2021 Annual Report

Contents

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Vitec's brand promise:
To rely on – today and tomorrow

This is Vitec

Vitec is the Nordic market leader in Vertical Market Software. We develop and deliver standardized software for various functions in society. They can be found at the heart of a variety of businesses and activities, including pharmacies, banks, car repair shops, property management, health care and education. Our products enable us to help our customers achieve greater efficiency, while also generating societal benefit. 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. Vitec is listed on Nasdaq Stockholm.

GROWTH – DEVELOP AND ACQUIRE

Vitec is an industry player with a long-term outlook. Our growth mainly occurs through corporate acquisitions, but also organically. Our strong cash flow enables us to both reinvest in products and make acquisitions. The continued development of our products is crucial to ensure that our offering will remain relevant in the future.

RECURRING REVENUES

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

VALUES-BASED ACTIVITIES

Within the framework of our decentralized organization, the corporate culture plays a significant role in corporate governance and is important for our long-term success. Our values, brand promise and Code of Conduct are the three cornerstones of our corporate culture. Through an array of forums, we create conditions for employees and leaders to become part of our corporate culture.

VITEC'S BRAND PROMISE

To rely on – today and tomorrow

VITEC'S BUSINESS CONCEPT

To contribute to the success of our customers by developing and providing standardized and business-critical niche software.

PERFORMANCE INDICATORS

	2021	2020
Net sales (SEK million)	1,571	1,313
Recurring revenues (SEK million)	1,324	1,080
EBITA	440	345
EBITA margin (%)	28	26
Operating profit (SEK million)	283	222
Profit after financial items (SEK million)	262	208
Operating margin (%)	18	17
Return on equity (%)	15	20
Return on capital employed (%)	14	17
Equity/assets ratio (%)	53	38
Adjusted equity per share (SEK)	56.76	25.73
Earnings per share (SEK)	6.14	4.93
Dividend per share (SEK)	1.64	1.35
Average no. of employees	980	824

VALUE-DRIVEN ORGANIZATION

22,500 customers	SEK 1,634 MSEK proforma net sales	85% proforma recurring revenues, ARR
1,020 employees	31 business units	5 countries

2021 in brief

Our countries and number of employees

WE ACQUIRED FIVE VERTICAL SOFTWARE COMPANIES:

- Unikum datasystem AB
- Travelize International AB
- Nordman & Co AB
- Ecclesia Systemer AS
- Vabi Holding B.V.

INCREASED RECURRING REVENUES

Proportion of recurring revenues increased from 82% to 84% in line with our long-term plan.

ORGANIC GROWTH

Recurring revenues increased organically by 7%.

FIRST CORPORATE ACQUISITION OUTSIDE THE NORDIC REGION

We acquired the Dutch company Vabi Holding B.V., the first corporate acquisition outside the Nordic region.

FOCUS ON SUSTAINABILITY

During the year, we laid the foundation for an expanded focus on sustainability. Since sustainability is integrated into our business model, we have chosen to present the Group's operations as a part of the sustainability report.

NEW CHAIRMAN OF THE BOARD AND CEO

Lars Stenlund, one of Vitec's founders and CEO, was elected to serve as the new Chairman of the Board and Olle Backman was appointed as the new CEO.

DIRECTED SHARE ISSUE

Vitec raised SEK 920 million before issuing costs in a directed share issue of 2,000,000 Class B shares.

Comments from the CEO

Growth, new markets and sustainability ambitions

Vitec passed several new milestones in 2021 and we continue on our growth journey. One such milestone was that during the third quarter we established a presence outside the Nordic region with the acquisition of the Dutch company Vabi. In addition, in the autumn we noted that there are now more than 1,000 employees working at Vitec. Our recurring revenues rose 23%, including 7% organically and the rest through acquisitions. Our profitability is increasing at a faster pace than sales and our EBITA margin was 28%, compared with 26% the previous year, reaching SEK 440 million, a 28% increase. The Board of Directors proposed a dividend in line with our goal of SEK 2.00 per share, compared with SEK 1.64 last year, an increase for the twentieth consecutive year.

In 2021 we acquired a total of five companies: three in Sweden, one in Norway and one in the Netherlands, and now at the beginning of 2022, one in Denmark. The companies are all among the leaders in their respective verticals and meet our acquisition criteria. Our acquisition outside the Nordic region does not entail any change in how we evaluate the companies, just that we now found the right one and went all the way for the first time. We constantly evaluate a number of companies and continually engage in dialogue with an array of acquisition candidates. In recent years we have noticed an increase in the number of companies that have an acquisition strategy that is similar to ours, with a focus on vertical software companies. At the same time, we have seen a steady stream of new acquisition targets and note that many companies meet our criteria earlier in their development since they work with a subscription model (SaaS) already from the first customer and can benefit from the trend toward increased digitalization and automation.

The Board of Directors recently revised our financial targets and we are now raising the ambitions for our long-term and sustainable profitability so that our adjusted EBIT at Group level will be at least 20%, instead of the previous target of 15%. As a result of the SEK 920 million raised in a directed share issue during the year, along with our stable cash flows from operations, we are well equipped for continued growth. An acknowledgement of our ability to create long-term value for our shareholders came at the beginning of 2022 when we were moved to Nasdaq Stockholm Large Cap.

Ever since the inception of the company, our route to a sustainable society is through our products. Through these products, we generate value such as increased quality, resource efficiency, stability, accessibility, safety, justice, inclusion and reduced environmental impact – all of which are important aspects of sustainability. In addition, through close collaboration and a good understanding of each vertical and its business and sustainability challenges, we help our customers to succeed with their aspirations.

We also make a difference in our own operations through how we act as a business. Sustainability is an obvious aspect of every decision, regardless of whether it concerns our data centers, choice of office, recycling, travel, or recruitment and work environment.

During the year, we updated our sustainability strategy to further develop and strengthen our sustainability work. The strategy is based on our brand promise, our values and our position as value creators in society.

It has been important to integrate sustainability into our business concept and business model, as well as to include the entire value chain in order to be competitive and relevant to customers, as employers and as part of society. My first year as CEO of Vitec has been exciting, different and educational. I would like to highlight how well our employees have handled the challenges of the past two years, along with the need to constantly change and challenge established patterns and procedures, and to identify new needs among our customers. In many cases, this situation has led to an increased pace of innovation and new solutions that have benefited both our customers and society.

At the time of this writing, a neighboring democracy has been subjected to an unprovoked attack, resulting in great suffering while creating uncertainty and insecurity. This affects all of us on one level or another and our thoughts are with those affected by the war in Ukraine. Purely in terms of business, we are affected only to a limited degree in the short term, but naturally we are closely monitoring developments and initiatives will be taken to support those affected from both the central and local level of the Group.

Umeå, March 2022

Olle Backman, CEO, Vitec Software Group

Our history

Vitec has been experiencing consistent growth and has shown profitability every year since the start in 1985. Here are some of the significant events through the years that have been critical to our success.

1985	1990	1998	1999	2003
Vitec is founded by research colleagues Lars Stenlund and Olov Sandberg.	Operations are scaled up and the Board of Directors is reinforced with external Board members.	Vitec is listed on Innovationsmarknaden (currently known as the Nordic Growth Market).	Vitec is listed on Aktietorget (currently known as the Spotlight Stock Market.). Several corporate acquisitions were completed in Sweden.	Vitec formulated its acquisition-driven growth strategy.

2011	2012	2016	2017	2021
Vitec listed on the Nasdaq Stockholm. Acquisition of IT-Makeriet AS in Norway, the first acquisition of a foreign company.	Vitec records its values, which become a cornerstone of the corporate culture.	The governance model is clarified and strengthened with the implementation of the role of Vice President of Operations (VPO).	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 the company's principal owner.	Vitec acquired the Dutch company Vabi Holding B.V., the first acquisition outside the Nordic region. Lars Stenlund was elected to serve as Chairman of the Board of Vitec and Olle Backman was appointed CEO.

Olov Sandberg and Lars Stenlund, Vitec's founders

Sustainability Report

What does sustainability mean for Vitec?

Sustainability, defined in financial, social and ecological terms, is fundamental to our success. We are convinced that sustainability, as an integrated part of the business model and culture, is a prerequisite for creating long-term value and remaining competitive and relevant for customers, as employers and as part of society. Since we consider sustainability to be an integral aspect of our work, we have chosen to describe the Group's operations in the sustainability report.

We are committed to making a positive impact on society and reducing risks to Vitec, our customers and society through our products, a responsible business, and the expertise and creativity of our people. We will facilitate the needs of today, without jeopardizing the opportunities of future generations. We are guided by the Paris Agreement, the European Green Deal, the UN Agenda 2030 and Global Goals for Sustainable Development, and we aim to help achieve these goals.

Vitec has an entrepreneur-driven approach to sustainability. We turn challenges into opportunities by taking the initiative, showing responsibility and making sustainability issues a driving force in the development of our products and our own operations. Our work is a continuous journey in dialogue with co-workers, customers, partners and other stakeholders. We listen, learn, share knowledge and work together to achieve improvements, step by step.

We have begun the process of developing supportive and guiding materials to facilitate the work. We want to make it possible to integrate sustainability as an aspect of responsibility and a mandate in existing roles.

We take all of the Global Goals into account in our work for an economically, socially and environmentally sustainable society. In order to focus our sustainability work on those areas where our operations have the greatest impact and where we believe we can make the biggest difference, Group management has developed a number of focus areas. They are also linked to the Global Goals and clear performance indicators and activities have been set so that we can monitor our results.

Sustainability is included in the directives to the business units. Each business unit and Group function is 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. Read more about our sustainability policy at *vitecsoftware.com*.

External factors

Demographic change, rapid digitalization and increased competition are strong global trends. At the heart of this trend is the ongoing climate crisis. Businesses face rising expectations to comply with the Paris Agreement and the European Green Deal, as well as to contribute to Agenda 2030 and the Global Goals for Sustainable Development.

The conditions for both work and lifestyle are undergoing fundamental change as digitalization seriously affects our lives. Automation, artificial intelligence and the “Internet of Things” are examples of innovation drivers that facilitate new working methods and business models. The growing quantity of available data creates new opportunities, but also higher demand for information
security. A shortage of raw materials and increased competition for what is available highlight the need for flexibility and adaptation.

Businesses and organizations face increased instability, uncertainty, complexity and ambiguity as a result of new conditions and rapid changes in the world around them. This in turn creates a need to understand contexts and different perspectives, a common vision as a guide for necessary decisions and the ability to adapt, as well as clear and trustworthy communication. Requirements for transparency and different standards for quality and reporting are increasing.

People are increasingly choosing workplaces and products based on their own values. The competition for customers and employees is increasing in general and there is a shortage of technical expertise in some of the countries in which we engage in business. This in turns requires greater understanding of the underlying needs and expectations of target groups and highlights the need to communicate a common purpose.

Taken together, it is becoming increasingly important for companies to accept their social responsibility and to show how they do so. Being sustainable and being able to demonstrate that the business is sustainable will soon be a prerequisite for long-term profitability and funding.

Challenges and opportunities

Trends and changes in the external world affect Vitec to varying degrees, of course, and it is crucial that we constantly monitor and assess the challenges we face now or that may arise in the future. The factors that we currently consider to have the greatest impact are increased digitalization, changed working methods, increased complexity, a talent shortage and climate impact. By meeting these challenges with the support of our business model and with competent employees, we generate benefit for our customers and for society at large. The opportunities can be found by continuing to be attractive to current and new employees, continuing to securely, reliably and sustainably develop and deliver software, while also deliberately and consistently contributing to move the climate issue in the right direction.

INFLUENCING FACTORS

Climate goals and global goals – Companies are expected to operate in accordance with the Paris Agreement and the European Green Deal, as well as to help achieve the 2030 Agenda and the Global Goals for Sustainable Development. Sustainability will be a prerequisite for long-term profitability and funding. Time to act!

Digitalization, data and working methods – Automation, AI and technological development as a whole, where everything is interconnected, drive innovation development forward. This trend also entails a need for new business models and new working methods. The growing quantity of available information creates new opportunities, but also higher demand for information security.

Complexity – Since companies and organizations encounter greater instability, uncertainty, complexity and ambiguity, a need arises for adaptation, a common vision, clarity and flexibility. Trust and the ability to simplify are becoming increasingly crucial. Growing demand for standards, transparency and reporting.

Shortage – The competition for customers and personnel is intensifying across the board, and there is a shortage of technological skills. This situation entails increased demands to understand underlying needs and expectations, as well as to clarify purpose and goals. A shortage of raw materials and increased competition for what is available highlight the need for flexibility and adaptation.

CHALLENGES AND OPPORTUNITIES FOR VITEC

Be a good employer – by offering a workplace where knowledge and commitment are valued, where gender equity and diversity are encouraged and where everyone can develop and feel proud of their contribution to a sustainable society. Our leaders contribute to clarity, trust and a sense of belonging.

Digital products for processes and information – that help to simplify daily life and make it more sustainable for our customers and end users. Strengthen collaboration and dialogue in order to identify changing needs and ensure added value. Retain our ability to constantly invest in product and technological development by maintaining a focus on long-term profitability. Increased efficiency, quality, reliability and mutual value creation using standardized software.

Safe, secure and reliable operation – that our customers and end users can rely on. Handle all information in accordance with high standards of ethics. Resource and energy-efficient data centers.

Sustainability as part of the business model – a factor that permeates all decisions and the entire value chain. This is a journey in dialogue with employees, customers, partners and other stakeholders. Climate action must be taken now.

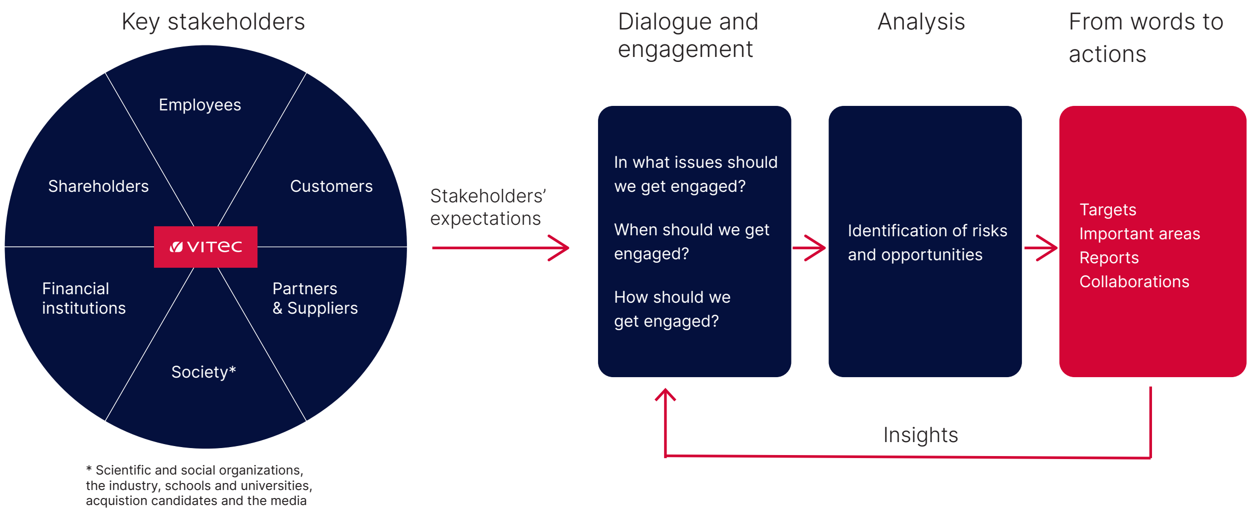
Stakeholder dialogue

We engage in ongoing dialogue with our stakeholders to obtain their assessments of what sustainability issues are important to them and therefore important in our sustainability work. Many of our dialogues are already formalized, but we are working on strengthening our stakeholder dialogue over time. We have formulated a systematic process for this purpose and will conduct these dialogues over the course of the year. Responsibility for these dialogues rests with individuals in positions where the dialogue is of greatest relevance to the business. For us, this means that most of the dialogues occur in our business units, at the same time that certain discussions are handled at the Group level.

Our primary stakeholder groups are customers, employees, shareholders, financial institutions, partners, suppliers and society at large.

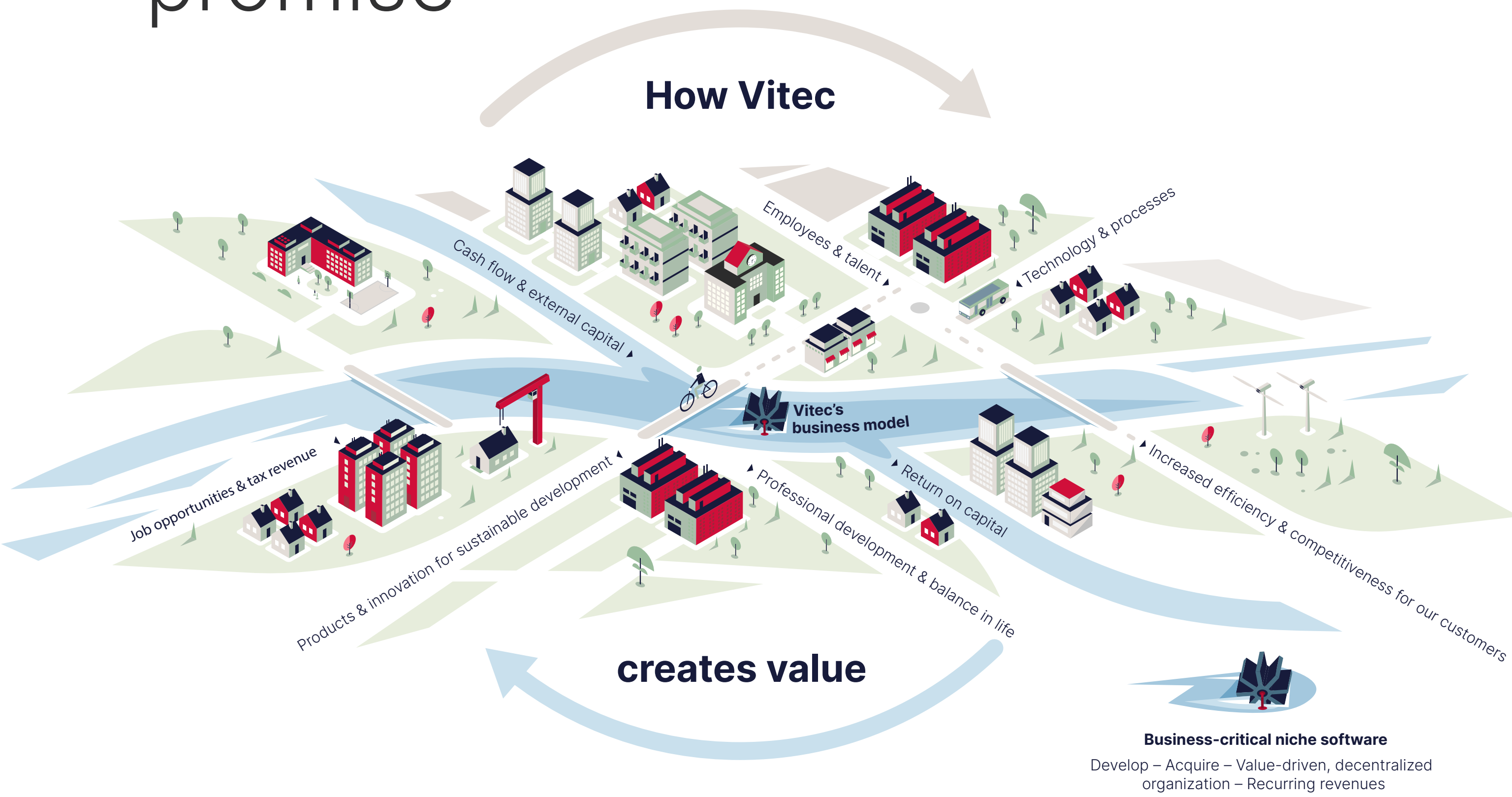
The results from the dialogues are then analyzed on an ongoing basis. The feedback we received coupled with our business model, culture and ability to create benefit then culminate in activities. The dialogues are repeated, after which they are analyzed once again and new activities are created with the aim of constantly improving our operations to meet the changing demands of the times.

The table on the right shows how we engage our stakeholders and the manner in which the dialogue with our stakeholders is conducted.



Key stakeholder groups	Description of dialogue	How we engage in dialogue
Customers	Forward-looking dialogues and customer feedback help us improve our products and services. We want to identify their requirements and take sustainability aspects into account.	Customer surveys and dialogues Customer forum Knowledge of the customers Discussions about trends in the industry Dialogue as a basis for product development The delivery process Support
Employees	Employees who feel committed and involved create long-term value for the business. We constantly strive to learn about and take into account the views, needs and opinions of current and potential employees.	Employee dialogues Employee surveys Networks within the Group Interviews and dialogues with potential employees
Shareholders	We inform our shareholders about our sustainability strategy and results to provide them with a basis for investment decisions, and we appreciate that they have opinions about and expectations of us.	One-on-one meetings Annual General Meeting Dialogues and presentation meetings Website Quarterly reports and annual report
Financial institutions	We inform the financial institutions about our sustainability strategy and results to provide them with a basis for decisions regarding financing and loans. We also appreciate that they have opinions about and expectations of us.	One-on-one meetings Website General Meeting of Shareholders Quarterly reports and annual report
Partners and suppliers	Partners and suppliers are an important component in our value chain. By informing them about our sustainability strategy, following up on expectations and collaborating, we create positive changes.	Dialogue during the purchasing process Website Specifications Cooperation, collaboration and joint initiatives
Society Scientific and social organizations Industry Schools and universities Acquisition candidates Media	We need to understand our society and participate in the processes in our world. We want to learn, exchange information and collaborate to find sustainable solutions and bring about positive change.	Round table discussions Donations Dialogue with media and analysts Lectures and conferences Participation in research and development (Partnership for research and development)

Sustainability – part of our promise



Since many businesses and activities would come to a standstill without our products, we need to take a long-term approach. Our stakeholders must be able to rely on us, both today and tomorrow, which is also expressed in our brand promise: To rely on – today and tomorrow. Our long-term perspective is important in everything we do, regardless of whether it concerns acquisitions, employeeship, product development, or customer relationships.

EMPLOYEE COMPETENCE

Vitec's competent employees are an extremely important component of our value-generation strategy. The long-term perspective is also 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 their specific expertise in our ongoing development efforts.

CASH FLOW AND EXTERNAL CAPITAL

With our strong cash flow and external capital, we are able to both reinvest in products and make acquisitions. The continued development of our products is crucial to ensure that our offering will remain relevant in the future. We have a common framework for planning, implementing and following up on product development. Vitec is also a long-term player that acquires companies in order to keep them and develop them. With this approach we can grow responsibly and sustainably.

Within the framework of our decentralized organization, corporate culture plays a significant role in corporate governance.

TECHNOLOGY AND PROCESSES

We can further generate value at the intersection of technology, employee talent and well-tested methods, processes and frameworks. Using our business model as a point of departure, with our resources we can work with a long-term approach regarding both acquisitions and development of our products. We are an industry player with a long-term perspective on our growth journey. We have been successfully creating stable growth and generating value for our owners and society at large over a long period of time.

OUR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

We generate our largest contribution to societal development through our products. And through our products, we also successfully contribute to the success of our customers by increasing their efficiency, quality and competitiveness. Our products create stability, availability and data security, while reducing environmental impact. Taken together, it is a matter of jobs, tax revenues, prosperity and innovation. In a circular system, we can contribute to sustainable development in society through collaboration, innovation and continuous improvement. We are also determined to minimize our impact on the climate and the environment, which must be reflected in every decision and apply to the entire value chain.

Our focus areas

Sustainability is part of the entire value chain, from the development and use of our products to the way we run and do business. This effort is a continuous journey together with our customers, partners and other stakeholders.

To structure this effort and clarify its direction, we have defined four focus areas. They are specified based on where and how our business has the greatest impact on the world around us, as well as areas where we believe we can make the greatest difference. This also applies to the choice of the Global Goals linked to each focus area.

We will continue to measure our footprint based on several aspects and gradually develop our performance indicators. Certain performance indicators are measured at Group level and others are assessed for each business unit. Since we are active in a wide range of industries with a variety of needs and challenges, it is important to be able to formulate the performance indicators based on prevailing circumstances. One example is customer surveys, which are conducted and followed up at the business unit level and therefore are not included in our joint sustainability report.

