	160.3	148.1
Finland, EUR	16.1	15.5	10.26	165.3	158.9
<b>Total currency-realigned recurring revenues</b>				<b>729.0</b>	<b>690.3</b>

### Organic growth in recurring revenues

6%

Formula:  $(\text{Recurring revenues 2019}) \times \text{the Riksbank's average exchange rate for 2018} / ((\text{Recurring revenues 2018}) \times \text{the Riksbank's average exchange rate for 2018})$

Calculation of EBITA	2019	2018
Operating profit	143,922	128,372
Acquisition-related costs	11,752	5,129
Amortization of acquisition-related asset.	91,654	78,396
<b>EBITA</b>	<b>247,328</b>	<b>211,897</b>

<b>Weighted average number of shares (weighted average)</b>	<b>No. of days</b>	<b>No. of shares</b>	<b>Weighted value</b>
No. of shares on Jan 1	190	32,338,900	16,833,948
July 9, 2019 Conversion of promissory notes	141	32,368,775	12,504,102
November 27, 2019 Conversion of promissory notes	34	32,573,216	3,034,217
<b>Average number of shares</b>	<b>365</b>		<b>32,372,267</b>

<b>Average number of shares after dilution</b>	<b>No. of days</b>	<b>No. of shares</b>	<b>Weighted value</b>
No. of shares on Jan 1	190	32,338,900	16,833,948
July 9, 2019 Conversion of promissory notes	141	32,368,775	12,504,102
November 27, 2019 Conversion of promissory notes	34	32,573,216	3,034,217
Dilution, convertible Odin June 12, 2019	203	260,480	144,870
Dilution, employee convertibles	365	200,288	200,288
<b>Average number of shares after dilution</b>			<b>32,717,425</b>

#### **Earnings from calculation of earnings per share after dilution**

Profit for the year	102,166
Interest expenses on convertible debentures	1,772
	<b>103,938</b>



*Therese Lenholm and Maria Wadelius, Gävle*



*Linda Ångman and Maja Jonsson, Umeå*

# Shareholder information

Our website, [vitecsoftware.com](http://vitecsoftware.com), is our primary channel for information to shareholders and the stock market. It is where we publish financial information and other potentially price-sensitive information immediately following disclosure.

## Financial calendar

Annual General Meeting	June 23, 2020
Interim report January–March	April 17, 2020
Interim report January–June	July 10, 2020
Interim report January–September	Oct 15, 2020
Year-end report January–December	Feb 11, 2021

If you have any questions, please do not hesitate to contact me.

**Patrik Fransson**, Investor Relations  
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