Enabling products

We develop and provide software to enable a more efficient, sustainable, resilient and inclusive society where safe, secure and reliable operation with high demands for data ethics is crucial.

We help our customers realize their ambitions through close collaboration, innovations and continuous investments.

Empowered people

To achieve success, Vitec depends on motivated and engaged employees with the knowledge and skills necessary to constantly develop the business – employees who can be proud of how their work helps to benefit society.

We believe in short decision paths, freedom under responsibility and continuous skills development to enable each individual to reach their full potential. We believe in diversity, teamwork and a healthy work environment for increased job satisfaction and good results.

Reduced footprint

We are determined to minimize our impact on the climate and the environment, and this attitude permeates all of our decisions.

We achieve this by constantly improving our resource efficiency, reducing our waste and making climate- and eco-friendly purchases. We also replace fossil fuels with fuels from renewable energy sources, optimize our travel and facilitate the use of public transportation.

Responsible growth

We work continuously to improve and strengthen our business and our working methods, based on trust, transparency, integrity and search for facts.

The common brand Vitec, our business model and our focus on long-term growth provide stability and facilitate sustainable investments in our products. Equally important for maintaining responsible growth is our decentralized model for how we work, control, follow up and manage risks in our business. Our brand promise, To rely on – today and tomorrow, our values and our Code of Conduct provide valuable guidance on how to act ethically and sustainably.

We choose suppliers who act professionally and appropriately. We also fulfill our corporate social responsibilities through a long-term approach to acquisitions. We acquire well-managed companies whose products and operations are given the prerequisites to continue to evolve as part of Vitec Software Group.

Responsible growth

We work continuously to improve and strengthen our business and our working methods, based on trust, transparency, integrity and search for facts. How we work, control, ensure compliance, manage risks and facilitate sustainable economic growth are crucial for us.

Our products and our way of working contribute to improved resource efficiency, increased financial productivity through technological development and reduced climate impact – for both ourselves and our customers. Our products and our way of working must support the development of an equitable and inclusive society.

By doing so, we contribute to the Global goals 8, 16 and 17.

Sustainability – an integral component of our business model

We are convinced that sustainability, as an integral component of the business model together with our corporate culture, is essential to create long-term value and remain competitive and relevant for our stakeholders.

Our business model is financially sustainable and creates conditions to facilitate a long-term approach. This entails a secure offering for customers, while providing us with stability and predictability.

Using both our brand promise and our values as a point of departure, our Code of Conduct provides an ethical framework on which to base our decisions and behaviors. With a strong and healthy corporate culture, compliance with our Code of Conduct is a given – the natural thing to do.

Our growth is both organic and based on acquisitions. Growth is essential to be able to work with our other focus areas: Enabling products, Empowered people and Reduced footprint.

Organic growth of sales has been 4% over the past year. On average, total growth, including acquisitions, over the past decade has been 17%.

The Group is exposed to various risks, both through its activities, and in the form of financial risks. Our 31 diverse business units and our business model with recurring revenues provide good risk diversification. Nevertheless, every year we review our risks and constantly work to prevent them from becoming reality and to transform them into opportunities. Read more about how we work with risk and uncertainty factors on pages 64–69.

Since we have a decentralized governance model, where a large portion of the decision-making mandates are in the business units, we ensure good internal control through policies and our internal control checklist. Read more about our corporate governance and internal control on pages 70–83.

Our position in the software market

VITEC'S FOCUS IS ON VERTICAL MARKETS

Our offering is adapted 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 are 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 requirements 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 a few companies that specialize in industry-specific applications. Generic software generally provides less cost-efficient solutions to the unique requirements of vertical markets. We always strive to achieve a leading position within our niche markets.

Business model and growth strategy

HIGH PERCENTAGE OF RECURRING REVENUES

Our business model is based on a high percentage of recurring revenues. The majority of our software is distributed to customers as software as a service (SaaS). They are deployed over 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 – DEVELOP AND ACQUIRE

Vitec is an industry player with a long-term outlook. Our growth mainly occurs through corporate acquisitions, but also organically. Our strong cash flow enables us to both reinvest in products and make acquisitions. The continued development of our products is crucial to ensure that our offering will remain relevant in the future.

Improve

Continuous investment in our product portfolio is the basis for organic growth and for living up to our promise: To rely on – today and tomorrow. Because our customers completely rely on our products to conduct their daily operations and for their future development, we must constantly develop these products to keep up with technological changes and the requirements of our customers.

Our business units are profitable and well-managed. They have well-functioning operations and valuable industry know-how within their niche market. In our decentralized organization, the important decisions are taken close to the customer by the local management. Decentralized decision-making requires that all managers understand and act in accordance with the Group's strategies and corporate culture.

We work continuously to develop the companies in close dialogue with local management, who are also backed 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 have principles in the Group for how to plan product development, which is governed by a common framework.

Acquire

We acquire well-managed companies whose operations and products are future-proofed through consolidation in the Group. The acquired companies are vertical software companies, usually with market-leading products. We also fulfill the social responsibility obligations of our company through a long-term approach to business operations. 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 niche 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 demonstrates solid profitability and positive cash flows at the acquisition date.

Our current list of prospects comprises some 100 software companies that match our criteria. 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.

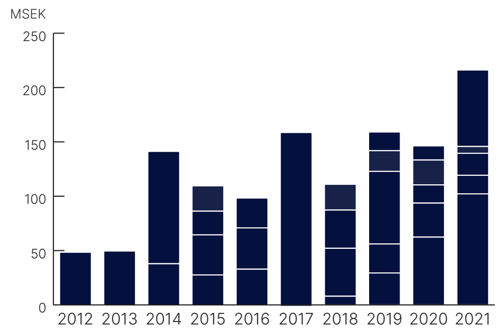
The acquisitions strengthen our offering and provide increased risk diversification. Before deciding on an acquisition, we dedicate a considerable amount of time and involvement getting to know the people at the companies. It is crucial that we agree on fundamental values, business models and strategies, since our acquisitions are based on the premise that the companies will continue to develop and become a part of the Group.

Effect of acquired units on sales

Acquired sales and number of acquired companies

SEK million	2021 Jan–Dec	2020 Jan–Dec	Growth
Reported net sales	1,571	1,313	20%
of which recurring revenues	1,324	1,080	23%
Annual effect of acquired units	63	252	
of which recurring revenues	59	211	
Organic growth in net sales	1,634	1,565	4%
Organic growth in recurring revenues	1,383	1,291	7%

Each segment of the bars represents the annual sales of an acquired company.



EXAMPLES OF ACQUISITION CRITERIA

- Software based on standardized niche 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

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 brand in all communications. We keep the names of the products and conduct a strategic brand analysis to determine how to communicate them to the market, based on their circumstances in relation to customers and the competition. Over time, the Vitec brand plays an important role in marketing the products by either driving or providing a guarantee for the 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 high-quality, cost-efficient purchasing, as well as for ensuring that suppliers live up to our sustainability requirements.

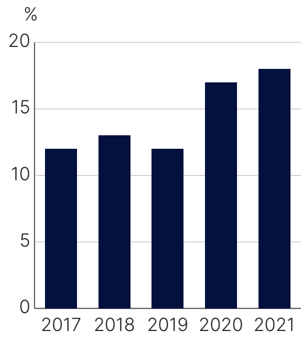
We have a long-term perspective when working with our supplier agreements. Our purchasing uses a checklist that clarifies our expectations with regard to suppliers based on a professional, sustainable and ethically correct approach. The checklist is derived from our Code of Conduct and Sustainability Policy. 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. 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.

We have 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 company tax certificate, has serious taxliabilities, or is a scam company. We do not lock ourselves to specific suppliers, which allows us to switch to other alternatives without major disruptions to our operations.

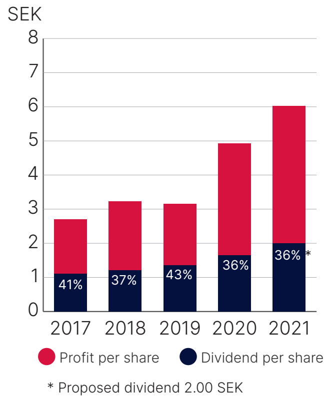
Performance indicators

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. In early 2022, the Board decided that the target for the operating margin will gradually increase over time and will reach at least 20% at the Group level. The previous target was 15%. Another objective for long-term financial sustainability is that our dividend to shareholders must comprise at least one-third of the profits after tax 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.

Target:
The operating margin will gradually increase over time and will reach at least 20% at the Group level.

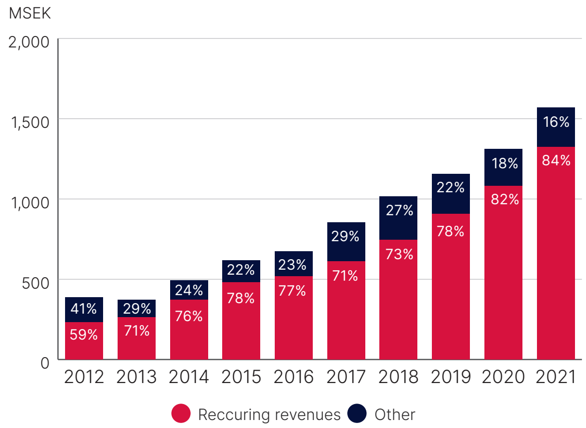


Target:
Dividend corresponding to at least 1/3 of profit after tax.

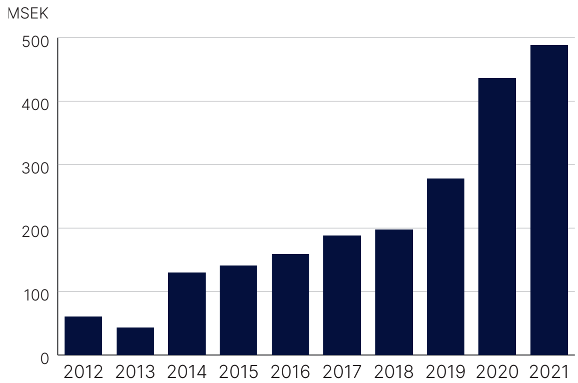


We follow several other performance indicators that are important for our continued growth.

Sales and recurring revenues
On average, our sales have grown 17% over the past ten years. The repetitive portion of sales is growing faster and was 84% in 2021 compared with 82% in 2020.



Cash flow from operating activities
A positive cash flow is important for our continued growth. The graph below shows cash flow from operating activities in recent years.



Acquisitions
We grow in part through the acquisition of vertical software companies. During the year, we increased from 27 to 31 business units and the number of customers increased from 17,500 to 22,500.

Enabling products

Our products serve as an important foundation for our sustainability work. They are crucial to the operations of our customers and help maintain many important functions in society. Our products increase the quality and flexibility of working methods and facilitate resource-efficient and reliable processes. We develop and provide software to enable a more sustainable, resilient and inclusive society where secure and reliable operation with high demands for data ethics is crucial. Through close collaboration and a good understanding of each vertical and its challenges, innovation and continuous investments in our products, we help our customers to succeed with their aspirations.

Taken together, this helps us to contribute to increased innovation and better infrastructure. Through the work in this focus area, we support Global Goal 9.

Our business units will subsequently describe which of the 17 global goals they contribute to within their specific niche.

Without Vitec, many businesses would come to a standstill

Vitec develops and delivers software aimed at various functions in society. Our products can be found at the heart of a variety of businesses and activities, including pharmacies, banks, car repair shops, property management, health care and education. We have 22,500 customers and even more use our software daily. The truth is that many businesses and activities would come to a standstill without Vitec. Through our products, every day we contribute to increased efficiency for our customers while also generating societal benefit. That is why our long-term and sustainable perspective is central to everything we do, which is also expressed in our brand promise: To rely on – today and tomorrow.

We conduct our operations through our 31 independent business units and have a presence in many places – both small towns and large cities in Northern Europe. The city shown here illustrates that our business units are located in the middle of the community and contribute to sustainable development.

Business unit	Software for:	Domicile	Acquisition year	Sales 2021, SEKm	Recurring 2021
Vitec Actor Smartbook	Municipal culture and recreation administration offices, as well as other visitor facilities in Norway and Sweden.	SE	2018	28	85%
Vitec Acute	Healthcare companies in Finland	FI	2013	74	89%
Vitec Agrando	Church-related administration in Norway.	NO	2018	35	85%
Vitec Aloc	Banking and finance industry in the Nordic region and western Europe.	DK, NO	2014	114	86%
Vitec ALMA	Information management within the process industry and energy companies in Finland.	FI	2020	33	52%
Vitec Appva	The healthcare and social services sector in Sweden.	SE	2020	39	95%
Vitec Autosystemer	Automotive, transportation and machinery industry in Norway.	NO	2015	49	94%
Vitec Avoine	Local associations and national organizations in Finland.	FI	2019	33	81%
Vitec Bygg & Fastighet	Construction and property management industry in Sweden.	SE	1985	199	74%
Vitec Capitex Finans-system	Banking and finance industry, primarily in Sweden and with some establishment in Norway and Finland.	SE	2010	26	91%
Vitec Cito	Pharmacy market in Denmark.	DK	2018	44	67%
Vitec Datamann	Auto dealers and car repair shops in Denmark.	DK	2015	46	83%
Vitec Energy AB	Electricity traders and owners of electricity and district heating grids in about 25 different countries.	SE	1998	32	85%
Vitec Fixit	Hair and beauty salons in Norway.	NO	2019	66	93%
Vitec Futursoft	Automotive industry and machinery sector in Finland and Sweden.	FI	2016	85	92%
Vitec HK data	Health and welfare sector in Norway.	NO	2019	16	89%
Vitec Katrina	Church-related administration in Finland.	FI	2019	22	82%
Vitec Megler	Real estate agents in Norway.	NO	2012	94	94%

Business unit	Software for:	Domicile	Acquisition year	Sales 2021, SEKm	Recurring 2021
Vitec MV	Education sector in Denmark, Norway and Sweden.	DK, NO, SE	2017	46	97%
Vitec Mäklarsystem	Real estate agents in Sweden.	SE	2010	87	96%
Vitec NexGolf	Golf courses in Finland.	FI	2020	12	98%
Vitec Nice	Liability insurance companies in Norway and Sweden.	NO	2015	17	63%
Vitec Nordman	Food and grocery retail industry in Sweden	SE	2021	21	93%
Vitec Plania	Building and facility management in Norway.	NO	2016	34	72%
Vitec Samfundssystem	Administrative services for churches and preschools in Sweden.	SE	2018	47	74%
Vitec Tietomitta	Private and municipal waste and resource processing in Finland.	FI	2016	54	88%
Vitec Travelize	Travel agencies, primarily in Scandinavia.	SE	2021	19	78%
Vitec Unikum	Retail trade and manufacturing industry in Sweden.	SE	2021	105	80%
Vabi	Sustainable energy management for the real estate and property management industry in the Netherlands.	NL	2021	72	98%
Vitec Visiolink	Media companies in Europe.	DK	2020	66	73%
Vitec WIMS	Insurance companies in Norway.	NO	2019	31	69%

A reliable partner at the heart of the customer's business

As a provider of business-critical software, we feel a great responsibility. For industries such as pharmacies, schools, banking and insurance companies, as well as healthcare, stable software and secure IT operations are an important part of the business. Without our software applications, many functions in society would come to a standstill.

Our industry-unique niche products are at the heart of our customers' business and support them daily in many aspects of their work. We digitalize and streamline their operations and are a partner that contributes to business development, but also to good and sustainable development in these social functions. To continue to deliver cutting-edge software, we invest heavily in collaboration with our customers, internal exchange of experience, innovation and continuous investments in our products.

We take a long-term responsibility that can be summarized in our brand promise: To rely on – today and tomorrow

On the following pages we describe some of our business units and how our software applications help our customers to grow, achieve their visions and succeed in their business.

Gert Gustafsson, COO

Products that help customers achieve their visions

Pyramid Business Studio, which is Vitec Unikum's complete business system, can be found in a variety of industries such as services, commerce, contracting, manufacturing, retail and business chains. It has been developed to meet the needs of many different niches and includes everything from accounting and logistics to CRM and e-commerce. Stand-alone modules can be combined to provide customers with a complete system for their business.

"Our products enable our customers to realize their visions and of course also their sustainability visions," says Annett Ahrberg, CEO, Vitec Unikum.

Annett Ahrberg
CEO Vitec Unikum

One customer is a company that manufactures and sells organic children's clothing and uses the UN Global Goals for Sustainable Development for guidance. Another customer is a life science company that manufactures products to improve human health and well-being and actively works to address environmental issues. For example, the customer installed solar panels aimed at covering at least 50 percent of the company's electricity consumption.

Vitec Unikum offers a module that helps companies manage their environmental fees. Industries that manufacture, import, or sell a package or a packaged product are legally responsible for the packaging that ends up on the Swedish market. The module manages items that are subject to the packaging fee and provides the company with a clear overview of these items.

Vitec Unikum's efforts to reduce its climate footprint have also become increasingly important. Everything from purchasing to renewable electricity makes a difference, according to Annett Ahrberg.

"We also usually mention that our partners work with locally produced goods, they are personally committed and it is easy for customers to get local support with the products," says Annett Ahrberg.

The right medicine at the right time and at the right dosage

Vitec Cito's software supports perhaps the most important task of pharmacies: ensuring that sick people get their medicine.

"Our software helps to ensure that the customer gets the right medicine, at the right time and in the right amount and strength," says Kim Tingager, CEO, Vitec Cito.

The applications are central in many steps at pharmacies; for example, they support integration of warehouse and robot functions, and a niche Business Intelligence (BI) system is also available.

For over 30 years, Vitec Cito employees have ensured that the software used by Danish pharmacies provides both user-friendliness and compliance with current legislation for the pharmacy industry, which is one of Denmark's most regulated areas. The software is known for its speed and stable operation. Everything within and related to the software must work around the clock so that pharmacies can carry out their duties safely and as efficiently as possible.

In Denmark, some medicines are delivered in dose packs, for example to the elderly in senior housing and nursing homes. Using the software, only the exact amount of medication prescribed by the doctor is provided to the customer. The pharmacies do not have to dispense an entire package that contains more tablets than necessary. One result is that large amounts of leftover medicine are not left lying around, nor do they end up in the household trash, which can result in traces of medications polluting waterways and the environment. In addition to providing a safe option for the individual customer, who does not have to pick among their drug containers to prepare their daily dose, there is an economic sustainability aspect at both the individual and the societal level. Patients do not have to pay for more medicine than they need, while helping to keep costs down at the societal level. The system also supports substitution of drugs, known as generic substitution, so that the customer is offered an equivalent medicine at a lower price. Denmark is one of the countries in Europe with the lowest drug costs.

The software also makes it possible to avoid paper printouts, a feature that is in great demand as part of the pharmacies' sustainability work.

Kim Tingager
CEO Vitec Cito

Digital tools for lifelong learning

For more than 25 years, Vitec MV has offered a variety of digital tools to support the development of reading and writing skills for children and young people. Today, Vitec MV software is used by thousands of children and adults in Denmark, Norway and Sweden.

About 7–8% of the population in all countries have difficulties reading and writing because of dyslexia, and as many as 20% have difficulties managing simple writing tasks in everyday life. Children and young people with dyslexia face challenges in education that require great effort. Studies show that many adults have problems meeting the growing demands for documentation at work, especially in production environments. In the worst of cases, these difficulties can result in lifelong exclusion and unemployment.

"Our digital tools make a big difference both for the individual and for society at large. Our 'IntoWords' software discreetly supports children and adults at school, work and in social contexts, where reading and writing are important. Children and young people can learn in school and adults can carry out their work successfully on the same terms and together with others," says Hans-Erik Schou, CEO, Vitec MV.

One of the UN's 17 Global Goals for sustainable development deals with quality education for everyone. For Vitec MV, this goal provides guidance in its operations and about 30 employees, all specialists in their fields, work every day to help to achieve this goal. The company includes developers, educators and consultants.

Education is a fundamental human right and equal opportunities for lifelong learning for everyone benefits participation in both the working world and society. The ability to freely read and write is an important key and feeling included in society is crucial, especially for newly arrived immigrants, a group that has benefited greatly from Vitec MV's digital tools.

"The faster that integration can take place, the faster people can get to work and create a good life in the new country. This is beneficial at both the individual and societal levels," says Hans-Erik Schou.

Hans-Erik Schou
CEO Vitec MV

Software for a financially sustainable society

When you have applied for a mortgage at your bank, you have most likely received calculations on how the loan amount will affect your budget. And if you have ever visited the website *minpension.se* to learn about your pension forecast — then you have come into contact with Vitec Capitex Finanssystems software.

Customers include banks, insurance companies, credit institutions and, to some extent, also real estate companies, retail and service businesses.

"We contribute to financially sustainable development in society. Our products make it easier for banks and insurance companies to comply with relevant laws, regulations and guidelines within lending and advisory services, as determined by Finansinspektionen (the Swedish Financial Supervisory Authority) and other authorities," says Fredrik Glifberg, CEO, Vitec Capitex Finanssystem.

The software provides end customers with a more secure and faster mortgage process, while professional financial advisors receive support in their work. Vitec Capitex Finanssystem's employees monitor the field and are responsible for keeping the software up to date with current legislation and regulations.

"Our customers can focus on creating business value for their customers instead of having their own teams building the underlying pieces of the puzzle in their processes. We help customers digitalize and automate complex estimates and calculations. We can do this without compromising on either quality or compliance," says Fredrik Glifberg.

Sustainable economic development in society involves sustainable growth over time for both businesses and individuals. And as a bank customer who receives the loan notification from the bank in your hand, you can feel confident in managing your personal finances.

Fredrik Glifberg
CEO Vitec Capitex Finanssystem

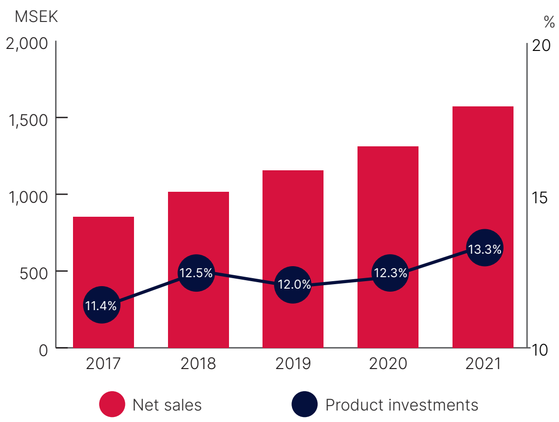
Performance indicators

PRODUCT INVESTMENT

Continuous investment in our product portfolio is the basis for organic growth and for living up to our brand promise: To rely on – today and tomorrow. Because our customers completely rely on our products to conduct their daily operations and for their future development, we must constantly develop these products to keep up with technological changes and the requirements of our customers.

Investments in our products are governed completely by our business units. With this approach, we ensure that requirements and solutions are always close to the customer. However, we monitor the investments of each business unit at the Group level to ensure that the correct investment level is maintained over time. We have a common framework for product investment plans that each business unit must follow.

Product investment



At the Group level, we monitor the investment level through a metric based on hours and distribution among different activities. We present our product investment as the proportion of capitalized work through our net sales.

We will develop our key performance indicators for sustainable investments at Group level. Note that certain key performance indicators are monitored, or there are plans for monitoring, at the business unit level, such as customer satisfaction and product value.

INFORMATION SECURITY

Information security largely involves people and behaviors. Vitec has implemented a digital information security training program in which all employees receive a short lesson every three weeks, which the raises skill level and awareness of the entire organization. In the 2021 training program we sent out 17 different lessons to 955 people, for a total of more than 16,000 lessons, and the total completion rate was 80%.

Empowered people

Success for Vitec depends on motivated and engaged employees with the knowledge and skills necessary to constantly develop the business. People who can be proud of what they do. We strive for diversity, inclusion, continuous skills development, teamwork and a healthy work environment and culture to attract people and to strengthen the business.

We contribute to Global Goal 3 by actively striving to create a good work environment, and Global Goals 5 and 10 when we as employers hire, set salaries and provide skills development opportunities for employees based on their skills and performance. In this way, we increase our creativity and our ability to identify talent, while also contributing to a fair and equitable society.

We create Vitec together

Motivated employees with substantial influence, strong professional skills and extensive knowledge of their customers' operations and challenges are absolutely central for us to be able to continuously develop our products and our business.

In a world marked by complexity, uncertainty and contradictions, it is important for us to be able to clarify what we stand for and show that we are serious about our brand promise: To rely on – today and tomorrow. By also showing that Vitec is a company that is built by employees and where we place a high value on trust and transparency, we want to increase our attractiveness for both our current and future employees. This approach is especially important in times of skills shortages in the countries where we operate, as well as within our most crucial competency groups.

We are convinced that diversity, inclusion, development opportunities, teamwork, a good work environment and a well-established corporate culture attract employees and strengthen us as a company. Our target scenario is for every employee at Vitec to recommend us as an employer.

VALUES SHOW THE WAY

Vitec is a value-driven company, where we start daily from our values and our brand promise. This is how we work, permeating everything we do and every decision we make. In our group with employees in different business units, in many different offices in several countries, the values are the glue that holds us together and enables us to work diligently in the same direction.

For us, the contribution of each employee is significant to the Group's success and to continue to be an attractive employer we focus on a sustainable work environment, both today and in the future. Our workplace climate is based on respect for each other's expertise and for each other as individuals. Together, we create a culture in which we thrive, develop and create value for our customers.

Our products - our foundation

Vertical Market Software

Keep it simple

Simple solutions succeed

Trust and transparency

Collaboration and commitment favor fortune

CORPORATE CULTURE ON THE AGENDA

The Vitec Group is in a state of continuous growth. In 2021, we welcomed about 300 employees in connection with corporate acquisitions and recruitment efforts. By year-end, we had approximately 1,000 employees throughout the Nordic region and the Netherlands.

We invest in our orientation program, because we are convinced that a properly formulated and implemented orientation program is important for understanding our corporate culture and how we do things at Vitec. With this approach, our common values can continue to bind us together as a Group.

We have a decentralized decision-making process and 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 hold an annual orientation event for our new managers, Leader@Vitec, through which we convey the type of leadership we expect at Vitec and the specific role of managers in creating conditions conducive to employee motivation, satisfaction, and optimal performance. Because of the ongoing coronavirus pandemic, we held the orientation program through digital meetings.

New business unit managers in the Group were introduced primarily through their manager, Vice President Operations (VPO), but also through a common orientation program that we call CEO@Vitec at which members of Group management participate as lecturers. This program was carried out digitally during the year.

CEO@Vitec

All new business unit managers, regardless of whether they were recruited to join Vitec, or welcomed through acquisitions, are invited to an orientation program at which Group management presents an in-depth picture of our strategy, business model, history, culture and leadership philosophy.

New@Vitec

Newly recruited employees are invited to an orientation event to welcome new colleagues, as well as to provide an overall understanding of Vitec, and to network with colleagues from other business units.

Leader@Vitec

New managers are invited to Leader@Vitec where we strengthen their understanding of our corporate culture and leadership philosophy.

New@Vitec on Site

New employees who became part of Vitec in conjunction with acquisitions are welcomed and introduced to Vitec through visits from some people from Group management. The purpose is to create an overall understanding of Vitec, our history and our corporate culture.

SHARING@VITEC

To encourage the exchange of knowledge and experience within the Group, we have many forums where specialists in various areas from different business units meet. With this approach we can share insights and ideas with each other. Each forum also has an online community for spontaneous interaction and to share various information and documents.

We held several Business Unit Manager meetings during the year. These events enable managers to establish vital exchange networks to the benefit of the entire Group. Every two years, Group management also holds a management conference in Umeå, where the target group mainly consists of general management teams from the business units. This conference is the only one of our forums that we chose to completely postpone because of the pandemic, since we felt that we would not achieve its purpose through a digital version.

Head of Development
A forum where our Heads of Development can share knowledge or receive training in a specific issue.

Customer Support Forum
A network aimed at sharing and benefiting from experiences, insights and ideas related to customer support. Participants are responsible for Customer Support at each business unit.

Business Unit Manager meeting
Opportunity for all Business Unit Managers and the Operations Management Team to meet, get to know each other, network, share knowledge and discuss common issues.

Software Developer Community
A group in Teams open to everyone where technical issues are discussed. Supported by a common archive for source code.

Product Management Forum
Network for product managers to discuss product strategy, product requirement definitions and product planning/roadmapping.

IT Operations Forum
Forum for representatives of all business units that have customer operations at Vitec IT. Best practices and future needs are discussed here.

Management conference
Conference every other year for general management teams from the Business Units and Group Management. The aim is to increase understanding of our culture, business model and strategy, as well as to discuss current topics of interest.

Marketing Council
A network for sharing knowledge and best practices related to brand issues, communication and marketing. Participants include those who work with marketing and communication.

Finance Forum
All finance staff from each country regularly meet (both physical and digital meetings) to receive information about procedures and rules related to financial affairs.

OPPORTUNITY FOR LONG-TERM CO-OWNERSHIP

By continually offering convertible bonds, our employees have the opportunity to invest in a long-term partnership with Vitec. After a given period, usually three years, the convertible bonds can be converted into Vitec Software Group shares, provided that conditions are advantageous to do so. If it is not advantageous to convert the loan into shares, the loan is repaid in cash. 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. An annual program has been offered since 2020, subject to annual approval by the Annual General Meeting. With this approach, new employees can be included a program more quickly. The 2021 Annual General Meeting resolved to implement the current program, which is the eleventh consecutive round.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SKILLS SUPPLY

Recruitment and career opportunities are impacted by the individual's qualifications, such as education, experience, expertise, capacity and performance. Wage setting at Vitec is based on the complexity of the position and should motivate employees to do a good job, encourage commitment, promote development and provide job satisfaction. The salary profile shall enable us to recruit and retain talented employees. This is evident in the Group's salary policy, which also clarifies that wage formation should reflect our values. 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 are the adaptation of job advertisements and increased awareness within the recruitment process. To a great extent, we use internal HR support during recruitment to ensure that we maintain the right focus throughout the process. We work to ensure that the entire employee journey is professional and with great respect for the individual. Our recruitment process ensures a good dialogue both with those candidates who express interest in us as a potential employer and those who are applying for one of our vacant positions.

During the year, we formulated a communication platform to describe Vitec as an employer, using our common brand and what is common to all our business units as our point of departure. With this approach we can leverage and benefit from the entrepreneurial background, values and important contributions to society that many of us share. We call the communication concept "Without Vitec..." and want to show with different metaphors that important functions in society would come to a standstill without us, in the same way that Vitec would come to a standstill without our talented employees.

As an employer, all Vitec companies have an important responsibility to provide employees with growth opportunities. Annual competence-development meetings between managers and employees provide feedback and an opportunity to discuss future developments based on the needs of the company and the areas of interest of the employee. Systematic skills development is an area that we have identified as essential for our long-term success. A planned project will develop support for those business units that want to improve their processes.

◄
Without Vitec... is our communication concept to describe Vitec as an employer.

Meet some of us

Hanna Kuirinlahti

Project Manager
Vitec Katrina
Finland

Hanna Kuirinlahti has been employed for 11 years. She has worked as a designer, tester, documentation writer, customer support agent and trainer. Currently she is a project manager.

Tell us about your job.
Right now I'm mainly working on a completely new function: invoicing for Finnish parishes. I've planned our work on the project from the start and documented the steps and tasks that are needed for us to reach our goal. When the invoicing part of our software is ready, we will have succeeded in streamlining and automating many of our customers' daily tasks. This is the last large piece of the puzzle and it feels great! We can soon offer our customers something that can't be done in any other product in Finland.

What do you like best about your job?
The best parts are the challenging but inspirational tasks, and the helpful and upbeat colleagues. We do things as a team and I think that the team spirit is evident in our work.

Marthe Nordås

System consultant
Vitec Megler
Norway

Marthe Nordås started at Vitec in May 2020 and is involved in most customer service tasks. She mainly works with orders and follow up of any software bugs.

What is the result of your job?
Quite simply, a better product, better delivery and more satisfied customers.

What do you like best about your job?
I'd say the work environment is the best part. We're a great gang, we have interesting chats and discussions about subjects and daily life in general. I started right after the lockdown in 2020 (with the pandemic) and thought that it might be challenging to start working at a new company then, but I've been very well received.

Chris Schofield

Developer
Vitec Cito
Denmark

Chris Schofield has worked as a developer for Vitec Cito for more than 17 years.

Tell us about your job.
My job mainly involves developing new functions for our customers and modifications required by changes in the law in the pharmacy market in Denmark. I fix any bugs in the software and help out with our customer support and technical departments.

What do you like best about your job?
The people I work with are the best part of my job. We're a small and really enjoyable team.

Johan Hedkvist

Product manager business
Vitec Capitex Finanssystem
Sweden

Johan Hedkvist has worked at Vitec for almost four years as product manager for the product Capitex Företagslån.

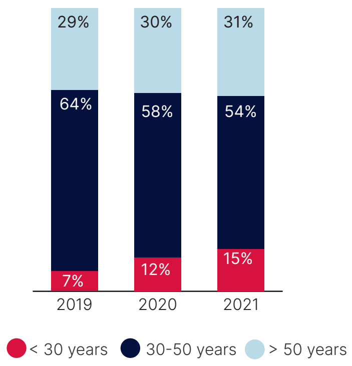
Tell us about your job.
I work with my development team to find new smart functions that make it easier for business advisers and credit analysts at the bank to do their credit check and analysis of the company's figures. The tool we develop has to improve both the efficiency of the process and the quality of the documentation produced to determine whether to approve loans to companies.

What do you like best about your job?
The job gives me a lot of freedom and the opportunity to be creative.

Performance indicators

AVERAGE AGE

The average age in the Group is 45 years (43). We monitor the distribution since we would like to maintain a diversity of ages among our employees.



EMPLOYEE TURNOVER

Employee turnover is measured as the lower figure of the number who started and the number who left during the year, divided by the average number of employees.

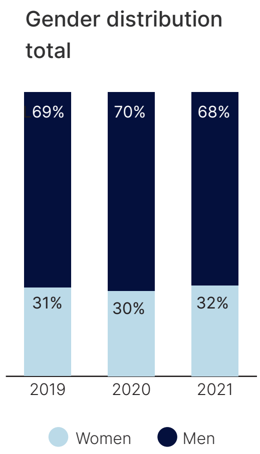
We do not have a target value for personnel turnover, but monitor the metric by business unit, since it is at the unit level that the information can indicate possible challenges.

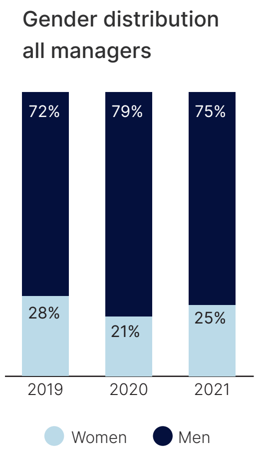
At the Group level, personnel turnover is 13% (9).

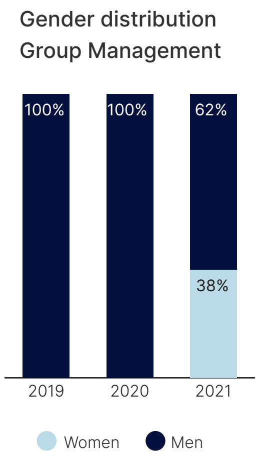
GENDER DISTRIBUTION

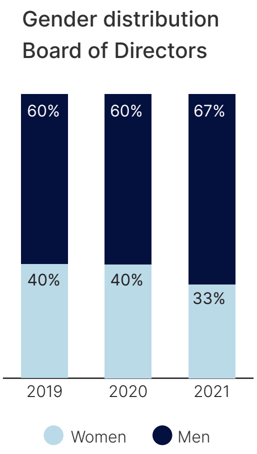
Since we are convinced that differences enrich our Group, we strive to achieve a more even gender distribution. Consequently, we monitor a number of performance indicators in gender distribution. During the year, we formulated an aim that the gender distribution of all managers in the Group should reflect the total gender distribution. Based on our current situation, we need to increase the proportion of female managers.

Regarding gender distribution in Group management, as a result of the major change between 2020 and 2021, it can be noted that general management gained a brand new constellation in 2021.









We also monitor the inflow and outflow of our employees who start or leave from a gender distribution perspective.

As part of our work with skills supply, we will look for ways to measure and monitor our attractiveness as an employer. For example, we could analyze the traffic and candidate behavior on our career page, or using a brand survey measurement. We don't conduct a Group-wide employee survey, but allow the business units choose how they wish to investigate job satisfaction and the work environment.

Reduced footprint

To reduce our climate footprint, we work systematically and constantly improve our operations through sustainable and efficient use of resources. We do so primarily by continuously improving our resource efficiency, reducing our waste and making climate- and eco-friendly purchases. We replace fossil fuels with renewable energy sources, optimize our travel and facilitate the use of public transportation. By doing so, we contribute to the Global goals 7, 12 and 13.

How we reduce our footprint

Our work to reduce our climate footprint is integrated into our operations and mainly focuses on energy consumption, travel, purchasing and waste management. We work systematically and constantly improve our operations through sustainable and efficient use of resources.

ENERGY CONSUMPTION

To gradually reduce our energy consumption, we implement efficiency measures in our data centers and office premises. We use “free cooling” in our Group-wide data centers, which means that the natural low temperature in outdoor air or water is used to lower the temperature in these facilities. The result is an approximately 20% reduction in electricity consumption. In a collaborative effort with the property owner, the waste heat from one of our data centers is used to heat other sections of the premises, thereby reducing the total electricity consumption of the building.

In 2021, we completed the decommissioning of two older data centers and moved our operations to our modern server hall in Umeå, thereby gaining major improvements in operational stability, as well as improved energy performance.

During the year, we launched a project to close our server hall in Oslo. This project will be completed in 2022 and will further reduce our climate footprint.

The data centers that become part of the Group as a result of acquisitions are assessed and, in many cases, operations are moved to one of the Group’s shared data centers. In addition to optimizing energy, the accessibility and security of the products can also be strengthened.

Much of the local IT operation can be moved to more energy-efficient hardware in our data centers, which provides improved energy performance.

As a result of acquisitions, the total energy consumption in our data centers increased from 685 to 789 Kwh, at the same time that our operations have been streamlined so that consumption per core has decrease from 363 to 281 Kwh/processor core Our Group-wide data centers use 100% renewable energy sources.

In 2021, we continued our efforts to transition to 100% renewable energy sources in our electricity contracts for offices; see the outcome in the graph on the on the next page (Percentage of energy from renewable sources). The share of renewable energy sources is 93%, which is a small decrease compared with the previous year.

For our offices, we review energy-saving measures in conjunction with renovations and relocations to new premises. Energy consumption per employee in our offices increased compared with the previous year, in part because some recently acquired companies have large premises, and in part because many employees returned to work in the offices, while fewer worked from home than in 2020.

TRAVEL

During the pandemic, our travel has been at a very low level. Last year, we implemented Teams as collaboration platform, which has significantly increased the quality of our digital meetings. The option to hold digital meetings has reduced the need for business trips and we always try to optimize our travel plans.

The Group has approximately 50 company cars. Management adopted a new policy for these cars at the beginning of the year. With the new policy, we want to minimize our environmental impact and the risks for drivers that can arise in conjunction with transportation by car. The policy stipulates a maximum level of carbon dioxide emissions of 60g/km, which means that we will ultimately have a larger percentage of electric cars, as cars are traded in.

When opening new offices, we try to choose locations close to public transportation and in pedestrian- and bicycle-friendly areas in order to reduce the footprint from commuting to and from the offices.

PURCHASING AND WASTE MANAGEMENT

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. Our purchases must be appropriate for business, cost-effective and sustainable. We work continuously to improve our purchasing process, as well as to increase awareness and knowledge about climate- and eco-friendly purchases of products and services.

In 2021, we opted to extend our service agreements for new purchases of computers from three to four years to enable employees to use the computers longer, thereby reducing the amount of electronic waste from our offices.

We also established a procedure at most of our new offices where centralized services in our data centers are used instead of installing local servers, which reduces the need for both local hardware and travel for installation and maintenance.

Recycling of electronic waste in 2021 corresponded to climate savings of 15,040 kg of CO_2-eq. The majority of the waste comes from phasing out older hardware in our data centers.

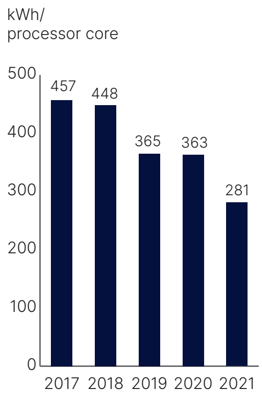
Because of the coronavirus pandemic, most employees have worked from home where they continued to use existing electronic equipment, rather than replacing or collecting the equipment for recycling, which has meant that the number of units is low.

All improvements in daily life are important. Our intention when employees gradually return to the offices after the pandemic is to continue to introduce waste sorting to facilitate recycling, as well as to minimize waste in general by reviewing how we consume items such as plastic bags, disposable materials and paper printouts.

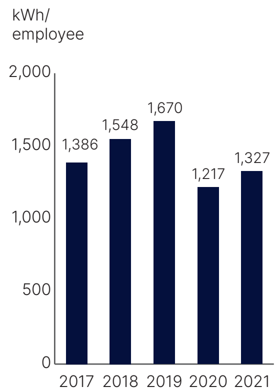
Performance indicators

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

Energy consumption data centers

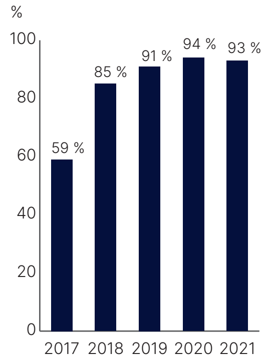


Electricity consumption per employee in offices



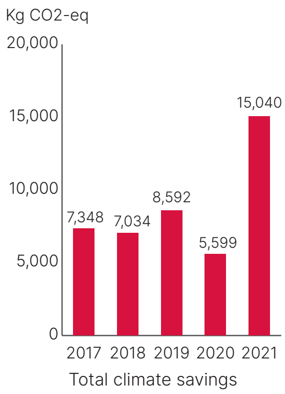
Target: 100% renewable energy in our electricity contracts

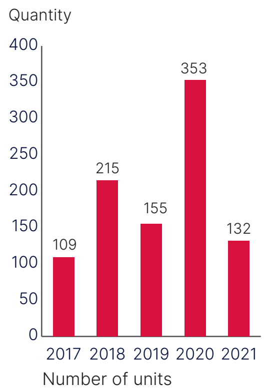
Percentage of energy from renewable sources



Target: Increased recycling

Recycling of electronic waste





During the year, we decided to develop a Group-wide standard for reuse and recycling of electronic waste, based on which new performance indicators would be set.

We will also review our own CO_2 footprint as part of our effort to achieve climate neutrality.

Taxonomy for sustainability

COMMENTS FROM SARA NILSSON, CFO

Beginning with the 2021 annual report, Vitec needs to report and describe its position in relation to the taxonomy for sustainability. During the year, we worked to identify the extent to which we are affected and which activities are impacted. Although we found that the taxonomy applies to only a relatively small portion of our business, it will still be exciting to see how we can work with activities to reduce our footprint in the future, without being limited to just those activities identified in relation to the taxonomy. In our sustainability work, we have set targets and created activities related to issues such as energy consumption and waste management.

Another important aspect is our work with risk analyses and risk assessments, which are a natural part of every decision that is made. For risks in the Group that are more comprehensive, we conduct an annual systematic review. In our sustainability work, our risk analysis will focus more on climate risks, as well as how we are at risk of being affected by the climate and the risk of causing damage. I look forward to working further with these areas in the coming years.


Sara Nilsson, CFO

Beginning with the 2021 sustainability report, large companies must report in accordance with the EU taxonomy for sustainable activities.

The EU taxonomy for sustainable investments is a technical classification system aimed at clarifying what activities can be considered to be green or sustainable, using limiting climate change as its point of departure. The purpose of the taxonomy is to steer capital flows toward sustainable investments.

To determine whether an activity is environmentally sustainable, the EU has set six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

For each environmental objective, the EU will set uniform criteria to determine whether economic activities make a significant contribution to the objective. There are also criteria to ensure that companies do not cause significant damage to any other objective, if the company meets one objective. So far, criteria have been set for the first two environmental objectives. Another requirement for being considered environmentally sustainable is that businesses must comply with international minimum standards for human rights and labor rights.

To ensure that investments are directed toward economic activities that have the greatest positive impact on the environmental objectives, the EU has given priority to establishing technical review criteria for the economic activities that can potentially contribute the most to the environmental objectives.

THE TAXONOMY CAN BE ADDRESSED THROUGH A FIVE-STEP PROCESS.

First, a company needs to identify which of its activities are included in the taxonomy. Then the company must be able to show whether it makes a significant contribution to meeting specified environmental objectives in the taxonomy. The company must also be able to show that it does not do significant damage to any other target in the taxonomy. The company must also be able to show that it meets certain basic requirements for human rights. Finally, this information should be able to be shown in numbers.

For the first year, the rules stipulate that companies only need to show which of their activities are covered by the taxonomy and how they are reflected in performance indicators.

The taxonomy is primarily aimed at accelerating improvements for companies that have a major environmental impact. Vitec's operations have a limited impact, for which reason only a small portion of our operations are covered by the taxonomy. The relevant areas that are relevant to us fall within section 8. Information and communication. We have identified the following areas:

8.1 Data processing, hosting and related activities

According to the taxonomy: Storage, manipulation, management, movement, control, display, switching, interchange, transmission, or processing of data through data centers.

We are increasingly deploying our systems as SaaS services, which means that the responsibility for ensuring that the systems are running rests with Vitec. This operation is located partly in its own data centers and partly in centers at Nordic suppliers.

8.2 Computer programming, consultancy and related activities

According to the taxonomy: Providing expertise in the field of information technologies: writing, modifying, testing and supporting software. Planning and designing computer systems that integrate computer hardware, software and communication technologies.

We develop and deliver standardized software aimed at various niche markets. Product development and investments in our software are a large component of our business model.

TECHNICAL REVIEW CRITERIA FOR BEING CONSIDERED ENVIRONMENTALLY SUSTAINABLE

8.1 Data processing, hosting and related activities

In order for Vitec to meet the criteria in the taxonomy for the environmental objective of climate change mitigation, our operations must comply with a European Code of Conduct for energy efficiency in data centers. We work continuously to improve our energy efficiency in our data centers and also work to ensure that our subcontractors do the same. In 2022, we will work in greater detail to try to meet the specific requirements set out in the Code of Conduct.

In order for Vitec to meet the criteria in the taxonomy for the environmental objective of climate change adaptation, we must conduct a robust climate risk and vulnerability analysis in specific steps. We plan to carry out this analysis in 2022.

8.2 Computer programming, consultancy and related activities

For computer programming, consultancy and related activities, there are only criteria for the environmental objective climate change adaptation.

In order for Vitec to meet the criteria in the taxonomy, we must conduct a robust climate risk and vulnerability analysis in specific steps. We plan to carry out this analysis in 2022.

FULFILLMENT OF CRITERIA FOR FUNDAMENTAL HUMAN RIGHTS

We believe that we already meet more than the minimum standards for human rights and labor rights.

PERFORMANCE INDICATORS

Sales

Our net sales corresponds with what we classified in the annual report as revenues from customer agreements, see note 3 on page 100. Revenues from customer agreements are recognized according to IFRS 15, which divides revenue into distinct performance obligations. In our revenue recognition, neither data processing nor computer programming are distinct performance obligations. Therefore, no part of our sales can be considered to be covered by the taxonomy.

Capital expenditure

Capital expenditure corresponds to the investments we make in the business. Much of Vitec's investments consist of investment in our software, our capitalized development expenditure. This part is included in the taxonomy through the activity computer programming. Our investments in property, plant and equipment consist of purchases of equipment and investments in equipment in our data centers. Investments in the data centers are included in the taxonomy.

Operating expenditure

Operating expenditure refer to additional costs associated with bringing an asset into place, i.e. costs in addition to what is included in capital expenditure. Vitec does not have any significant additional costs.

	Total, SEK million	Percentage of activities covered by the taxonomy	Percentage of activities that are not covered by the taxonomy
Sales	1,571	0	100
Capital expenditure	335	65	35
Operating expenditure	-	-	-

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 2021 on pages 10–51 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 substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

Stockholm March 30, 2022

PricewaterhouseCoopers AB
Aleksander Lyckow
Authorized Public Accountant

A statutory sustainability report has been prepared.

Shares and share-holders

Vitec Software Group AB (publ) was listed on the Nasdaq Stockholm on July 4, 2011. As of January 1, 2022, the company is under the Large Cap list with the ticker symbol, VIT B. A trading lot comprises one share. At December 31, 2021, there were 9,288 shareholders and the percentage of foreign-owned shares corresponded to 35% of the capital.

SALES AND SHARE PRICE TREND
In 2021, the total value of share trading was SEK 5,526 million. The average turnover per day of trading was 50,740 shares, valued at SEK 21.8 million. The closing price for the year was SEK 557.0 (341.0) and the overall market capitalization amounted to SEK 19,521 million (11,176) 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 35,046,163, including 2,950,000 class A shares and
32,096,163 class B shares. Current share capital is approximately SEK 3.5 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 2.00 (1.64) per share, which corresponds to 36% of profit after tax for 2021.

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,* 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 and reports.

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

Brief facts

	2021	2020
Number of class B shares	32,096,163	29,723,422
Highest closing price, SEK	591	350
Lowest closing price, SEK	282	130
Closing price, SEK	557	341
Average daily turnover, SEK thousands	21,846	10,808
Average daily turnover, no. of shares	50,740	46,477
Market capitalization, SEK million	19,521	11,176
Marketplace	Nasdaq Stockholm	Nasdaq Stockholm
Segment	Mid Cap	Mid Cap
Ticker	Vit B	Vit B
ISIN code	SE0007891363	SE0007891363

Share data

		2021	2020	2019	2018	2017
Adjusted equity per share (AES)	(SEK)	56.76	25.73	23.31	20.71	13.34
Earnings per share	(SEK)	6.14	4.93	3.16	3.23	2.70
Earnings per share after dilution	(SEK)	6.05	4.91	3.18	3.22	2.70
Resolved dividend per share	(SEK)	1.64	1.35	1.20	1.10	1.00
Cash flow per share	(SEK)	14.72	13.18	9.90	8.01	6.78

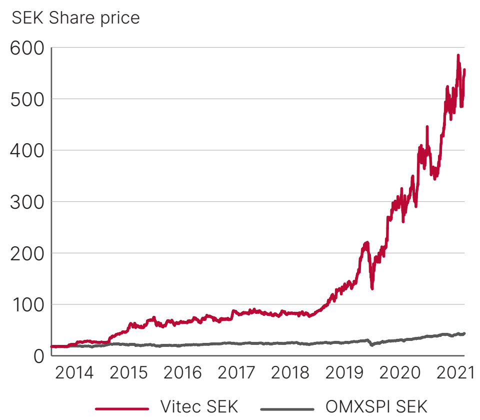
Shareholders Dec 31, 2021

	No. of class A shares	No. of class B shares	Share capital, %	Votes, %
Lars Stenlund	1,470,000	112,280	4.51	24.05
Olov Sandberg	1,120,000	68,216	3.39	18.29
Jerker Vallbo	360,000	68,560	1.22	5.96
SEB Fonder	0	2,742,059	7.82	4.45
Capital Group	0	2,228,800	6.36	3.62
Thomas Eklund	0	1,670,805	4.77	2.71
ODIN Fonder	0	1,135,000	3.24	1.84
Martin Gren (Grenspecialisten)	0	1,075,534	3.07	1.75
Invesco	0	1,074,708	3.07	1.74
Swedbank Robur Fonder	0	967,378	2.76	1.57
Other		20,952,823	59.78	34.02
Total	2,950,000	32,096,163	100.00	100.00

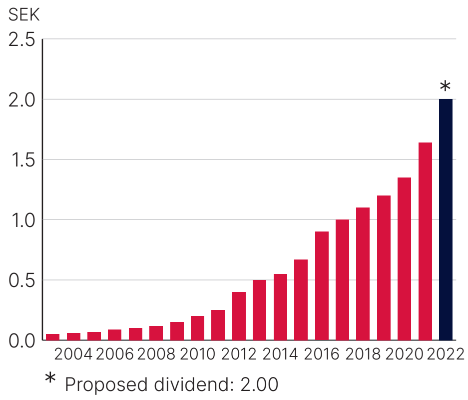
Shareholders, by number holdings

Holdings	Number of shareholders	No. of class A shares	No. of class B shares	Holdings, %	Votes, %
1–500	8,021		564,514	1.61	0.92
501–1,000	415		337,014	0.96	0.55
1,001–5,000	584		1,320,252	3.77	2.14
5,001–10,000	96		703,860	2.01	1.14
10,001–20,000	56		763,500	2.18	1.24
20,001–50,000	45		1,420,842	4.06	2.30
50,001-	71	2,950,000	25,864,489	82.35	89.89
Anonymous ownership			1,121,692	3.06	1.82
	9,288	2,950,000	32,096,163	100.00	100.00

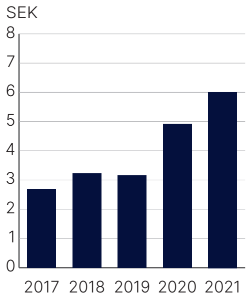
Share performance



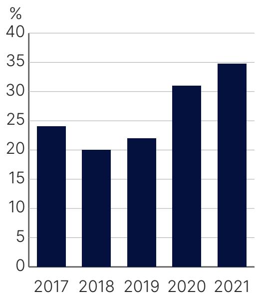
Dividend per share



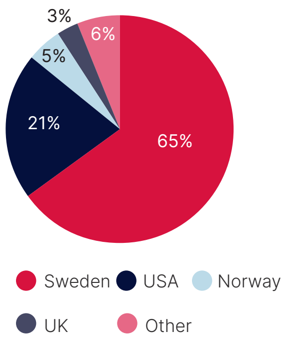
Earnings per share



Foreign-owned shares



Shareholders by geographic area



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	Private placement, 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	Private placement 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	Private placement	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	Private placement	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
2020	Conversion of class A shares	3,257,322	3,050,000	29,523,216
2020	Conversion of employee convertibles	3,277,343	3,050,000	29,723,422
2021	Conversion of promissory note from the acquisition of Odin Systemer AS	3,303,390	3,050,000	29,983,902
2021	Private placement	3,503,390	3,050,000	31,983,902
2021	Partial conversion of promissory note from the acquisition of Visiolink Management ApS	3,504,616	3,050,000	31,996,163
2021	Conversion of class A shares	3,504,616	2,950,000	32,096,163

Market capitalization at year-end*

SEK million	2021	2020	2019	2018	2017
Market capitalization at year-end*, SEK million	19,521	11,176	6,026	2,509	2,596

*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.

Annual report

ANNUAL REPORT

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 2021 financial year. In accordance with Chapter 6, Section 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 10–51.

OPERATIONS

Vitec is the Nordic market leader in Vertical Market Software. We develop and deliver standardized software for various functions in society. They can be found at the heart of a variety of businesses and activities, including pharmacies, banks, car repair shops, property management, health care and education. Our products enable us to help our customers achieve greater efficiency, while also generating social benefit. 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.

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

Within the framework of our decentralized organization, the corporate culture plays a significant role in corporate governance and is important for our long-term success. Our values, brand promise and Code of Conduct are the three cornerstones of our corporate culture.

We are active in Denmark, Finland, the Netherlands, Norway and Sweden, and our operations grow both organically and through the acquisition of well-managed and established software companies.

Vitec is listed on the Nasdaq Stockholm and had sales of SEK 1,571 million in 2021.

DEVELOPMENT

We have a growth-oriented strategy and are continuously in search of new acquisition objects. For the past 10 years, our growth rate has been over 15% per year. For the past few years, Vitec has had a financial target to achieve an operating margin of 15% while maintaining efforts focused on continuous growth and good cash flow. Beginning in 2022, the Board of Directors updated the financial target for the company's operating margin, raising it to at least 20%, while other targets remain unchanged.

OUTCOME:

%	2021	2020	2019	2018	2017
Sales growth	20	14	14	19	27
Operating margin	18	17	12	13	12

NET SALES AND EARNINGS

Consolidated net sales in 2021 totaled SEK 1,571.3 million (1,312.8). Net sales rose a total of 20% and recurring revenues rose 23%, including 7% organically. Aggregate recurring revenues amounted to SEK 1,324.2 million for the full year. Other revenues declined 11%. Licensing increased by 86%, mainly attributable to our newly acquired companies. Service revenues gained 3%, compared with 2020. Taken together, recurring revenues accounted for 84% of net sales, compared with 82% in 2020. Acquired companies contributed SEK 161 million in net sales during the year.

EBITA was SEK 439.8 million (344.8), with an EBITA margin of 28% (26). Operating profit amounted to SEK 283.1 million (222.4), corresponding to an operating margin of 18% (17). Operating profit included acquisition-related amortization of SEK 142.2 million (109.4), as well as acquisition-related costs of SEK 14.6 million (12.9). In 2021 the net of capitalized development expenditure and amortization of intangible fixed assets had an adverse effect on operating profit of negative SEK 13.1 million (neg: 22.9).

Net financial items totaled a negative SEK 20.9 million (neg: 14.8). Financial income amounted to SEK 0.3 million (0.3) and comprised interest from bank accounts. Financial expenses totaled negative SEK 21.2 million (neg: 15.1) and consisted of interest on financial leases of negative SEK 2.4 million (neg: 2.0) and interest on acquisition credits and convertible debentures of negative SEK 18.7 million (neg: 12.6) and other financial items of SEK 0.0 million (neg: 0.4).

Profit after tax for the year was SEK 206.9 million (160.7), of which SEK 206.9 million (160.7) was attributable to Parent Company shareholders.

EFFECTS OF THE CORONAVIRUS PANDEMIC

In 2021, as well as the previous year, we focused on helping to reduce the risk of spreading the coronavirus and protecting the health of our employees and customers, at the same time that we worked to minimize the impact on our business. At the beginning of the pandemic, we changed how we work. We have greatly benefited from our well-developed IT infrastructure, which enabled us to transition to a distributed workplace essentially overnight. The Group's decisions and communication have been based on:

- Trust and respect for government and local authorities, as well as their appointed experts.
- Care for all employees and their health.
- Our responsibility in society is to maintain functionality – our products support important societal functions.

During the financial year, no costs were directly attributable to the pandemic, but we believe that about 0.5 percentage points of the improved margin represents temporary positive effects from factors such as reduced travel, canceled trade fairs and other customer-related activities.

OPERATING SEGMENTS

Operating segments are defined as business units, of which there are 31, each generating revenue and incurring costs. Their operating profit/loss is regularly followed up by the highest executive decision-maker, the CEO and Group Chief Executive. Separate financial information is available for each unit.

The operating segments form the operational structure for internal governance, follow-ups, and reporting. Based on the character of the services offered with their high proportion of recurring revenues, similar range of products, and similar financial characteristics, the Group has aggregated all of its operating segments/business units into one operating segment in the financial reports, in accordance with the rules of IFRS 8.

Our current geographic market comprises Sweden 37%, Denmark 16%, Finland 20%, Netherlands 1%, Norway 23% and other countries 3%.

ACQUISITIONS AND CHANGES TO THE LEGAL STRUCTURE DURING 2021

In 2021, the following corporate acquisitions entailed changes to the legal structure:

- January 4, Unikum datasystem AB
- February 3 Travelize International AB
- April 26, Nordman & Co AB
- September 8, Ecclesia Systemer AS
- September 10, Vabi Holding B.V.

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

On January 1, 2021, a merger took place between Vitec Visiolink Management ApS and its subsidiary Vitec Visiolink ApS. Pursuant to the merger, Vitec Visiolink ApS has taken over the accounting and tax position of the former parent company Vitec Management ApS, along with its assets, rights and obligations.

In April, Vitec Megler AS transferred its wholly owned subsidiary Vitec IT-drift AS to the Parent Company Vitec Software Group AB (publ).

Acquisition Unikum datasystem AB

On January 4, Vitec acquired all shares in the Swedish software company Unikum Datasystem AB.

Unikum offers the Pyramid Business Studio software, a complete business and enterprise management system for small and medium enterprises. The product offers functions such as project management, accounting, customer care and e-commerce. The company reported sales of SEK 103.1 million, with an adjusted EBITDA of SEK 42.9 million for the 2020 financial year. Vitec welcomes 90 new employees as part of the acquisition.

Payment was in cash and with a convertible, with deviation from shareholders' preferential rights in accordance with the authorization from the Annual General Meeting on June 23, 2020. The convertible matures in 36 months and at full conversion will have a dilutive effect on capital of 0.1%. The acquisition is expected to yield an immediate increase in earnings per share for Vitec.

Acquisition Travelize International AB

On February 3, Vitec acquired all shares in the Swedish software company Travelize International AB, with subsidiary. Travelize reported sales of SEK 17.1 million, with an adjusted EBITDA of SEK 4.1 million for the 2020 financial year.

Travelize develops and provides a complete enterprise management system for small and medium-sized travel agencies, primarily in Scandinavia. The web-based software enables travel reservations, web publishing and administration. The system offers an array of functions for customer and payment management, as well as marketing. The company's approximately 300 customers are mainly located in Sweden, Denmark and Norway. Vitec welcomes eight new employees as part of the acquisition.

Payment was in cash and with a convertible, with deviation from shareholders' preferential rights in accordance with the authorization from the Annual General Meeting on June 23, 2020. The convertible matures in 36 months and at full conversion will have a dilutive effect on capital of 0.1%. The acquisition is expected to yield an immediate increase in earnings per share for Vitec.

Acquisition Nordman & Co AB

On April 26, Vitec acquired all shares in the Swedish software company Nordman & Co AB. The company reported sales of SEK 20.2 million, with an EBIT of SEK 3.8 million for the 2019/2020 financial year.

Nordman & Co AB develops and provides the software Argus CRM, a complete sales support system for food and grocery retail industry, service outlets, pharmacies, supermarkets and the construction market, primarily in the Nordic countries. The system, with several add-on modules, enables salespeople to plan and manage tasks such as store visits, orders, marketing activities, item information and presentations. The approximately 130 customers are mainly companies in Sweden and the rest of the Nordic region. Vitec welcomes 12 new employees as part of the acquisition.

Payment was in cash and with a convertible, with deviation from shareholders' preferential rights in accordance with the authorization from the Annual General Meeting on June 23, 2020. The convertible matures in 38 months and at full conversion will have a dilutive effect on capital of 0.02%. The acquisition is expected to yield an immediate increase in earnings per share for Vitec.

Acquisition Ecclesia Systemer AS

On September 8, Vitec acquired all shares in the software company Ecclesia Systemer AS. The acquisition is an add-on acquisition to the business unit Vitec Agrando. Ecclesia Systemer reported sales of SEK 7 million for the 2020 financial year and after the acquisition the combined operations with a focus on churches in Norway will have sales of approximately SEK 33 million.

Ecclesia Systemer develops and provides a SaaS service for the administration of cemeteries, crematoria, graves, and grave monuments in Norway. The software offers invoicing and scheduling of funerals, ceremonies, and cremations. The approximately 260 customers mainly consist of "kirkelige fellesråd," which are joint committees between municipalities and parishes in Norway's municipalities. Vitec welcomes two new employees as part of the acquisition.

Payment was in cash. The acquisition is expected to yield an immediate increase in earnings per share for Vitec.

Acquisition Vabi Holding B.V.
On September 10, Vitec acquired all shares in the Dutch software company Vabi Holding B.V. with subsidiaries. The company reported sales of SEK 71.3 million, with an EBITDA of SEK 44.6 million for the 2020 financial year.

Vabi develops and provides software that contributes to sustainable and efficient energy management for the real estate and property management industry. The products have several functions such as decision support systems, user-friendly 3D simulations and energy certification for reduced climate impact. Vitec welcomes 32 new employees as part of the acquisition.

Payment was in cash. The acquisition is expected to yield an immediate increase in earnings per share for Vitec.

OTHER IMPORTANT EVENTS IN BRIEF

- January 29: Conversion of convertible 1906, the number of shares and votes increased.
- March 15: Former CEO Lars Stenlund is proposed as the new Chairman of the Board; the Board receives a proposal to expand by adding one director.
- March 15: Olle Backman appointed new CEO.
- March 29: Loan facility increased by SEK 500 million to SEK 1,500 million.
- April 29: Sara Nilsson appointed as new CFO.
- June 15: Allocation of employee convertibles and warrant incentive program.
- August 25: Vitec raises SEK 920 million in a directed issue of 2,000,000 Class B shares.
- November 15: Partial conversion of convertible 2001, the number of shares and votes increased.
- December 13: Reclassification of 100,000 class A shares to class B shares.
- December 15: CEO Vitec Software Group acquires 25,000 shares from the company's founder.

EVENTS AFTER THE BALANCE-SHEET DATE

Vitec acquires the software company DocuBizz ApS
On January 21, Vitec acquired all shares in the Danish software company DocuBizz ApS. The company reported sales of SEK 27 million, with an EBITDA of SEK 6 million for the 2021 financial year.

The software company DocuBizz develops and provides a SaaS solution that digitalizes and automates management of all types of supplier invoices for companies. The software matches invoices with purchase orders, presents history and more, and the invoice is sent via the system to the right person for approval. The software also supports automatic accounting in the customer's business system. The company's approximately 350 customers are mainly in the automotive industry in Scandinavia, Germany, and the US. Vitec welcomes 12 new employees as part of the acquisition.

Payment was in cash and with a convertible, with deviation from shareholders' preferential rights in accordance with the authorization from the Annual General Meeting on April 28, 2021. The convertible matures in 36 months and at full conversion will have a dilutive effect on capital of 0.02%. 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 plan to comprise product rights, customer agreements, 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.

LIQUIDITY, CASH FLOW AND FINANCIAL POSITION

The Group's cash and cash equivalents, including current investments at the end of the period, totaled SEK 119.9 million (134.7). In addition to cash and cash equivalents, Vitec had overdraft facilities of SEK 125.0 million and SEK 815.0 million in unutilized portions of the credit facility.

During the year, we took out a new loan with Nordea and SEB amounting to SEK 500 million, after which the total facility amounts to SEK 1,500.0 million.

At December 31, 2021, interest-bearing liabilities totaled SEK 757.4 million (558.1) and comprised SEK 736.3 million (555.3) in non-current interest-bearing liabilities and SEK 21.1 million (2.8) in current interest-bearing liabilities.

Non-current interest-bearing liabilities comprised bank loans of SEK 691.3 million, as well as convertible debentures totaling SEK 45.0 million. Current interest-bearing liabilities comprised bank loans of SEK 2.8 million as, well as convertible debentures totaling SEK 18.3 million.

The terms and conditions of the company's credit agreement with the bank comprises restrictions, known as covenants. The Group has fulfilled the terms and conditions in their entirety during the period.

During the year, convertible bond 1906, as well as components of convertible bond 2001 were converted to Class B shares, which reduced financial liabilities by SEK 31.5 million and SEK 2.7 million, respectively.

Liabilities relating to right-to-use assets in the form of leases for premises are included in other non-current liabilities of SEK 78.4 million (29.0) and in other current liabilities of SEK 38.0 million (29.6).

The Group's net interest-bearing assets and interest-bearing liabilities, excluding IFRS 16 liabilities, totaled an expense of neagtive SEK 637.5 million (neg: 423.4).

On August 25, a directed issue was completed that raised SEK 904.4 million after issuing costs. In addition, financing was arranged by using SEK 500 million from the credit facility and by taking out four convertible loans of SEK 32.0 million. Repayment of the facility totaled SEK 300 million, amortization of bank loans amounted to SEK 2.8 million, and amortization related to right-to-use assets was SEK 44.4 million.

- Cash flow from operating activities was SEK 488.1 million (436.3).
- Cash flow from investing activities was a negative SEK 1,510.1 million (neg: 340.1), comprising a negative SEK 1,260.2 million (neg: 167.2) for the acquisition of subsidiaries, negative SEK 21.7 million (00.0) for the acquisition of shares and participations in associates, negative SEK 209.6 million (neg: 163.2) for intangible fixed assets, including capitalized work and negative SEK 18.6 million (neg: 9.6) for investments in property, plant and equipment.
- Cash flow from financing activities totaled SEK 1,017.8 million (38.5), and comprised SEK 904.4 million (0) from a new share issue, SEK 508.7 million (157.8) from new bank loans, negative SEK 53.2 million (neg: 33.3) from dividend payments, SEK 5.1 million (6.2) from option premiums paid and negative SEK 347.1 million (neg: 92.3) from amortization.

Equity attributable to Vitec's shareholders totaled SEK 1,989.1 million (843.4). The equity/assets ratio is 53% (38). The Annual General Meeting in April 2021 resolved to approve a dividend of SEK 1.64 per share for a total of a maximum of SEK 58.4 million. The dividend will be divided up and paid on four payment dates: June 30, September 30, December 30 and March 30, 2022. The dividend paid to date totaled SEK 42.2 million. The remaining dividend of SEK 14.4 million is expensed.

INVESTMENTS

Investments totaled SEK 209.1 million in capitalized work, SEK 0.5 million in other intangible assets and SEK 18.6 million in property, plant and equipment. Investments in right-of-use assets not affecting cash flow totaled SEK 99.7 million. Through the acquisitions of Unikum datasystem AB, Travelize International AB, Nordman & Co AB, Ecclesia Systemer AS and Vabi Holding B.V., SEK 1,374.5 million was invested 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. Product investments in relation to sales totals 13.3% (12.3).

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. At December 31, 2021, the carrying amount was SEK 1,689.4 million (770.0) for goodwill, SEK 340.9 million (278.6) for product rights, SEK 573.5 million (421.5) for capitalized development expenditure, SEK 378.2 million (129.4) for customer agreements and SEK 135.1 million (86.5) for brands.

SHAREHOLDERS' EQUITY

Total shareholders' equity amounted to SEK 1,989.1 million (843.4) at December 31, 2021. Equity attributable to Vitec's shareholders totaled SEK 1,989.1 million (843.4).

As of December 31, there were two warrant incentive programs and two convertible programs for employees, as well as five convertible loans signed in conjunction with acquisitions. These amounted to SEK 63.3 million and are convertible to a maximum of 721,928 class B shares, and increase share capital by SEK 0.07 million.

INCENTIVE PROGRAM

The Annual General Meeting on April 28 resolved on a convertible program for all personnel as well as a participation program through warrants. The participation program is aimed at about 45 people in Sweden, Finland, Norway and Denmark.

At the end of the subscription period, 263,000 warrants were transferred to senior executives in the Group on market-based terms. According to the AGM resolution, participants in the incentive program were subsidized equivalent to net 50% of the option premiums, which had a negative impact on profit for the year of SEK 3.0 million. All participants in Norway, Finland, Sweden and Denmark then paid premiums for the warrants for a value of SEK 5.1 million, which was recognized in equity.

The warrants entitle the holder to subscribe for one share and can be exercised during the period June 3–14, 2024, at a price of SEK 463 per share, at which time which the share capital may increase by no more than SEK 0.03 million. When fully exercised, this corresponds to a dilutive effect of 0.8% on share capital and 0.4% of voting rights.

Further information about the convertible program for personnel can be found in Note 9D.

EMPLOYEES

In 2021 Vitec had an average of 980 (824) employees, of which 283 (243) were women. At year-end, the number of employees was 1,033 (862).

SUSTAINABILITY REPORT

A sustainability report has been prepared and reviewed by the company's auditors. See pages 10–51 of this report.

GUIDELINES FOR THE REMUNERATION OF SENIOR EXECUTIVES

The 2021 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 concurs with previously applied remuneration policies. The guidelines apply to agreements signed after the 2021 AGM, or to any subsequent cases of amendments to remuneration. The Board of Directors shall prepare proposals for new guidelines whenever the need for material changes arises, but at least every four years. 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. The Annual General Meeting may also – regardless of these guidelines – resolve on share and share-price related remuneration. Vitec does not offer variable cash remuneration to senior executives. Guidelines for the remuneration of senior executives can be seen in Note 4A.

A remuneration report will be prepared and presented to the Annual General Meeting. It describes how the guidelines were applied in 2021. No deviations were made from the guidelines and no derogations were made from the decision-making process required under the guidelines to determine remuneration.

PARENT COMPANY

The Parent Company's net sales totaled SEK 130.9 million (109.9) and essentially comprised invoicing to subsidiaries for intra-Group services rendered, pertaining to premises, data communications and telephony, financial reporting, HR and management/operations development. Profit after tax amounted to SEK 183.9 million (211.2), including anticipated dividends from subsidiaries.

The Parent Company's cash and cash equivalents totaled SEK 82.2 million (123.7). 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 the receivables/liabilities of the Parent Company. The Parent Company has an agreement for an overdraft facility of SEK 125 million (250) and an acquisition loan facility of SEK 1,500 million, of which SEK 815.0 million was unutilized at the balance-sheet date. Investments totaled SEK 0.5 million (0.3) for intangible fixed assets, SEK 2.7 million (0.1) for tangible fixed assets, and SEK 1,350.6 million (309.7) for participations in Group companies.

Non-current interest-bearing liabilities totaled SEK 736.3 million (555.3) in the form of SEK 691.3 million (490.5) in bank loans and SEK 45.0 million (64.8) for convertible debentures. Current interest-bearing liabilities totaled SEK 21.1 million (2.8) and pertained to SEK 2.8 million in bank loans and SEK 18.3 million for convertible debentures. During the year, new loans of SEK 508.7 million were raised.

The Annual General Meeting in April 2021 resolved to approve a dividend of SEK 1.64 per share for a total of maximum SEK 58.4 million. The dividend will be divided up and paid on four payment dates: June 30, September 30, December 30 and March 30, 2022. The dividend paid to date totaled SEK 42.2 million. The remaining dividend of SEK 14.4 million is expensed.

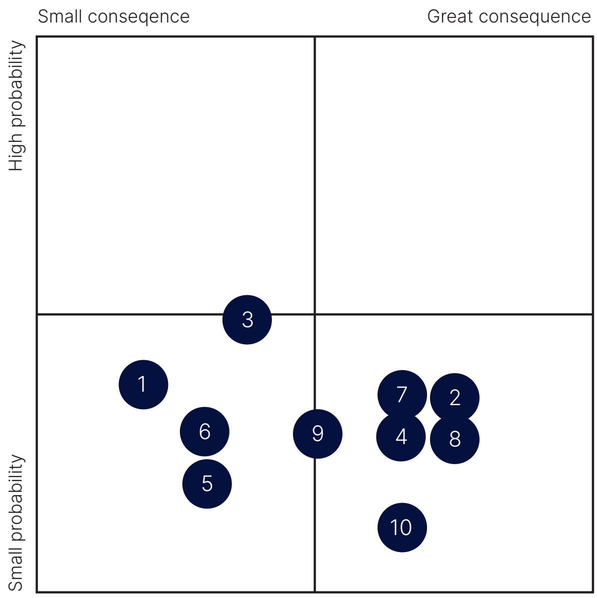
OUR WORK WITH RISKS AND UNCERTAINTIES

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 how our risk management initiatives address them.

Our work with risk analyses is a natural part of every decision that is made. For risks in the Group that are more comprehensive, we conduct an annual systematic review of our risks. We based this year's review on our four focus areas: Enabling products, Empowered people, Reduced footprint and Responsible growth.

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 31 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 corporate governance report on pages 70–83 describes our internal controls and risk management in greater detail.



FOCUS AREA	RISK
Enabling products	1. Product and market risk
	2. Operational and information security
Empowered people	3. Recruitment
	4. Retain and develop
Reduced Footprint	5. Climate risk
	6. Our footprint
Responsible Growth	7. Acquisition process
	8. Brand risk
	9. Financial risks
	10. Decentralized governance model

ENABLING PRODUCTS

Area	Description of risk	Opportunity and management
Product and market risk	Risk that our products do not support the customers' journey and needs, for example with respect to function, sustainability and technology; risk that Vitec does not keep up with developments. At Group level, the probability is higher that this will happen in a business unit, but the consequences will be less significant. The reverse is true for an individual business unit.	We address these risks through an annual product investment plan, and conduct an annual follow up of capitalized hours. We have monthly reporting and monitoring of product investment plans. A management group is appointed from Group Management and Group functions to address major investments/changes. Our decentralized management, through which each business unit decides on the final roadmap of the products, ensures that we have a good understanding of customer needs and challenges. We are the business partner with whom customers want to discuss development and opportunities. Our business units often have unique knowledge of the customer's business, which in combination with a good understanding of sustainability creates competitive products. In 2022, structured stakeholder dialogues are planned to identify the needs of our stakeholders.
Operational and information security	Operations: We are increasingly deploying our systems as SaaS services, which means that the responsibility for ensuring that the systems are running rests with Vitec. This places high demands on the stability of the underlying infrastructure. A serious disruption in our data centers would affect many businesses. Cyber security: Vitec handles important information, mainly on behalf of our customers. This needs to be done securely and in compliance with current legislation. The area contains challenges in our globally connected world with many different types of threats.	Vitec has chosen to build a central IT department to leverage the Group's size and be able to provide greater expertise in security than what can be maintained at the individual business unit level. Our "Information Security Management Group" monitors developments and regularly discusses their application within Vitec. We work systematically with relevant technological protection measures and continuously scan for known vulnerabilities in our systems. Operations are located in different data centers, all with redundancy, so that no single failure can knock out the operation. In the event that a center is completely destroyed, operations can be moved to another location. We have the majority of all data in our own data centers or with Nordic providers. We have procedures for incident management and continuity planning.

Area	Description of risk	Opportunity and management
Recruitment	We are highly dependent on competent employees, at the same time as there is fierce competition for certain competencies in some of our operating countries. We therefore need to be attractive as employers for our current and potential employees.	During the year, we worked on clarifying our employer offer by focusing on our corporate culture and the role of our products in society. We have formulated a communication concept that all of our business units can use in connection with recruitment. The concept was launched through an announcement to our employees, who are also our best ambassadors, and has since been used externally. Another way to manage the risk of a lack of skills is to take advantage of the Group's geographical spread, where positions can be located in different places in the Nordic region, depending on labor market conditions. We also offer participation programs for all employees.
Retain and develop	To avoid the risk for both the company and the individual of lost competitiveness in a rapidly changing and unpredictable world, it is crucial to have motivated and dedicated employees whose skills are continuously updated.	We arrange Group-wide events for the exchange of expertise and experience within a number of occupations, in order to facilitate and expand the dialogue and learning between specialists in different business units. This approach offers clear competitive advantages, since we can leverage our diversity and breadth, while enabling us to conveniently deal with shifts in technology and competencies. We conduct and improve our orientation programs for CEOs and other managers.

REDUCED FOOTPRINT

Area	Description of risk	Opportunity and management
Climate risk	Like all activities in society, we are affected by climate change, mainly with respect to temperature variations and variations in precipitation, which can affect our premises.	The premises that are most sensitive to climate change are our data centers. In 2022, we will conduct a climate risk analysis in connection with our work with the EU taxonomy for sustainable activities. We can take care of large parts of our business remotely; we are not dependent on employees going to the office. For example, if flooding should occur, employees could work from home for a period of time.
Our footprint	We are part of society and there is a risk that our business could have a negative impact on the climate or the environment.	We are determined to minimize our impact on the climate and the environment, and this aspect is considered in every decision. We do so by continuously improving our resource efficiency, reducing our waste and making climate- and eco-friendly purchases. We also replace fossil fuels with renewable energy sources, optimize our travel and encourage the use of public transportation.

Area	Description of risk	Opportunity and management
Acquisition process	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. We are at risk of overestimating the positive aspects or underestimating the difficulties.	Our understanding and prequalification have been structured and gained more control steps and formal decision-making forums. Our due diligence process and subsequent integration process have been developed and systematized. Appointed VPO is responsible for integration, supported by resources from the Parent Company. More employees work with the acquisition process today, thereby reducing dependence on individuals.
Brand risk	Brand risk refers to events that could damage trust in our business. For example, someone within Vitec or a partner may do something that is in conflict with Vitec's values and brand promise, legislation or prevailing norms in our society – which could cause the brand to be damaged.	We work proactively through an adopted framework and by pursuing continuous improvement to prevent a brand crisis. This framework include our values, Code of Conduct, policies, internal processes and our constant ongoing brand and corporate culture efforts.
Financial risks	We have identified financial risks in the form of currency risk (transactions and translation where the translation risk is greater), interest rate risk (bank loans with variable interest rates) and risk linked to refinancing and credit risk (receivables, mainly accounts receivable), as well as liquidity risk, which involves investment of cash and cash equivalents.	Financial review and analysis with our two banks is carried out annually. Review in relation to the Finance Policy is carried out annually. Great flexibility through the new "multipurpose" RCF credit denominated in several currencies. Vitec currently has a good reputation and is known on the financial market, which is maintained through ongoing contact. Our exposure to financial risks and management of these risks are described in Note 11.
Decentralized governance model	In a decentralized governance model, common values and effective leadership are key factors. Since a large portion of the decision-making mandate can be found in the business units, at the same time that we strive to achieve a common corporate culture, the roles of both the business unit CEOs and the VPO become crucial. If there are leadership deficiencies in a business unit, there is a risk that business will be conducted in a way that is not in line with our values and Code of Conduct. If the VPO becomes too independent, there is a risk that groups of business units will develop in different directions.	We continuously work on building consensus within Group Management and the VPO team and on promoting a consistent approach to work and attitudes. We conduct and improve our orientation programs for CEOs and other managers. We take a similar approach to our Group-wide Management Conference, which is an opportunity to share experiences and is aimed at strengthening consensus and cooperation. Employees who act based on common values are more motivated and require less control and micromanagement.

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 175.5 million annually. A change of 1% would have an impact of approximately SEK 1.4 million on profit after tax.
- The Group's greatest cost item is personnel expenses, which totaled SEK 828.5 million. A change of 1% would have an impact of approximately SEK 6.5 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 December 31, 2021 would impact profit after tax by SEK 12.0 million.
- Vitec's commitment to foreign subsidiaries is increasing, which entails heightened currency and translation risks. We have currency exposure in Norwegian crowns (NOK), 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 6.4 million.

		Impact on earnings, SEK thousand		Impact on earnings SEK/share	
Impact factors	Change, %	2021	2020	2021	2020
Subcontractors and subscriptions	+/- 1	1,382	1,154	0.04	0.04
Personnel expenses	+/- 1	6,488	5,430	0.20	0.18
Borrowing interest rate (change in percentage on borrowing interest rate)	+/- 1	11,976	7,947	0.37	0.26
Change in NOK, DKK and EUR exchange rate	+/- 5	6,385	5,382	0.20	0.18

Corporate governance

Message from the Chairman of the Board

I'm new as Chairman of the Board, but an old hand at Vitec. After more than 30 years as the CEO of Vitec, the new assignment as Chairman has been refreshing. The shift, which took place in April, has in part meant business as usual for the company (five acquisitions, 23% growth in recurring revenues) and in part meant the final cut of the umbilical cord, ending daily operational work for me.

The succession in Group management is a process that has been ongoing for many years, with reinforcements in various functions where tasks that had been assigned to just a few people were redistributed to new employees with better skills and more time to allocate to the tasks. All of this occurred under the supervision of the Board with advice and decisions that over the years have shaped both the strategies and the governance model for the company.

Switching to the role of Chairman has therefore been a rewarding task, with a management that has been established over time and a Board that knows the company extremely well and has been both driving and supportive in the development of the company.

BOARD EVENTS FOR THE YEAR

The rules of procedure for the Board state that five meetings are to be held each year, with the annual accounts, interim reports and the budget as the primary items on the agenda. In reality, many more meetings of the Board are necessary. During the year, 13 minuted meetings were held, along with a handful of information meetings.

The most important decisions during the year have been:

- Appointment of Olle Backman as new President and CEO.
- Increase of our credit facility by SEK 500 million to SEK 1,500 million.
- Completion of the first acquisition outside the Nordic region – Vabi in the Netherlands.
- Raising capital through a directed issue of SEK 920 million at a price of SEK 460, which was subscribed for by 66 institutions.
- Prepare and propose to the Annual General Meeting an incentive program consisting of a convertible program for all employees and a warrant program for senior executives. The Annual General Meeting also resolved to implement the programs in accordance with the Board's proposals.

In the ongoing strategy discussions conducted in the Board, during the year, the question of organic growth has had a significant place. This issue has served as an inspiration for analyses and understanding, while also helping to set requirements for the upcoming budget. The businesses subsequently held discussions in strategy workshops and continued to strengthen and improve their customer relationships.

GOOD CLIMATE FOR DISCUSSION OF BOARD WORK MOVING FORWARD

Our Board of Directors comprises six directors – two women and four men. Our combined skills and varied professional backgrounds provide a good climate for dialogue that will move us forward and contribute to carefully considered decision-making. Ongoing Board work requires a high level of commitment from all members.

In conclusion, I would like to thank Group Management for their excellent cooperation, as well as all of our employees, who contributed to Vitec's continued profitable and sustainable growth.

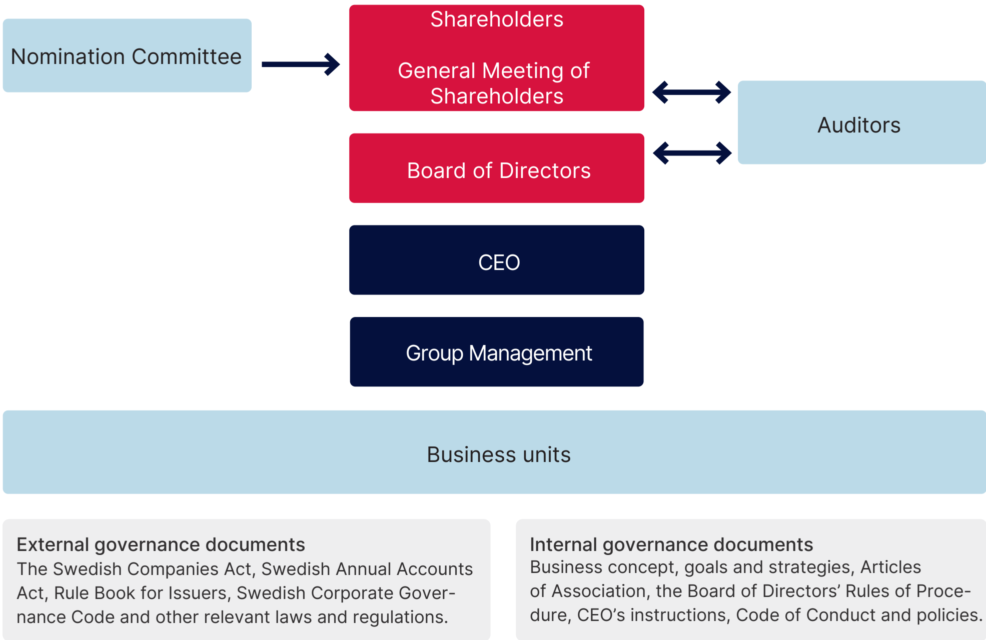
Lars Stenlund, Chairman of the Board

Lars Stenlund, Chairman of the Board

Corporate governance report

Vitec Software Group AB (publ) is a public limited company that was listed on Nasdaq Stockholm on July 4, 2011. The company is headquartered in Umeå, Sweden. Governance in the Vitec Group is provided through external regulations, internal governance documents and policies. Vitec has a decentralized organization model with 31 independent business units, Group Management and common support functions. Corporate governance defines and allocates responsibilities and roles with respect to shareholders, the Board of Directors, management and other stakeholders.

STRUCTURE FOR CORPORATE GOVERNANCE AT VITEC



REGULATORY FRAMEWORK

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

- The Swedish Companies Act
- The Swedish 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 largest shareholders in terms of votes, Lars Stenlund, who is also Chairman of the Board, and Olov Sandberg, are members of the Nomination Committee. 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 largest shareholders in terms of votes is of such importance that the chosen option is for them to be members of the Nomination Committee. Members of the Nomination Committee 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 2021 Vitec had 9,288 shareholders. Lars Stenlund and Olov Sandberg were the largest shareholders in terms of votes, with 4.5% of capital and 24.0% of votes, and 3.4% of capital and 18.3% of votes, respectively. The company's 3 largest shareholders in terms of votes owned 100% of class A shares and 0.8% of class B shares, and the company's 10 largest shareholders owned 34.7% of class B shares. At the same date, the total market value was SEK 19,521 million. The number of shares was 35,046,163, of which 32,096,163 were class B shares and 2,950,000 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 the 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.

2021 Annual General Meeting

The AGM was held on April 28. Because of the coronavirus pandemic, the Annual General Meeting was conducted without the physical presence of shareholders, representatives, or third parties, while shareholders had the opportunity to exercise their voting rights only by post prior to the meeting. This procedure is in accordance with Sections 20 and 22 of the Swedish Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations. A total of 52 shareholders voted by post before the AGM, representing 68.5% of the votes. Minutes of the AGM are available at our website, *vitecsoftware.com*.

2022 Annual General Meeting

The 2022 Annual General Meeting will be held at 5:30 p.m. on April 26 at Väven in Umeå, Sweden. For registration and more information, see
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 auditors' fees. The 2021 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 April 26, 2022 are:

- Lars Stenlund, Chairman Vitec Holder of 1,470,000 class A shares and 112,280 class B shares (including related party). Warrants for 10,000 class B shares.
- Jerker Vallbo, CIO/CTO Vitec. Holder of 360,000 class A shares and 68,560 class B shares (including related party).
- Olov Sandberg Holder of 1,120,000 class A shares and 68,216 class B shares (including related party).

The Nomination Committee has held one meeting for the 2021 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*.

Board of Directors

From left: Kaj Sandart, Crister Stjernfelt, Lars Stenlund, Birgitta Johansson-Hedberg, Jan Friedman and Anna Valtonen.

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 the 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 six 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

Lars Stenlund, Chairman of the Board
Founder of the company, together with Olov Sandberg, in 1985. Employed 1985–2021. CEO 1990–2021. Board member 1985–2009. Chairman of the Board since 2021. Born in 1958.

PhD in applied physics from Umeå University, 1987.

Board member of Umeå University Holding AB, Treac AB. Former assistant professor at Umeå University.

Holdings in Vitec: 1,470,000 class A shares, 112,280 class B shares (including related parties). No convertibles. Warrants for 10,000 class B shares.

Anna Valtonen
Board member since 2012. Born in 1974.

PhD. Department of Industrial and Strategic Design, Helsinki, Finland, 2007.

Professor of Strategic Design, Aalto University. Former Vice President of Aalto University and Dean of the School of Arts, Design and Architecture at Aalto University. Professor and Dean of the Umeå Institute of Design at Umeå University, as well as industrial design, including Head of Design Research & Foresight, Nokia. Chairperson of the Board of the Design Museum in Helsinki and 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.

Board Chairman of Sörmlands Sparbank. Board member of Hedberg Ekologkonsult AB and Sparbankernas Ägareförening. Former CEO of Lantmännen, Föreningssparbanken and Liber.

Holdings in Vitec: 7,500 class B shares, no convertibles.

Crister Stjernfelt
Board member since 2009. Chairman 2013–2021. Born in 1943.

BSc in Business and Economics from Stockholm University.

Chairman of the Board of AcelQ AB and Ariser 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.

Jan Friedman
Board member since 2010. Born in 1952.

MBA from the Stockholm School of Economics in 1978.

Chairman of the Board of IFITAB Holding AB. Board member for Agora Networks Oy. Many years of experience from various CEO, board and consultancy assignments.

Holdings in Vitec: 13,236 class B shares through company, no convertibles.

Kaj Sandart
Board member since 1998. Born in 1953.

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

Director at Hallvarsson & Halvarsson Group. Director of Vallabacken Invest AB and Milox AB, as well as the association Baltic Deepwater Life with its subsidiaries. Former Chief Information Officer of ÅF (now AFRY) and CEO of Svensk Energiförsörjning AB.

Holdings in Vitec: 116,000 class B shares including related parties.

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*, under Investors, Corporate governance.

Chairman of the Board

The Chairman of the Board, Lars Stenlund, manages Board work to ensure compliance with laws and regulations. The Chairman monitors operations through a dialogue 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. A longer in-depth meeting is held jointly with the Board of Directors once a year and as needed.

In 2021, a total of sixteen Board meetings were held, including information meetings, statutory meetings and per capsulam meetings. Because of the ongoing pandemic, all meetings were held virtually, with the exception of one meeting in October. All Board members elected by the AGM were present at all of the Board meetings, with the exception of Crister Stjernfelt, 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 addressed, such as market assessments, potential acquisitions, financing, 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 2021 financial year indicates well-functioning collaborations and solid efficiency within Board work. All of the Board members were positive about continued commitment.

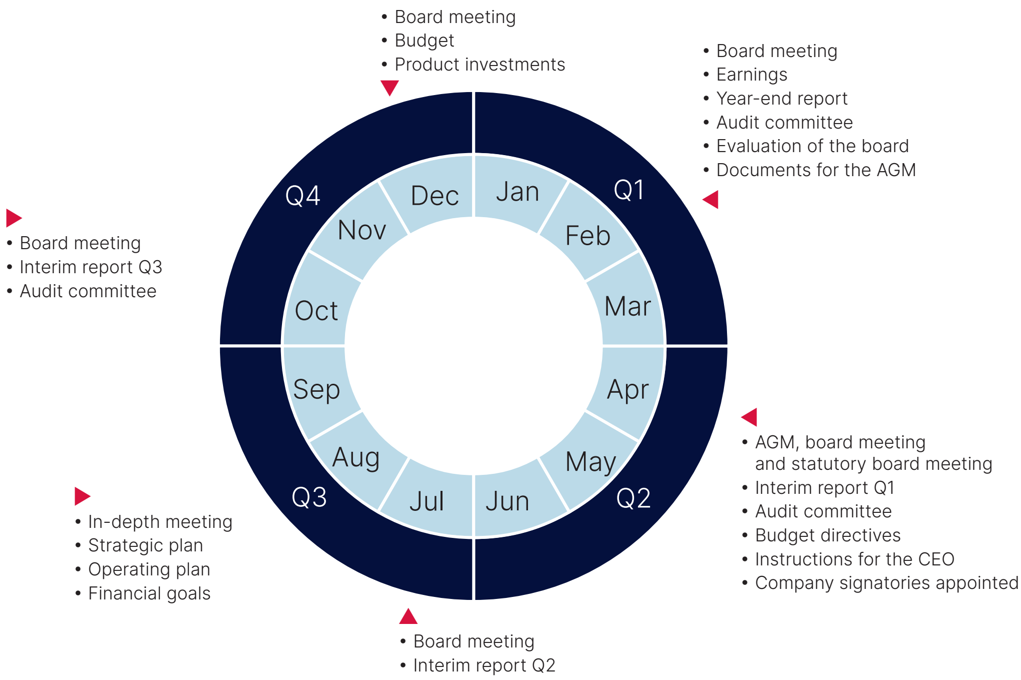
Key decisions

- At an extra Board meeting in March, the Board decided to appoint Olle Backman as the new CEO. Former CEO Lars Stenlund was then elected to serve as the new Chairman of the Board at the Annual General Meeting in April.
- In 2021, the existing credit facility was increased by SEK 500 million to a total of SEK 1,500 million. The acquisitions of Unikum, Travelize and Nordman were partially financed via convertible issues totaling SEK 25 million.
- Based on the authorization granted to the Board of Directors by the Annual General Meeting on April 28, in August the Board resolved on a private placement of 2,000,000 Class B shares at a price of SEK 460 per share. The issue raised SEK 920 million before issuing costs.
- The Board of Directors proposed that the AGM should make decisions on two staff incentive programs in the form of a convertible program aimed at all employees and a warrant incentive program aimed at senior executives.

In 2021, the following five corporate acquisitions were completed:

- Unikum offers the Pyramid Business Studio software, a complete business and enterprise management system for small and medium enterprises. The product offers functions such as project management, accounting, customer care and e-commerce. The company reported sales of SEK 103.1 million, with an adjusted EBITDA of SEK 42.9 million for the
  2020 financial year.
- Travelize reported sales of SEK 17.1 million, with an adjusted EBITDA of SEK 4.1 million for the 2020 financial year. Travelize develops and provides a complete enterprise management system for small and medium-sized travel agencies, primarily in Scandinavia. The web-based software enables travel reservations, web publishing and administration. The system offers an array of functions for customer and payment management, as well as marketing. The company's approximately 300 customers are mainly located in Sweden, Denmark and Norway.
- Nordman & Co AB reported sales of SEK 20.2 million, with an EBIT of SEK 3.8 million for the 2019/ 2020 financial year. Nordman & Co AB develops and provides the software Argus CRM, a complete sales support system for food and grocery retail industry, service outlets, pharmacies, supermarkets and the construction market, primarily in the Nordic countries. The system, with several add-on modules, enables salespeople to plan and manage tasks such as store visits, orders, marketing activities, item information and presentations. The approximately 130 customers are mainly companies in Sweden and the rest of the Nordic region.
- Ecclesia Systemer AS is an add-on acquisition to the business unit Vitec Agrando. Ecclesia Systemer reported sales of SEK 7 million for the 2020 financial year and after the acquisition the combined operations with a focus on churches in Norway will have sales of approximately SEK 33 million. Ecclesia Systemer develops and provides a SaaS service for the administration of cemeteries, crematoria, graves, and grave monuments in Norway. The software offers invoicing and scheduling of funerals, ceremonies, and cremations. The approximately 260 customers mainly consist of "kirkelige fellesråd," which are joint committees between municipalities and parishes in Norway's municipalities.
- Vabi Holding B.V. with subsidiaries, our first acquisition outside the Nordic region, reported sales of SEK 71.3 million, with an EBITDA of SEK 44.6 million for the 2020 financial year. Vabi develops and provides software that contributes to sustainable and efficient energy management for the real estate and property management industry. The products have several functions such as decision support systems, user-friendly 3D simulations and energy certification for reduced climate impact.

ANNUAL CYCLE OF BOARD WORK



The Board's Rules of Procedure

The Board's Rules of Procedure were adopted on April 28, 2021, 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 April 28, 2021. In 2021, the Audit Committee held three meetings and the Remuneration Committee held meetings in conjunction with regular Board meetings.

Upper row: Jerker Vallbo, Olle Backman, Kerstin Anderson, Kim Møller Jensen, Anna Andersson, Anna-Karin Nilsson, Patrik Fransson and Sten Stockmann. Lower row: Svein Roger Westengen, Aleš Zobec, Karin Wendén, Gert Gustafsson and Sara Nilsson.

Management

EXECUTIVE FUNCTIONS

The CEO is appointed by the Board of Directors. Olle Backman is CEO of the company and 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.

General Management Teams in the Group

The decision-making forum for Group-wide issues is Group Management (GM), which in addition to the CEO includes the COO, Investor Relations, CFO, Head of Brand, Head of HR, CIO/CTO, Head of M&A, Manager Financial Services & Integration, as well as all VPOs. Group Management handles strategic issues such as policies, brand, communication and HR.

For matters requiring more extensive preparation and discussion, committees are appointed to report to Group Management. These committees can be either temporary or more permanent.

In 2021, two committees were active; one consisted of the CEO, COO, Investor Relations and CFO. They usually meet monthly to review the results from the previous month and to prepare a basis for decisions regarding acquisitions, financing and other decisions that are later made by the Board. The second committee is our sustainability team, which consists of Investor Relations, Head of Brand, Head of HR and a VPO. During the year, they worked on coordination and structure for our sustainability work.

In addition, Operations Management (OM), which includes the COO, all VPOs and the head of Vitec IT, addresses operational issues and Nordic coordination.

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.

Olle Backman
CEO, Vitec Software Group
MBA
Employed since 2019
Holdings in Vitec:
35,000 class B shares, 515 class B shares through convertibles, warrants for 20,000 class B shares.

Aleš Zobec
Head of M&A
MSc. Eng., MBA
Employed since 2018
Holdings in Vitec:
10,000 class B shares, 515 class B shares through convertibles, warrants for 20,000 class B shares.

Anna Andersson
Head of HR
Master of Human Resources Management and Development
Employed since 2017
Holdings in Vitec:
1,508 class B shares, 515 class B shares through convertibles, warrants for 10,000 class B shares.

Anna-Karin Nilsson
Head of Brand
BA MSc in Public Relations
Employed since 2020
Holdings in Vitec:
515 class B shares through convertibles, warrants for 5,000 class B shares.

Gert Gustafsson
COO
Bachelor's Degree Electronics Engineering, Master's Degree Business Administration
Employed since 2017
Holdings in Vitec:
25,000 class B shares, 300 class B shares through convertibles, warrants for 20,000 class B shares.

Jerker Vallbo
CIO/CTO
Engineer, electronics and microcomputer technology
Employed since 1988
Holdings in Vitec:
360,000 class A shares, 68,560 class B shares (including related parties), warrants for 20,000 class B shares.

Karin Wendén
Manager Financial Services & Integration
Bachelor's degree in Accounting and Finance
Employed since 2012
Holdings in Vitec:
695 class B shares, 300 class B shares through convertibles, warrants for 10,000 class B shares.

Kerstin Anderson
Vice President Operations
MBA, Business Innovation
Employed since 2018
Holdings in Vitec:
1,670 class B shares, 515 class B shares through convertibles, warrants for 20,000 class B shares.

Kim Møller Jensen
Vice President Operations
MSc in Engineering, MBA
Employed since 2016
Holdings in Vitec:
3,900 class B shares, warrants for 20,000 class B shares.

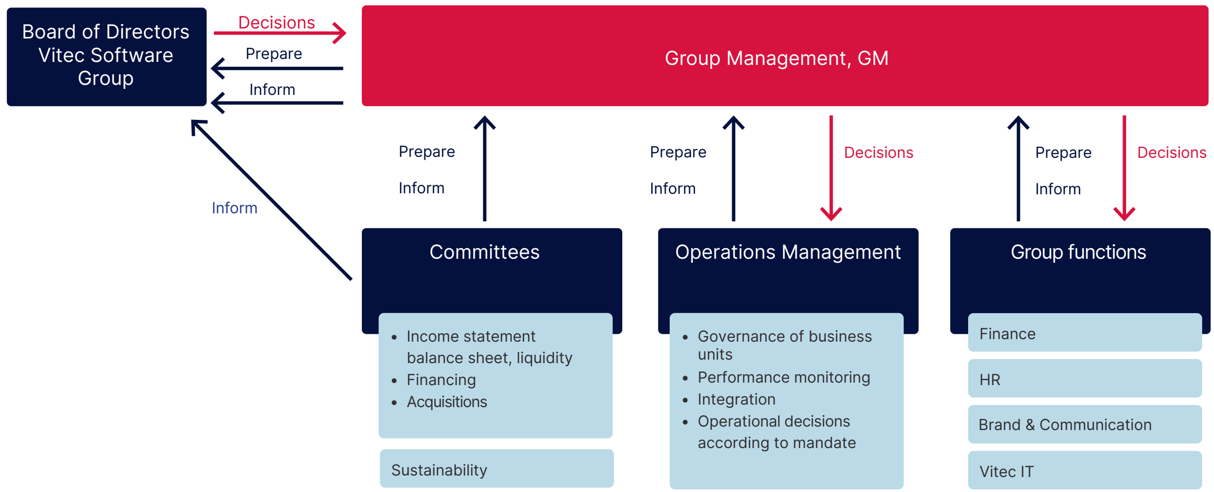
Patrik Fransson
Investor Relations
Computer science, MBA
Employed since 2011
Holdings in Vitec:
59,974 class B shares, 300 class B shares through convertibles, warrants for 20,000 class B shares.

Sara Nilsson
CFO
MBA
Employed since 2014
Holdings in Vitec:
5,349 class B shares, 515 class B shares through convertibles, warrants for 10,000 class B shares.

Sten Stockmann
Vice President Operations
MSc in Industrial Engineering
Employed since 2021
Holdings in Vitec:
Warrants for 10,000 class B shares.

Svein Roger Westengen
Vice President Operations
Computer science, MBA
Employed since 2014
Holdings in Vitec:
3,328 class B shares, warrants for 3,000 class B shares.

Management and Group-wide functions



BUSINESS UNIT MANAGEMENT

The CEOs of the business unit play a key role in our decentralized governance model. They have both the responsibility and the authority to independently run their business units, in accordance with business directives, authorization procedures and other governing documents.

Three of our 31 business units are managed by a female CEO, a proportion we are actively working to increase as we recruit new CEOs to our business, usually due to the generational shift in the workplace.

The business unit CEOs are assisted by their Vice President of Operations (VPO), a role similar to that of a working chairman. The job as VPO includes following up, setting requirements for and providing support to the CEOs of the business unit, as well as responsibility for promoting and ensuring the commercial and organizational development of the respective companies. The VPO is also responsible for ensuring that newly acquired companies are properly integrated into the Group and that our corporate culture is reinforced in all our entities.

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 2021 AGM, PricewaterhouseCoopers AB was elected, with Aleksander Lyckow as auditor in charge. The Group's auditors participate in all audit committee meetings, and in particular, provide a debriefing of their 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 2021 financial year have been prepared and submitted by the Board pursuant to the Swedish Annual Accounts Act Chapter 6, Section 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 all 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 other governing documents 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 2021. These systems are intended to ensure that

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Our work with internal control

At Vitec, we have a decentralized governance model where most decisions are made locally at the business units, close to customers and employees. This type of organization requires a common framework of governing documents. During the year, we followed up on compliance with our internal control framework and the outcome shows that the degree of maturity in our control environment has increased. Working with internal control is an ongoing process that never ends. In part, new companies are added to the Group that need to be integrated and learn about our requirements, and in part we strive to improve internal
control in existing units by informing about procedures and working with a more structured approach in common systems.

Sara Nilsson, CFO

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 are primarily the Finance Policy, Information Policy, Information Security Policy and the Code of Conduct. 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 units 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. 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 contract 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 dialogue 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 include an organization with a well-defined division of responsibilities, as well as our Code of Conduct, brand promise and policies. To ensure financial internal control, we have our finance manual and our closing instructions. An internal control checklist that covers all areas is available to help the businesses.

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.

Pursuant to 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. Many of the Board members have expertise in accounting.

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 emails 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 finance manual and 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.

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 analyzes 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.

The Board continuously assesses internal controls regarding financial reporting and ensures that reporting to the Board is effective. This is mainly undertaken by asking questions about and learning about 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 abovementioned 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 35,046,163, of which 2,950,000 were class A shares (29,500,000 votes) and the remaining 32,096,163 were class B shares (32,096,163 votes). Current share capital is approximately SEK 3.5 million, with a quotient value of SEK 0.10 per share. The ownership structure and Board of Directors' shares pertain to holdings at December 31, 2021, to the best of Vitec's knowledge.

The number of shareholders was 9,288.

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 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. Two ongoing convertible programs for employees allow for conversion to a maximum of 59,264 class B shares. There are also convertible debentures originating from acquisitions for a total value of SEK 42.5 million, which, upon full conversion will increase the number of shares by 148,664 class B shares. In addition, there are 514,000 warrants issued for two participation programs aimed at senior executives.

There is an authorization by the 2021 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 Large Cap list. At December 30, 2021, the share price was SEK 557 (341).

At year-end, the total market value of the issued shares was SEK 19,521 million (11,176).

The Vitec share has been traded under the Large Cap segment since January 3, 2022. The Large Cap segment includes companies with a market capitalization of EUR 1 billion and up.

Multi-year overview

		2021	2020	2019	2018	2017	2016	2015
Net sales	(SEK million)	1,571	1,313	1,156	1,017	855	675	618
Recurring revenues	(SEK million)	1,324	1,080	908	744	610	519	481
Recurring share of net sales	(%)	84	82	78	73	71	77	78
Growth net sales	(%)	20	14	14	19	27	9	26
EBITA	(SEK million)	440	345	247	212	171	133	131
EBITA margin	(%)	28	26	21	21	20	20	21
Growth EBITA	(%)	28	39	17	24	29	1	42
Operating profit (EBIT)	(SEK million)	283	222	144	128	107	88	101
Operating margin	(%)	18	17	12	13	12	13	16
Profit after financial items	(SEK million)	262	208	130	117	98	82	95
Profit after tax	(SEK million)	207	161	102	97	79	67	78
Profit margin	(%)	13	12	9	10	9	10	13
Balance-sheet total	(SEK million)	3,752	2,207	1,890	1,676	1,262	1,097	872
Equity/assets ratio	(%)	53	38	40	40	32	30	31
Equity/assets ratio after full conversion	(%)	55	41	43	42	35	32	33
Interest-bearing net liability	(SEK million)	638	423	454	274	348	303	181
Debt/equity ratio	(multiple)	1.1	1.56	1.50	1.75	2.22	2.25	2.09
Return on capital employed	(%)	14	17	12	13	14	14	21
Return on equity	(%)	15	20	14	18	22	22	29
Sales per employee	SEK 000s	1,603	1,593	1,669	1,658	1,584	1,445	1,465
Added value per employee	SEK 000s	1,439	1,413	1,339	1,316	1,258	1,198	1,212
Personnel expenses per employee	SEK 000s	845	843	879	858	828	813	797
Average no. of employees	(persons)	980	824	693	613	540	467	422
Adjusted equity per share (AES)	(SEK)	56.76	25.73	23.31	20.71	13.34	11.37	9.24
Earnings per share	(SEK)	6.14	4.93	3.16	3.23	2.70	2.27	2.66
Earnings per share after dilution	(SEK)	6.05	4.91	3.18	3.22	2.70	2.25	2.64
Resolved dividend per share	(SEK)	1.64	1.35	1.20	1.10	1.00	0.90	0.67
Cash flow per share	(SEK)	14.72	13.18	9.90	8.01	6.78	5.20	5.09
Basis of computation								
Earnings from calculation of earnings per share	(SEK million)	207	161	102	97	79	67	78
Cash flow from calculation of cash flow per share	(SEK million)	497	429	321	240	200	153	150
Weighted average number of shares	(thousands)	33,724	32,574	32,372	30,017	29,425	29,397	29,397
Number of shares after dilution	(thousands)	34,315	32,994	32,717	30,437	29,539	29,839	29,788
Number of shares issued at balance-sheet date	(thousands)	35,046	32,773	32,573	32,339	29,839	29,397	29,397
Share price at close of the respective period	(SEK)	557.00	341.00	185.00	77.60	87.00	75.50	75.00

For definitions, refer to page 147, Definitions of performance indicators.

Proposed appropriation of profits

THE FOLLOWING FUNDS ARE AT THE DISPOSAL OF AGM:	
Earnings brought forward	450,232,646
Share premium reserve	1,320,473,795
Profit for the year	183,948,023
	1,954,654,464

THE BOARD OF DIRECTORS PROPOSES THAT THESE FUNDS BE DISTRIBUTED AS FOLLOWS:	
Dividends of SEK 2.00 per share to shareholders	75,287,660
To be carried forward to the share premium reserve	1,320,473,795
To be carried forward	558,893,009
	1,954,654,464

REASONED OPINION OF THE BOARD OF DIRECTORS PURSUANT TO CHAPTER 18, SECTION 4 OF THE COMPANIES ACT (2005:551)

The Board of Directors of Vitec Software Group AB (publ) hereby submits the following statement pursuant to Chapter 18, Section 4 of the Swedish Companies Act in connection with the proposal for a dividend resolution proposed by the Board of Directors to the Annual General Meeting on April 26, 2022.

It is the opinion of the Board of Directors – on the grounds set out below – that the proposed dividend is justifiable with regard to the parameters set out in Chapter 17, Section 3, paragraphs 2 and 3 of the Companies Act. The Board of Directors has proposed that the Annual General Meeting resolves on an ordinary dividend of SEK 2.00 per share for the 2021 financial year, to be paid in quarterly installments of SEK 0.50. The proposed ordinary dividend may not exceed a total amount of SEK 75,287,660.[1]

The proposed dividend represents approximately 4% of reported unrestricted equity, which amounts to SEK 1,954,654,464. The Board of Directors finds that there will be full coverage for the restricted equity of the Company, after distribution of the proposed dividend.

The Board of Directors also finds that the proposed dividend is justifiable with regard to the parameters set out in Chapter 17, Section 3, paragraphs 2 and 3 of the Companies Act (the nature, scope and risks of the business, as well as consolidation needs, liquidity and position in general).

The nature and scope of the business are set out in the Articles of Association and the annual reports. The activities conducted by the company and the Group do not entail any risks other than those that arise or can be anticipated to arise within companies with similar activities, or those risks that are generally associated with operating a business.

The Board of Directors is of the opinion that the equity of the company and the Group after the proposed dividend will be sufficient, given the nature, scope and risks of the business. In so doing, the Board has taken into account the capital structure and future growth opportunities of the Group.

The Board of Directors has conducted a comprehensive assessment of the financial position of the company and the Group and its ability to meet its obligations in the long term. The proposed dividend will not affect the ability of the company and the Group to meet its payment obligations in a timely manner.

[1] The dividend is based on a calculation of the maximum number of shares that may be outstanding in the company on each of the record dates proposed by the Board of Directors for the quarterly dividend installments. The calculation is based on the following hypothetical assumptions:

(i) that the Board of Directors exercises the authorization to issue 2,500,000 shares pursuant to item 17 of the Notice to the Annual General Meeting, and

(ii) the outstanding convertible bonds of the Company are exercised for conversion into shares at such time as the shares carry dividend rights.

Consolidated statement of profit/loss

	NOTE	2021	2020
OPERATING REVENUES	(3)		
Recurring revenues		1,324,214	1,080,421
License revenues		27,295	14,682
Service revenues		194,368	189,238
Other		25,432	28,449
Net sales		1,571,309	1,312,789
Capitalized development expenditure		209,115	161,909
Other operating revenues	(5A)	1,095	-
TOTAL		1,781,519	1,474,697
OPERATING EXPENSES			
Goods for resale		-24,911	-24,761
Subcontractors and subscriptions		-175,544	-146,993
Other external expenses	(5B)	-183,278	-151,258
Personnel expenses	(4A-B)	-828,528	-694,690
Depreciation/amortization and impairment	(8A)	-284,503	-234,607
Impairment of intangible assets		-1,095	-
Other operating expenses	(5A)	-610	46
TOTAL EXPENSES		-1,498,469	-1,252,263
OPERATING PROFIT		**283,050**	**222,434**
Financial income		290	313
Financial expenses		-21,235	-15,115
NET FINANCIAL ITEMS	(5C)	-20,945	-14,802
PROFIT BEFORE TAX		**262,105**	**207,632**
Tax	(6)	-55,164	-46,922
PROFIT FOR THE YEAR		**206,941**	**160,710**
Profit for the year attributable to:			
Parent Company shareholders		206,941	160,710
Earnings per share	(15A)		
Before dilution		6.14	4.93
After dilution		6.05	4.91
Average number of shares		33,723,971	32,573,765
Average number of shares after dilution		34,314,745	32,993,975

Consolidated statement of comprehensive income

	Note	2021	2020
PROFIT FOR THE YEAR		206,941	160,710
OTHER COMPREHENSIVE INCOME			
Items that may be restated in profit or loss			
Restatement of net investments in foreign operations		63,933	-100,583
Net investment hedges for foreign operations		-16,605	46,675
Deferred tax on net investment hedges for foreign operations		3,421	-9,989
		50,749	-63,897
Items restricted from restatement in profit or loss			
Remeasurement of net pension obligations		-1,127	-92
Deferred tax on net pension obligations		248	20
		-879	-72
TOTAL OTHER COMPREHENSIVE INCOME/LOSS		**49,871**	**-63,970**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**256,812**	**96,740**
Total comprehensive income attributable to:			
Parent Company shareholders		256,812	96,740

Consolidated statement of financial position

	NOTE	Dec 31, 2021	Dec 31, 2020
ASSETS			
Fixed assets	(8A)		
Intangible fixed assets			
Goodwill		1,689,392	769,988
Capitalized development expenditure		573,541	421,462
Software		1,430	1,419
Brands		135,086	86,491
Product rights		340,947	278,601
Customer agreements		378,164	129,399
		3,118,560	1,687,360
Tangible property, plant and equipment			
Buildings		8,326	8,480
Investments in leased premises		5,535	3,149
Equipment, fixtures and fittings		34,071	29,629
Right-to-use assets		115,814	62,930
		163,746	104,188
Financial fixed assets			
Other non-current receivables	(7C)	25,481	1,325
		25,481	1,325
Deferred tax assets	(6)	8,061	4,517
Total non-current assets		3,315,848	1,797,391
Current assets			
Inventories	(8C)		
Goods for resale		2,788	2,958
		2,788	2,958
Current receivables			
Accounts receivable	(9A)	246,691	220,773
Current tax assets		15,415	2,285
Other receivables		6,130	5,403
Prepaid expenses and accrued income	(8D)	45,051	43,270
		313,287	271,731
Cash and cash equivalents	(9B)	119,854	134,695
Total current assets		435,929	409,384
TOTAL ASSETS		3,751,777	2,206,775

	Note	Dec 31, 2021	Dec 31, 2020
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	(12)	3,504	3,277
Other capital contributions		1,220,815	316,637
Reserves		-1,081	-50,952
Retained earnings including profit of the year		765,866	574,386
Equity attributable to Parent Company shareholders		1,989,104	843,350
Non-current liabilities			
Convertible debentures	(9, 9D, 9E,11)	45,030	64,778
Liabilities to credit institutions	(9, 9E, 11)	691,297	490,549
Post-employment remuneration of employees	(4B)	4,791	3,760
Lease right-to-use assets, non-current portion	(9,10)	78,389	29,034
Other non-current liabilities	(9,9E,11)	32,876	59,074
Deferred tax	(6)	289,291	185,799
Total non-current liabilities		1,141,674	832,994
Current liabilities			
Liabilities to credit institutions	(9, 9E,11)	2,767	2,763
Convertible debentures	(9, 9D, 9E,11)	18,306	-
Accounts payable		46,784	35,094
Tax liabilities		36,591	29,509
Lease right-to-use assets, current portion	(9,10)	37,969	29,584
Other liabilities	(8,9)	160,359	172,349
Accrued expenses and prepaid income	(8E)	318,223	261,132
Total current liabilities		620,999	530,431
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,751,777	2,206,775

Consolidated statement of changes in equity

	Share capital	Other capital contributions	Reserves*	Retained earnings	Total equity attributable to parent company shareholders
OPENING EQUITY, JAN 1, 2020	3,257	316,637	13,017	426,520	759,432
Profit for the year	-	-	-	160,710	160,710
Other comprehensive income	-	-	-63,970	-	-63,970
Total comprehensive income/loss	0	0	-63,970	160,710	96,740
Issue of convertible instruments	-	-	-	2,658	2,658
Redemption of debentures	20	-	-	21,193	21,213
Paid option premiums	-	-	-	6,235	6,235
Option premiums measured at fair value	-	-	-	1,044	1,044
Dividends paid	-	-	-	-43,974	-43,974
Transactions with shareholders	20	0	0	-12,844	-12,824
CLOSING EQUITY, DECEMBER 31, 2020	3,277	316,637	-50,952	574,386	843,349
OPENING EQUITY, JAN 1, 2021	3,277	316,637	-50,952	574,386	843,349
Profit for the year	-	-	-	206,941	206,941
Other comprehensive income	-	-	49,871	-	49,871
Total comprehensive income/loss	0	0	49,871	206,941	256,812
Issue of convertible instruments	-	-	-	1,624	1,624
Redemption of debentures	27	-	-	33,992	34,019
New share issue after issuing costs**	200	904,178	-	-	904,378
Paid option premiums	-	-	-	5,104	5,104
Option premiums measured at fair value	-	-	-	682	682
Dividends paid	-	-	-	-56,866	-56,866
Transactions with shareholders	227	904,178	0	-15,464	888,941
CLOSING EQUITY, DECEMBER 31, 2021	3,504	1,220,815	-1,081	765,863	1,989,104

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

** Issuing costs total SEK 15.6 million.

Consolidated statement of cash flows

	Note	2021	2020
OPERATING ACTIVITIES			
Operating profit		283,050	222,434
Adjustments for non-cash items			
Other operating revenues		-1,095	-
Loss on decommissioning of equipment, fixtures and fittings		-	189
Depreciation/amortization and impairment		285,598	234,607
Unrealized foreign exchange differences		610	-46
Option premiums		682	1,044
		568,845	458,228
Interest received		291	313
Interest paid		-18,081	-11,709
Income tax paid		-54,703	-17,539
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		496,352	429,293
Changes in working capital			
Increase/decrease in inventories		186	823
Increase/decrease in accounts receivable		-16,331	6,396
Increase/decrease in other operating receivables		15,898	22,416
Increase/decrease in accounts payable		9,368	-3,280
Increase/decrease in other operating liabilities		-17,454	-19,314
CASH FLOW FROM OPERATING ACTIVITIES		488,019	436,334
INVESTING ACTIVITIES			
Acquisition of shares and participations in associates		-21,705	-
Acquisition of subsidiaries (net impact on liquidity)*		-1,260,159	-167,238
Purchase of intangible fixed assets and capitalized development expenditure		-209,614	-163,242
Purchase of property, plant and equipment		-18,572	-9,648
CASH FLOW FROM INVESTING ACTIVITIES		-1,510,050	-340,128
FINANCING ACTIVITIES			
Dividends to Parent Company shareholders		-53,178	-33,293
Borrowings	(13)	508,650	157,820
Repayment of loans**	(13)	-347,119	-92,269
New share issue		904,378	-
Paid option premiums		5,104	6,235
CASH FLOW FROM FINANCING ACTIVITIES		1,017,835	38,493
CASH FLOW FOR THE YEAR		-4,196	134,699
CASH AND CASH EQUIVALENTS ON JANUARY 1		134,695	16,659
Exchange-rate differences in cash and cash equivalents		-10,642	-16,662
CASH AND CASH EQUIVALENTS AT YEAR-END***		119,857	134,695

*Payment for the acquisition of subsidiaries during the period consisted of cash for Unikum datasystem AB, Travelize International AB, Nordman & Co AB, Ecclesia Systemer AS and Vabi Holding B.V. Net cash flow was SEK 1,190.3 million. The acquisitions pertained to all shares outstanding in their entirety and entailed the gain of controlling influence. In addition, final settlements of supplementary purchase considerations were paid for the acquisitions of WIMS AS, M&V Software Oy, ALMA Consulting Oy, Appva AB, NexGolf Oy and Nordman AB, totaling SEK 69.9 million. The payments did not entail any changes to controlling influence or the total number of shares. Payment for the acquisition of subsidiaries in 2020 was in cash for Visiolink ApS, ALMA Consulting Oy, LJ System AB, Appva AB and NexGolf Oy. Net cash flow was SEK 161.7 million. The acquisitions pertained to all shares outstanding in their entirety and entailed the gain of controlling influence. In addition, the final settlement of the supplementary purchase consideration was paid for Vitec Avoine Oy, SEK 5.5 million. The payment did not entail any changes to controlling influence or the total number of shares.

**Amortization consists of SEK 2.8 million (8.3) for amortization on bank loans, SEK 300 million (39.8) in repayments to credit facility and SEK 44.4 million (44.2) for amortization of right-to-use assets.

***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	2021	2020
OPERATING REVENUES			
Net sales	(14A)	126,239	109,939
Other operating revenues	(5A)	100,015	251,462
OPERATING EXPENSES	(14A)		
Other external expenses	(5B)	-57,332	-49,408
Personnel expenses	(4)	-56,578	-49,021
Other operating expenses	(5A)	-112,828	-204,073
Depreciation/amortization	(8B)	-1,666	-1,789
OPERATING PROFIT		**-2,150**	**57,109**
PROFIT FROM FINANCIAL ITEMS:	(5C)		
Income from participation in Group companies	(14B)	152,551	177,692
Interest income and similar profit items		471	381
Interest expenses and similar loss items		-18,625	-12,485
NET FINANCIAL ITEMS		134,397	165,588
PROFIT AFTER FINANCIAL ITEMS		**132,247**	**222,697**
Appropriations	(14C)	56,899	364
PROFIT BEFORE TAX		**189,146**	**223,061**
Tax	(6)	-5,198	-11,818
PROFIT FOR THE YEAR		**183,948**	**211,243**

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

Parent Company Balance Sheet

	Note	Dec 31, 2021	Dec 31, 2020
ASSETS			
Fixed assets			
Intangible fixed assets	(8B)		
Software		973	1,036
		973	1,036
Tangible property, plant and equipment	(8B)		
Buildings		7,863	8,050
Investments in leased premises		2,195	1,258
Equipment, fixtures and fittings		2,255	1,433
		12,313	10,741
Financial fixed assets			
Participations in subsidiaries	(8B, 7B)	3,200,490	1,851,577
Deferred tax assets	(6)	453	777
		3,200,943	1,852,354
Total non-current assets		3,214,229	1,864,131
Current assets			
Current receivables			
Receivables from Group companies		250,653	207,830
Other receivables		6	1,440
Prepaid expenses and accrued income	(8D)	6,621	4,040
		257,280	213,310
Cash and bank balances		82,236	123,743
Total current assets		339,516	337,053
TOTAL ASSETS		3,553,745	2,201,185

	Note	Dec 31, 2021	Dec 31, 2020
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted equity			
Share capital	(12)	3,505	3,277
Statutory reserve		14,917	14,917
Total restricted equity		18,422	18,194
Unrestricted equity			
Share premium reserve		1,320,474	374,894
Earnings brought forward		450,233	295,856
Profit for the year		183,948	211,243
Total unrestricted equity		1,954,655	881,992
Total shareholders' equity		1,973,077	900,187
Untaxed reserves	(14D,14E)	1,772	1,677
Non-current liabilities			
Convertible debentures	(9D,9E,11)	45,030	64,778
Liabilities to credit institutions	(9E,11)	691,297	490,549
Other non-current liabilities	(9E,11)	30,500	45,000
Total non-current liabilities		766,827	600,327
Current liabilities			
Liabilities to credit institutions	(9E,11)	2,752	2,752
Convertible debentures	(9D,9E,11)	18,306	-
Accounts payable		8,870	3,634
Liabilities to Group companies		685,408	594,089
Current tax liabilities		10,777	7,909
Other current liabilities		72,789	81,465
Accrued expenses and prepaid income	(8E)	13,167	9,144
Total current liabilities		812,069	698,994
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,553,745	2,201,185

Parent Company Changes in Shareholders' Equity

	Share capital	Statutory reserve	Share premium reserve	Retained earnings and net income for the year	Total sharehold-ers’ equity
OPENING EQUITY, JAN 1, 2020	3,257	14,917	343,763	339,830	701,767
Issue of convertible instruments	–	-	2,659	-	2,659
Debenture conversion	20	-	21,193	-	21,213
Option premiums	-	-	7,279	-	7,279
Dividends paid	-	-	-	-43,974	-43,974
Profit for the year	-	-	-	211,243	211,243
CLOSING EQUITY, DECEMBER 31, 2020	3,277	14,917	374,894	507,099	900,187
OPENING EQUITY, JAN 1, 2021	3,277	14,917	374,894	507,099	900,187
New share issue after issuing costs**	200		904,178		904,378
Issue of convertible instruments	-	-	1,624	-	1,624
Debenture conversion	27	-	33,992	-	34,019
Option premiums	-	-	5,786	-	5,786
Dividends paid	-	-	-	-56,866	-56,866
PROFIT FOR THE YEAR	-	-	-	183,948	183,948
CLOSING EQUITY, DECEMBER 31, 2021	3,505	14,917	1,320,474	634,181	1,973,077

* New share issues were recognized in their amounts after issuing costs of SEK 15,639,000.

Parent Company Cash Flow Statement (indirect method)

	Note	2021	2020
OPERATING ACTIVITIES			
Operating profit		-2,150	57,109
Adjustments for non-cash items			
Depreciation/amortization		1,666	1,789
Option premiums		682	1,044
		198	59,942
Dividends and Group contributions received		177,692	130,301
Interest received		471	381
Interest paid		-17,917	-11,123
Income tax paid/refunded		-3,996	2,256
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		156,447	181,757
Changes in working capital			
Increase/decrease in operating receivables		8,152	-19,096
Increase/decrease in operating liabilities		85,497	97,172
CASH FLOW FROM OPERATING ACTIVITIES		250,096	259,833
INVESTING ACTIVITIES			
Acquisition of subsidiaries*		-1,350,630	-219,411
Purchase of intangible assets		-486	-255
Purchase of property, plant and equipment		-2,689	-68
CASH FLOW FROM INVESTING ACTIVITIES		-1,353,805	-219,735
FINANCING ACTIVITIES			
Dividends paid		-53,178	-33,293
Borrowings	(13)	508,650	157,820
Repayment of debt**	(13)	-302,752	-47,118
New share issue		904,378	-
Paid option premiums		5,104	6,235
CASH FLOW FROM FINANCING ACTIVITIES		1,062,202	83,644
CASH FLOW FOR THE YEAR		-41,507	123,743
Cash and cash equivalents on January 1		123,743	0
CASH AND CASH EQUIVALENTS AT YEAR-END***		82,236	123,743

*Payment for the acquisition of subsidiaries during the period consisted of cash for Unikum datasystem AB, Travelize International AB, Nordman & Co AB, Ecclesia Systemer AS and Vabi Holding B.V. The purchase consideration was SEK 1,291.8 million. The acquisitions pertained to all shares outstanding in their entirety and entailed the gain of controlling influence. In addition, final settlements of the supplementary purchase considerations were paid for WIMS AS, SEK 28.1 million, Katrina Oy, SEK 10.1 million, and NexGolf Oy SEK 7.6 million, while partial settlements of supplementary purchase considerations were paid for Appva AB, SEK 10.0 million and ALMA Consulting Oy, 3.1 million. The payments did not entail any changes to controlling influence or the total number of shares held.

Payment for the acquisition of subsidiaries during the previous year was in cash for Visiolink ApS, ALMA Consulting Oy, LJ System AB, Appva AB and NexGolf Oy. The purchase consideration was SEK 213.8 million. The acquisitions pertained to all shares outstanding in their entirety and entailed the gain of controlling influence. In addition, the final settlement of supplementary purchase consideration was paid for Avoine Oy, SEK 5.5 million. The payment did not entail any changes to controlling influence or the total number of shares.

**Amortization consisted of SEK 2.8 million (7.9) for amortization on bank loans and SEK 300.0 million (39.2) 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 March 25, 2022. 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 April 26, 2022.

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

Note groupings:
- General accounting and measurement policies
- Segments
- Revenues from customer agreements
- Remuneration of employees
- Other significant profit/loss items
- Tax
- The Group's composition
- Non-financial assets and liabilities
- Financial assets and liabilities
- Leasing
- Financial risks and capital risk management
- Shareholders' equity
- Cash flow
- Parent Company
- Miscellaneous information
- 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 thousands) 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 December 31, 2021.

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:

- Acquisitions. A detailed acquisition plan is prepared in conjunction with each acquisition. In the acquisition plan, the difference between the net assets of the acquired company and the purchase price is allocated to product rights, customer agreements, brands and goodwill. The distribution follows a model, but is based on estimates and judgements.
- Supplementary purchase consideration for acquisitions. This pertains 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. Such terms and conditions may be earnings growth, an improved percentage of recurring revenues and/or guarantee commitments. Purchase considerations are measured at fair value at the acquisition date. Estimates and judgments of value are made at subsequent reporting dates.
- Capitalized development expenditure. Each year, investments are made in internally generated development costs. The asset is capitalized based on an hourly cost and with an assumed lifetime of 10 years.
- Impairment testing. Impairment tests are performed once a year on capitalized development expenditure, product rights, customer agreements, brands and goodwill. Estimates and judgements of the recoverable amount are made based on future projections and budgets. The estimates and assumptions that are associated with a signifi-

cant 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.

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 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.

Government aid

In 2021, the Group received government aid as part of the relief measures taken by the authorities to mitigate the effects of COVID-19. The government aid mainly relates to compensation for sick pay. In accordance with IAS 20, the government relief measures have been recognized as reductions in personnel expenses in the same period as the expenses that the subsidies are intended to cover.

New or amended accounting policies as of 2021

No new accounting policies have entered into force for 2021 that affect the Group's reporting, nor have any new accounting policies been adopted for the future that are expected to affect the Group's reporting.

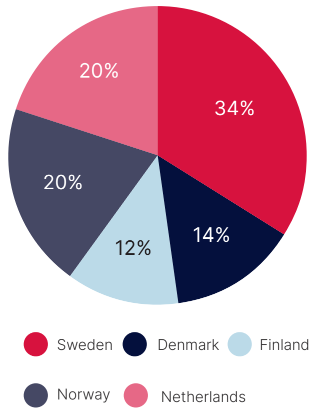
NOTE 2 SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker of the Company. In the Vitec Group, the CEO and President has been identified as chief executive decision-maker who evaluates the Group's financial position and performance and makes decisions on resource allocation. Operating segments form the operational structure for internal governance, follow-ups, and reporting. The CEO analyzes and monitors the sales and earnings of the operation based on the total consolidated operations. The assessment is thus that the Group's operations consist of one segment.

For more information on the cash-generating units, please refer to pages 28–34 in this annual report.

Fixed assets by country

SEK million	2021	2020
Sweden	1,125.2	397.3
Denmark	460.6	464.9
Finland	380.7	379.3
Norway	648.4	550.0
Netherlands	667.5	-
	3,282.3	1,791.5



NOTE 3 REVENUES FROM CUSTOMER AGREEMENTS

Revenue recognition

We recognize our net sales 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 right-of-use assets, third-party maintenance and other. Of the recurring revenues, SEK 596.6 million (518.4) pertain to support, maintenance and upgrades, SEK 524.5 million (376.0) to fixed-period right-of-use and operations, SEK 195.0 million (162.5) to information services and SEK 24.6 million (23.5) to third-party maintenance. License revenues comprised SEK 19.0 million (14.3) in perpetual right-of-use assets and SEK 8.5 million (0.4) in third-party right-of-use assets.

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. SaaS comprises agreements on all types of subscriptions and cloud services. Temporary right-of-use, support and maintenance are always included. Operations, upgrades, information services and other may also be included, depending on the contractual setup.

Recurring revenues

Recurring revenues mainly comprise annual agreements related to 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.

The Group receives revenue from the transfer of services over time or at a given date as follows:

REVENUES FROM CONTRACTS WITH CUSTOMERS

	2021	2020
(SEK million)		
Recurring revenues	1,324.2	1,080.4
Licenses	27.3	14.7
Service revenues	194.4	189.2
Other	25.4	28.4
Net sales	1,571.3	1,312.8
Date of revenue recognition		
Services transferred to customers over time, flat distribution	1,158.8	939.4
Services transferred to customers over time, in pace with use	359.8	330.3
Services transferred to customers at a given time	52.7	43.1
Net sales	1,571.3	1,312.8

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:

CONTRACTUAL ASSETS

SEK million	2021	2020
Accounts receivable	246.7	220.8
Accrued revenues from contracts with customers	7.8	9.6
Total contractual assets	254.5	230.4

CONTRACTUAL LIABILITIES

SEK million	2021	2020
Prepaid revenues from contracts with customers	203.1	158.1
Total contractual liabilities	203.1	158.1

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 expected bad-debt losses of SEK 0.7 million (1.3).

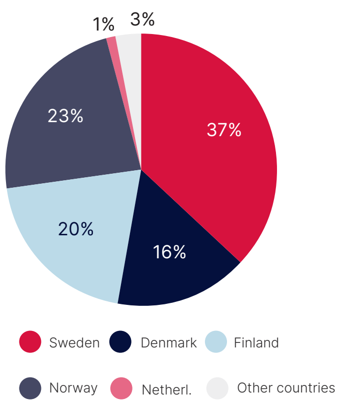
The change in contractual assets and contractual liabilities is attributable to acquisitions, which contributed SEK 6.1 million in increased contractual assets and SEK 18.8 million in increased contractual liabilities. 100% of contractual liabilities were recognized as revenue during the year.

Sales broken down by geography, business unit and customer

We operate in a number of niche markets in the Nordic region and have good diversification of revenue in terms of both geography and area of operation. The business is essentially the same in all niche markets: we develop and deliver standardized software to meet the various needs of our customers. Some of our software products comprise complete enterprise systems, while others provide support for specific aspects of our customers' operations. We serve a large number of customers with our products. No individual customer accounts for more than 1.5% of the Group's total revenues. As we continue to acquire profitable vertical software companies in the Nordic region, we expect the distribution of risk to continue in a positive direction.

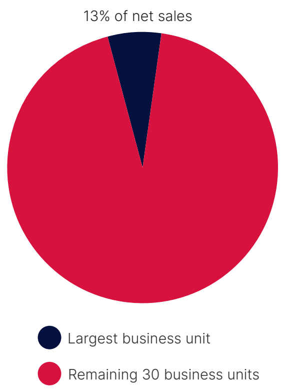
Consolidated net sales are based on the customers' domiciles

	Net sales	
SEK million	2021	2020
Sweden	574.8	407.5
Denmark	251.7	244.6
Finland	320.1	287.8
Norway	359.3	339.7
Netherlands	22.2	-
Rest of the world	43.2	33.2
	1,571.3	1,312.8



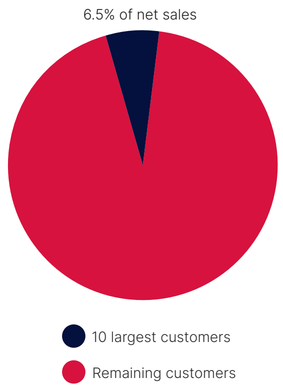
Consolidated net sales by business unit

Our sales are evenly spread across our 31 business units. No individual business unit accounts for more than 13% of consolidated sales.



Customers

We have about 22,500 customers. The Group's ten largest customers account for approximately 6.5% of sales. The single largest customer accounts for approximately 1.5% of sales.



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 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.

Share-based remuneration
There are two ongoing participation programs in the form of warrants aimed at 45 people in Sweden, Finland, Norway and Denmark.

The participation program is recognized as share-based remuneration pursuant to IFRS 2. The shares were issued on market terms.

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

AVERAGE NO. OF EMPLOYEES

	Women		Men		Total	
	2021	2020	2021	2020	2021	2020
Parent Company						
Sweden	23	23	7	8	30	31
Subsidiaries						
Sweden	123	67	263	200	386	267
Denmark	57	58	140	138	197	196
Finland	51	47	125	104	176	151
Netherlands	3	-	8	-	11	-
Norway	48	48	132	131	180	179
Group total	314	243	679	581	980	824

At year-end, the number of employees was 1,033 (862).

GENDER DISTRIBUTION AMONG SENIOR EXECUTIVES

The Parent Company's Board of Directors comprises six directors, two of whom are women. The Group's General Management team consists of 13 people, including 5 women. The CEOs of the subsidiaries comprise three women and 27 men.

SALARIES AND OTHER REMUNERATION

	Salaries and other remuneration		Social Security expenses		(of which, pension contributions)	
	2021	2020	2021	2020	2021	2020
Parent Company	38,748	33,032	14,277	14,079	4,410 *	4,328 *
Subsidiaries	563,554	481,117	163,492	122,525	64,766	50,434
Group total	602,302	514,149	177,769	136,604	69,176 **	54,762 **

* Of the Parent Company's pension contributions, SEK 3,360,000 (2,081,000) pertains to the senior management group.

** Of the Group's pension contributions, SEK 9,135,000 (4,471,000) pertains to the senior management group.

The Parent Company's salary and remuneration costs include SEK 5,322,000 in costs for incentive programs for senior executives in subsidiaries and other employees of the Parent Company in management roles, but not belonging to General Management.

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

	Senior executives (of which bonus payments and similar)		Other employees	
	2021	2020	2021	2020
Parent Company	22,764 (0)	10,573 (0)	15,984	22,459
Subsidiaries	46,526 (0)	36,680 (0)	517,028	444,437
Group total	69,289 (0)	47,253 (0)	533,013	466,896

There are 16 senior executives in the Parent Company and 33 in the subsidiaries.

Senior executives

Senior executives of the Parent Company comprise its Board of Directors and the Group's General Management (GM). The Group's General Management team expanded from 4 people to 13 during the year.

Senior executives in subsidiaries comprise the CEOs of the subsidiaries, who constitute separate reporting units, as well as three people employed by subsidiaries who are included in the Group's General Management.

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 600,000 annually. The other four Board members who are not employees of the Group are paid fees totaling SEK 210,000 annually. In both cases, the remuneration level applies as of the date of the AGM.

Remuneration to the CEO totaled SEK 2,522,000. No board fees were paid.

In the event of termination from the company's side, the salary is to be paid during the six-month notice period, as well as severance pay comprising 6 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.

The shareholdings and convertible debentures of Board members and senior executives are presented in the Corporate Governance Report.

	Basic salary/ Board fees		Share-based remuneration		Other benefits		Pension contributions		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
The Chairman of the Board Lars Stenlund	400	-	-	-	-	-	-	-	400	-
Board member Crister Stjernfelt	257	310	-	-	-	-	-	-	257	310
Board member Kaj Sandart	198	155	-	-	-	-	-	-	198	155
Board member Jan Friedman	198	155	-	-	-	-	-	-	198	155
Board member Birgitta Johansson-Hedberg	198	155	-	-	-	-	-	-	198	155
Board member Anna Valtonen	198	155	-	-	-	-	-	-	198	155
CEO Lars Stenlund *	848	2,448	-	337	2	6	119	840	969	3,631
CEO Olle Backman **	2,522	-	256	-	2	-	300	-	3,080	-
Other senior executives of the Parent Company***	15,641	5,846	2,047	1,012	28	9	2,941	1,241	20,657	8,108
Total	20,461	9,224	2,302	1,349	32	15	3,360	2,081	26,156	12,669

*Remuneration to CEO relating to Lars Stenlund for the period January through April 2021.

**Remuneration to CEO relating to Olle Backman for the period May through December 2021.

***Other senior executives of the Parent Company comprise 10 people who are part of the Group's General Management (GM).

Incentive program

There is an ongoing convertible program aimed at all personnel 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.

There are also two ongoing participation programs in the form of warrants aimed at 45 people in Sweden, Finland, Norway and Denmark. The shares were issued on market terms.

	Average exercise price per stock option		Number of options	
	2021	2020	2021	2020
At January 1	333	0	251,000	0
Granted during the year	463	333	263,000	251,000
At December 31	400	333	514,000	251,000

Outstanding stock options at year-end have the following maturity dates and exercise prices:

Grant date	Maturity date	Exercise price	Stock options
Sept 16, 2020	Sept 1, 2023–Sept 15, 2023	333	251,000
June 15, 2021	June 3, 2024—June 14, 2024	463	263,000
Total			514,000

The options are freely transferable from the grant date and have no vesting conditions.

Fair value of options granted

The fair value of options granted during the year has been calculated to SEK 22 per option. The fair value at grant date is calculated using a modified version of the Black-Scholes valuation model.

According to the AGM resolution, participants in the incentive program were subsidized equivalent to net 50% of the option premiums.

In Norway and Finland, the options were transferred by the participants paying 50% of the option premium. The excess has been recognized as share-based payment. In Sweden and Denmark, the options have been acquired by the holders paying 100% of the option premiums. At the same time, participants were subsidized equivalent to net 50% of the option premiums with a one-off payment.

The total fair value recognized in equity for this year's warrants is SEK 5.8 million.

Costs charged to profit or loss for the year for share-based payments in the form of warrants amount to SEK 8.6 million.

Guidelines for remuneration of senior executives
The Annual General Meeting in April 2021 resolved on the following guidelines for remuneration of senior executives:

Who the guidelines cover and their applicability
These guidelines for remuneration to senior executives cover remuneration to the Board of Directors, the CEO, the deputy CEO and other senior executives. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after the adoption of the guidelines by the Annual General Meeting 2021. Regarding employment conditions that are governed by rules other than Swedish, appropriate adjustments may be made in order to comply with such mandatory rules or local practice, whereby the overall purpose of these guidelines shall be met. These guidelines do not apply to any remuneration decided or approved by the general meeting.

The Board of Directors has the right to temporarily derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the long-term interests of the company, including its sustainability, or to ensure the financial viability of the company. If such deviations occur, they must be reported in the remuneration report before the next Annual General Meeting. These guidelines are applicable after the Annual General Meeting 2021. An issue regarding deviation from the guidelines shall be prepared by the remuneration committee and decided by the Board of Directors.

The guidelines' promotion of the company's business strategy, long-term interest and sustainability
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. Our business model is based on recurring revenues and our growth is mainly the result of acquisitions of mature software companies. For further information about the business model, growth strategy and sustainability, see *www.vitecsoftware.com*.

In order to successfully implement the company's business strategy and to safeguard its long-term interests, including its sustainability, the Board believes that recruiting and retaining highly competent senior executives with the capacity to achieve specified goals is crucial. To this end, it is necessary that the company can offer competitive remuneration to motivate senior executives to do their utmost to achieve the company's goals.

Forms of remuneration, etc.
Remuneration and other terms of employment for senior executives shall be based on market terms. Remuneration consists of base salary, pension benefits and other benefits. Gross remuneration represents the total remuneration. The Annual General Meeting may also – regardless of these guidelines – resolve on share and share-price related remuneration. The gross remuneration is disposed of by each individual in accordance with the company's policies, and should cover the company's cost for:

- salary, social security expenses and vacation/holiday allowance
- pension and associated special payroll tax
- any health or medical insurance
- Other benefits

Cash salary constitutes a maximum of 90–95% of total remuneration, excluding share or share price-related remuneration, while pensions and other benefits constitute a maximum of 30–40% of total remuneration excluding share or share price-related remuneration.

Variable cash remuneration
Vitec does not offer variable cash remuneration to senior executives.

Share or share price-related remuneration
Senior executives may be offered incentive programs which shall primarily be share and share-price related. Incentive programs are intended to improve the participants' commitment to the company's development and shall be implemented on market-based terms. Resolutions on share and share price-related incentive programs must be passed at the Annual General Meeting and are therefore not covered by these guidelines.

Pension
The agreed retirement age for the CEO is 65 years and there is no agreed retirement age for other senior executives. All pension benefits for senior executives are based on defined payments. This means that the company pays an individually agreed defined premium for senior executives. Other than the aforementioned pension benefits, the company does not have any other pension obligations for senior executives.

Notice of termination and severance pay
For notice of termination served by the company, the maximum notice period is 6 months. The fixed base salary during the notice period and the severance pay may not, in total, exceed an amount corresponding to the fixed base salary for 12 months for the CEO and 12 months for other individuals in company management. For notice of termination served by the executive, the maximum notice period is 6 months, without any right to severance pay.

Remuneration to members of the Board of Directors
In addition to the fees to the members of the Board of Directors resolved upon by the Annual General Meeting, remuneration for assignments for the company per-

formed by a member of the Board of Directors outside the scope of board work may be paid by the company. For the purpose of such assignments, the Board of Directors may, on behalf of the company, enter into an agreement with the relevant member of the Board of Directors regarding the performance of an individual assignment or enter into a framework agreement, whereby the Board of Directors may, on behalf of the company, call off the performance of services under the framework agreement. The member of the Board of Directors that is affected by the matters shall not be present while the Board of Directors addresses matters related to assignments and remuneration and passes resolutions about them. Remuneration for assignments for the company that a member of the Board of Directors performs outside the scope of board work shall be market-based.

Salaries and terms of employment for employees

In preparing the Board of Directors' proposal for these guidelines for remuneration of senior executives, the salaries and terms of employment for the company's employees have been taken into account. Information about employees' total remuneration, components of their remuneration, as well as increases in remuneration and increases over time have been obtained and have constituted a part of the remuneration committee's and the Board of Directors' decision basis in their evaluation of the fairness of the guidelines and the limitations arising from them.

Resolution process

The Board of Directors shall prepare a proposal for new guidelines whenever the need for material changes arises, but at least every four years. The Board of Directors' proposal is prepared by the remuneration committee. The chairman of the Board of Directors may chair the remuneration committee. Other members of the remuneration committee who are elected by the Annual General Meeting must be independent in relation to the company and company management. If the Board of Directors finds it more expedient, the entire Board can fulfill the tasks of the remuneration committee, provided that members of the Board who are part of the company management do not participate in the work.

The remuneration committee shall monitor and evaluate the application of the guidelines for remuneration to senior executives decided by the Annual General Meeting. When the remuneration committee has prepared the proposal, it is submitted to the Board of Directors for decision. The Chief Executive Officer or other senior executives shall not be present while the Board of Directors addresses issues related to remuneration and passes resolutions about them, insofar as they are affected by the issues.

If the Annual General Meeting resolves not to adopt guidelines when there is a proposal for such, the Board of Directors shall submit a new proposal no later than at the next Annual General Meeting. In such cases, remuneration shall be paid in accordance with the current guidelines or, if no guidelines exist, in accordance with the company's practice.

External advisors are used in the preparation of these matters when deemed necessary.

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 2021 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 premiums 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 2,500,000 (1,996,000). The collective consolidation level for Alecta was 172% (148) in 2021.

Defined-contribution plans

Defined-contribution pension plans entail that the company makes 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 67,926,000 (52,709,000).

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 1,177,000. The forecast for fees in 2022 is SEK 1,177,000.

COMMITMENTS TO EMPLOYEE BENEFITS, DEFINED-BENEFIT PLANS

	Group	
	Dec 31, 2021	Dec 31, 2020
Other pension obligations	4,791	3,760
Total defined-benefit plans	4,791	3,760

DEFINED-BENEFIT OBLIGATIONS AND VALUE OF PLAN ASSETS

	Group	
	Dec 31, 2021	Dec 31, 2020
Present value of funded defined-benefit obligations	21,346	18,208
Fair value of plan assets	-17,226	-14,912
Net	4,120	3,296
Estimated employer contributions	671	465
Net debt for funded obligations	4,791	3,760

RECONCILIATION OF NET AMOUNT FOR PENSIONS IN THE BALANCE SHEET

	Group	
	Dec 31, 2021	Dec 31, 2020
Opening balance	3,760	5,036
Net pension costs for the year	968	932
Investments in pension funds, incl. employer contributions	-1,343	-1,808
Actuarial changes recognized in other comprehensive income	1,127	92
Translation differences	280	-492
Total defined-benefit plans	4,791	3,760

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

	Group	
	Dec 31, 2021	Dec 31, 2020
Opening balance	18,673	20,727
Actuarial changes	1,424	-594
Interest and fees	1,031	1,021
Pension payments for the year	-451	-279
Payment employer contributions	-46	-108
Translation differences	1,386	-2,094
	22,017	18,673

CHANGE IN PLAN ASSETS

	Group	
	Dec 31, 2021	Dec 31, 2020
Opening balance	14,912	15,613
Actuarial changes	297	-686
Interest and fees	-63	-61
Investments in pension funds	1,177	1,585
Pension payments for the year	-451	-279
Change in value	245	265
Translation differences	1,108	-1,525
	17,226	14,912

ACTUARIAL ASSUMPTIONS

	Group	
%	Dec 31, 2021	Dec 31, 2020
Discount rate	1.50	1.50
Expected return on pension fund assets	1.50	1.50
Future pay increases	2.50	2.00
Future increase of pensions	2.25	1.75
Future increases in base amounts	2.25	1.75
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

Other operating income in the Group comprises adjustments to expensed supplementary contingent considerations, which are recognized pursuant to IFRS.

During the period the expensed supplementary purchase consideration for WIMS AS was adjusted downward by SEK 1.1 million. Pursuant to IFRS 3:58, the adjustment was recognized as Other operating revenues. An amortization of intangible assets for the corresponding amount was recognized simultaneously.

Other operating expenses for the Parent Company pertained in their entirety to foreign exchange differences attributable to receivables and liabilities from operations.

Other operating expenses pertained in their entirety to foreign exchange differences attributable to receivables and liabilities from operations.

NOTE 5B FEES AND REIMBURSEMENT OF COSTS TO AUDITORS

	Group		Parent Company	
	2021	2020	2021	2020
PwC, audit assignment	3,479	2,920	1419	1,191
PWC, auditing activities beyond auditing assignment	249	270	118	80
PWC, tax advisory services	541	472.5	541	235
PWC, other assignments	1,471	84	1,446	84
Other auditors, audit assignment	387	59	-	-
Other auditors, auditing activities beyond auditing assignment	110	10	-	-
Other auditors, tax consultancy services and other assignments	16	17	-	-
Other auditors, other assignments	-	30	-	-
Total auditing fees	6,253	3,863	3,524	1,590

Of the audit assignments, SEK 1,419,000 pertained to PwC Sweden; of auditing activities in addition to the auditing assignment, SEK 118,000 pertained to PwC Sweden; of the fees for tax advisory services, SEK 541,000 pertained to PwC Sweden; and of other assignments, SEK 0 pertained to PwC Sweden.

NOTE 5C NET FINANCIAL ITEMS

Financial income and expenses

Financial income exclusively comprises interest income from financial 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 the 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 is recognized as a financial expense or income, since the amounts are unsubstantial.

NET FINANCIAL ITEMS

	Group		Parent Company	
	2021	2020	2021	2020
Interest income	290	313	471	381
Dividends from subsidiaries	-	-	152,551	177,692
Other financial expenses	-36	-289	-	-
Interest expenses	-21,199	-14,826	-18,625	-12,485
Net financial items	-20,945	-14,802	134,397	165,588

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 tax 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	
	2021	2020	2021	2020
Current tax				
Current tax on profit/loss for the year	-55,620	-53,035	-7,316	-7,696
Adjustment of current tax from previous years	2,459	-3,702	2,443	-2,751
	-53,161	-56,737	-4,873	-10,447
Deferred tax				
Deferred tax pertaining to temporary differences	-2,004	9,815	-325	-1,371
Total recognized tax expense	-55,164	-46,922	-5,198	-11,818

RECONCILIATION BETWEEN APPLICABLE AND EFFECTIVE TAX RATES

	Group		Parent Company	
	2021	2020	2021	2020
Recognized profit before tax	262,105	207,632	189,146	223,061
Tax according to applicable tax rates	-59,075	-45,831	-38,964	-47,735
Tax effect of:				
- non-deductible expenses	-399	-1,680	85	-136
- non-taxable revenues	1,202	1,238	31,425	38,026
-change in tax loss carryforward/temporary differences	-400	2,334	-325	2,148
- tax attributable to previous years	3,508	-2,983	2,581	-4,121
Recognized effective tax	-55,164	-46,922	-5,198	-11,818

RECOGNIZED DEFERRED TAX ASSETS

	Group		Parent Company	
	2021	2020	2021	2020
Deferred tax on tax loss carryforwards	3,237	3,916	-	777
Differences between carrying amount and taxable value of fixed assets	4,823	601	453	-
Closing balance	8,061	4,517	453	777

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

RECOGNIZED DEFERRED TAX LIABILITIES

	Group		Parent Company	
	2021	2020	2021	2020
Product rights, customer agreements and brands	158,556	95,567	-	-
Capitalized development expenditure	123,235	93,981	-	-
Pension liabilities	204	-1,000	-	-
Untaxed reserves	7,296	-2,749	-	-
Deferred tax liabilities	289,291	185,799	0	0

CHANGE IN DEFERRED TAX ON TEMPORARY DIFFERENCES

	Jan 1, 2021	Recognized in total comprehensive income for the year	Recognized in other comprehensive income for the year	Recognized in shareholders' equity	Dec 31, 2021
Product rights, customer agreements and brands	95,567	-37,760	3,371	97,378	158,556
Pension liabilities	-1,000			1,204	204
Hedge accounting	-		-3,421	3,421	0
Accumulated depreciation/amortization	-2,749	10,045			7,296
Capitalized development expenditure	93,981	29,254			123,235
	185,799	1,539	-50	102,003	289,291

CHANGE IN DEFERRED TAX ON TEMPORARY DIFFERENCES

	Jan 1, 2021	Recognized in total comprehensive income for the year	Recognized in other comprehensive income for the year	Recognized in shareholders' equity	Dec 31, 2021
Accumulated depreciation/amortization	4,517	3,543	-	-	8,061
	4,517	3,543	-	-	8,061

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 plan 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 the 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. We follow OECD guidelines for cross-border transactions between related companies, which means that pricing is done according to the so-called arm's length principle.

NOTE 7A ACQUISITIONS

Final acquisition plans, previous year's acquisitions
In the 2020 financial statements, the acquisition plans for Visiolink Management ApS, ALMA Consulting Oy, LJ System AB, Appva AB and NexGolf Oy were preliminary. During the year, these were revalued and are now definitive. During remeasurement, an adjustment was made to the acquisition plan for Appva AB, where product rights and customer agreements were measured higher than at initial measurement. Goodwill was reduced correspondingly.

REMEASUREMENT ACQUISITION PLAN APPVA AB

	Initial valuation	Remeasurement	Final valuation
Brands	1,356	0	1,356
Product rights	8,976	14,315	23,291
Customer agreements	4,488	7,157	11,645
Goodwill	85,902	-17,256	68,646
Deferred tax liabilities	-3,260	-4,216	-7,476
Other net assets	3,138	0	3,138
Total	100,600	0	100,600

Acquisition Unikum datasystem AB

On January 4, Vitec acquired all shares in the Swedish software company Unikum Datasystem AB. Unikum offers the Pyramid Business Studio software, a complete business and enterprise management system for small and medium-sized enterprises. The product offers functions such as project management, accounting, customer care and e-commerce. The company reported sales of SEK 103.1 million, with an adjusted EBITDA of SEK 42.9 million for the 2020 financial year. Vitec welcomed 90 new employees as part of the acquisition.

Payment was in cash and with a convertible, with deviation from shareholders' preferential rights in accordance with the authorization from the Annual General Meeting on June 23, 2020. The convertible matures in 36 months and at full conversion will have a dilutive effect on capital of 0.1%. The acquisition is expected to yield an immediate increase in earnings per share for Vitec. The expensed convertible totals SEK 15.1 million after deduction for the option component.

Consolidation will commence 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. During the fourth quarter the preliminary acquisition plan was updated. We carried out a revaluation between goodwill, brands and customer agreements, in which customer agreements and brands were valued higher than in the initial valuation.

From the acquisition date up to and including December 31, revenues in the company totaled SEK 105.2 million in sales and SEK 31.2 million in profit before tax. At December 31, acquisition-related expenses totaled SEK 2.6 million and were recognized as acquisition-related costs in profit or loss.

ACQUISITION PLAN

	Unikum datasystem AB	Fair value adjustment	Fair value recognized in the Group
Brands	-	20,011	20,011
Product rights	-	63,360	63,360
Customer agreements	-	118,257	118,257
Non-current receivables	1,755	-	1,755
Current receivables	6,250	-	6,250
Cash and cash equivalents	54,598	-	54,598
Deferred tax liabilities	-	-41,535	-41,535
Accounts payable	-969	-	-969
Other current liabilities	-25,804	-	-25804
Net identifiable assets and liabilities			195,923
Consolidated goodwill			356,429
Total			552,352
Group's purchase costs			552,352

Calculation of net cash outflow	Fair value
Group's purchase costs	-552,352
Convertible debenture	15,600
Acquired cash and cash equivalents	54,598
Net cash outflow	-482,154

Acquisition Travelize International AB

On February 3, Vitec acquired all shares in the Swedish software company Travelize International AB, with subsidiaries. Travelize reported sales of SEK 17.1 million, with an adjusted EBITDA of SEK 4.1 million for the 2020 financial year. Travelize develops and provides a complete enterprise management system for small and medium-sized travel agencies, primarily in Scandinavia. The web-based software enables travel reservations, web publishing and administration. The system offers an array of functions for customer and payment management, as well as marketing. The company's approximately 300 customers are mainly located in Sweden, Denmark and Norway. Eight new employees were welcomed as part of the acquisition.

Payment was in cash and with a convertible, with deviation from shareholders' preferential rights in accordance with the authorization from the Annual General Meeting on June 23, 2020. The convertible matures in 36 months and at full conversion will have a dilutive effect on capital of 0.1%. The acquisition is expected to yield an immediate increase in earnings per share for Vitec. The expensed convertible totals SEK 6.8 million after deduction for the option component. The expensed portion of the contingent consideration amounts to SEK 33.0 million and is subject to EBITDA improvements at December 31, 2021 and December 31, 2022. The supplementary purchase consideration is valued at maximum outcome.

Consolidation will commence 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.

Some items in the acquisition plan may be remeasured, due to our brief ownership of the company. This applies to all assets and liabilities in the acquisition balance, but mainly brands, product rights, customer agreements and goodwill. For this reason, the acquisition plan remains preliminary, until 12 months after the acquisition date.

From the acquisition date up to and including December 31, revenues in the company totaled SEK 17.3 million in sales and SEK 8.8 million in profit before tax. If consolidation had occurred at the beginning of the year, the companies would have provided the Group with an additional approximately SEK 1.3 million in sales and SEK 0.4 million in profit before tax. At December 31, acquisition-related expenses totaled SEK 0.3 million and were recognized as acquisition-related costs in profit or loss.

PRELIMINARY ACQUISITION PLAN

	Travelize International AB	Fair value adjustment	Fair value recognized in the Group
Brands	-	472	472
Product rights	–	8,712	8,712
Customer agreements	–	19,221	19,221
Intangible fixed assets	4,045	-	4,045
Tangible property, plant and equipment	13	-	13
Inventories	17	-	17
Current receivables	3,357	-	3,357
Cash and cash equivalents	1,227	-	1,227
Deferred tax liabilities	-	-5,851	-5,851
Accounts payable	-85	-	-85
Other current liabilities	-5,108	-	-5,108
Net identifiable assets and liabilities			26,020
Consolidated goodwill			41,980
Total			68,000
Group's purchase costs			68,800

Calculation of net cash outflow	Fair value
Group's purchase costs	-68,000
Expensed portion of contingent consideration	33,000
Convertible debenture	7,000
Acquired cash and cash equivalents	1,227
Net cash outflow	-26,773

Acquisition Nordman & Co AB

On April 26, Vitec acquired all shares in the Swedish software company Nordman & Co AB. The company reported sales of SEK 20.2 million, with an EBIT of SEK 3.8 million for the 2019/2020 financial year. Nordman & Co AB develops and provides the software Argus CRM, a complete sales support system for food and grocery retail industry, service outlets, pharmacies, supermarkets and the construction market, primarily in the Nordic countries. The system, with several add-on modules, enables salespeople to plan and manage tasks such as store visits, orders, marketing activities, item information and presentations. The approximately 130 customers are mainly companies in Sweden and the rest of the Nordic region. Vitec welcomed 12 new employees as part of the acquisition.

Payment was in cash and with a convertible, with deviation from shareholders' preferential rights in accordance with the authorization from the Annual General Meeting on June 23, 2020. The convertible matures in 38 months and at full conversion will have a dilutive effect on capital of 0.02%. The acquisition is expected to yield an immediate increase in earnings per share for Vitec. The expensed convertible totals SEK 2.3 million after deduction for the option component. The expensed portion of the contingent consideration amounted to SEK 11.0 million and was subject to EBITDA improvements at June 30, 2021. The supplementary purchase consideration was paid in full during the fourth quarter.

Consolidation will commence 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.

Some items in the acquisition plan may be remeasured, due to our brief ownership of the company. This applies to all assets and liabilities in the acquisition balance, but mainly brands, product rights, customer agreements and goodwill. For this reason, the acquisition plan remains preliminary, until 12 months after the acquisition date.

From the acquisition date up to and including December 31, revenues in the company totaled SEK 14.0 million in sales and SEK 1.6 million in profit before tax. Due to the application of the split financial year, disclosures about revenue and earnings from the beginning of the year are not deemed to be true and fair.

PRELIMINARY ACQUISITION PLAN

	Nordman & Co AB	Fair value adjustment	Fair value recognized in the Group
Brands	-	653	653
Product rights	-	9,021	9,021
Customer agreements	-	4,443	4,443
Intangible fixed assets	1,875	-	1,875
Tangible property, plant and equipment	282	-	282
Non-current receivables	4,209	-	4,209
Current receivables	4,574	-	4,574
Cash and cash equivalents	5,543	-	5,543
Deferred tax liabilities	-	-2,908	-2,908
Accounts payable	-645	-	-645
Other current liabilities	-6,380	-	-6,380
Other non-current liabilities	-1,825	-	-1,825
Net identifiable assets and liabilities			18,842
Consolidated goodwill			21,758
Total			40,600
Group's purchase costs			40,600

Calculation of net cash outflow	Fair value
Group's purchase costs	-40,600
Expensed portion of contingent consideration	11,000
Convertible debenture	2,400
Acquired cash and cash equivalents	5,543
Net cash outflow	-21,657

Acquisition Ecclesia Systemer AS

On September 8, Vitec acquired all shares in the software company Ecclesia Systemer AS. The acquisition is an add-on acquisition to the business unit Vitec Agrando. Ecclesia Systemer reported sales of SEK 7 million for the 2020 financial year and after the acquisition the combined operations with a focus on churches in Norway will have sales of approximately SEK 33 million. Ecclesia Systemer develops and provides a SaaS service for the administration of cemeteries, crematoria, graves, and grave monuments in Norway. The software offers invoicing and scheduling of funerals, ceremonies, and cremations. The approximately 260 customers mainly consist of "kirkelige fellesråd," which are joint committees between municipalities and parishes in Norway's municipalities. Two new employees were welcomed as part of the acquisition.

Payment was 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. 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.

Some items in the acquisition plan may be remeasured, due to our brief ownership of the company. This applies to all assets and liabilities in the acquisition balance, but mainly brands, product rights, customer agreements and goodwill. For this reason, the acquisition plan remains preliminary, until 12 months after the acquisition date.

From the acquisition date up to and including December 31, revenues in the company totaled SEK 2.4 million in sales and SEK 0.6 million in profit before tax. If consolidation had occurred at the beginning of the year, the company would have provided the Group with an additional approximately SEK 4.7 million in sales and SEK 0.5 million in profit before tax. At December 31, acquisition-related expenses totaled SEK 0.4 million and were recognized as acquisition-related costs in profit or loss.

PRELIMINARY ACQUISITION PLAN

	Ecclesia Systemer AB	Fair value adjustment	Fair value recognized in the Group
Brands	-	222	222
Product rights	-	7,282	7,282
Customer agreements	-	1,310	1,310
Intangible fixed assets	49	-	49
Non-current receivables	8	-	8
Current receivables	2,955	-2,550	404
Cash and cash equivalents	1,322	-	1,322
Deferred tax liabilities		-1,939	-1,939
Other current liabilities	-2,115	-	-2,115
Net identifiable assets and liabilities			6,544
Consolidated goodwill			35,038
Total			41,582
Group’s purchase costs			41,582

Calculation of net cash outflow	Fair value
Group’s purchase costs	-41,582
Acquired cash and cash equivalents	1,322
Net cash outflow	-40,259

Acquisition Vabi Holding B.V.
On September 10, Vitec acquired all shares in the Dutch software company Vabi Holding B.V. with subsidiaries. The company reported sales of SEK 71.3 million, with an EBITDA of SEK 44.6 million for the 2020 financial year. Vabi develops and provides software that contributes to sustainable and efficient energy management for the real estate and property management industry. The products have several functions such as decision support systems, user-friendly 3D simulations and energy certification for reduced climate impact. In all, 32 new employees were welcomed as part of the acquisition.

Payment was 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. 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.

During the fourth quarter the acquisition plan for Vabi Holding B.V. was updated, with a new opening balance. Initial measurement was based on a preliminary balance sheet. Remeasurement was also carried out between goodwill, brands and customer agreements, in which customer agreements and brands were valued higher than in the initial valuation. The acquisition plan remains preliminary, until 12 months after the acquisition date. The items that may be remeasured involve all assets and liabilities in the acquisition balances, but mainly brands, product rights, customer agreements and goodwill.

From the acquisition date up to and including December 31, revenues in the company totaled SEK 22.1 million in sales and SEK 12.0 million in profit before tax. If consolidation had occurred at the beginning of the year, the companies would have provided the Group with an additional approximately SEK 49.7 million in sales and SEK 30.7 million in profit before tax. At December 31, acquisition-related expenses totaled SEK 2.0 million and were recognized as acquisition-related costs in profit or loss.

PRELIMINARY ACQUISITION PLAN

	Vabi Holding B.V.	Fair value adjustment	Fair value recognized in the Group
Brands	-	24,183	24,183
Product rights	-	37,720	37,720
Customer agreements	-	148,735	148,735
Intangible fixed assets	2,207	-	2,207
Tangible property, plant and equipment	1,276	-	1,276
Current receivables	22,220	-	22,220
Cash and cash equivalents	18,644	-	18,644
Deferred tax liabilities	-	-42,128	-42,128
Accounts payable	-603	-	-603
Other current liabilities	-29,830	-	-29,830
Net identifiable assets and liabilities			182,425
Consolidated goodwill			455,679
Total			638,104
Group’s purchase costs			638,104

Calculation of net cash outflow	Fair value
Group’s purchase costs	-638,104
Acquired cash and cash equivalents	18,644
Net cash outflow	-619,460

NOTE 7B PARTICIPATIONS IN SUBSIDIARIES

Subsidiaries		Acquisition year	Share of equity, %	Share of votes	Number of participations	Carrying amount Dec. 31, 2021	Carrying amount Dec. 31, 2020	Adjusted shareholders' equity Dec 31, 2021
Vabi Holding B.V.	Software company, Parent Company of Vabi Development B.V., Vabi Software B.V. and Vabi Vastgoed B.V.	2021	100	100	1,800,000	639,072	-	34,445
Vitec Ecclesia Systemer AS	Software company	2021	100	100	100	44,511	-	3,243
Vitec Nordman AB	Software company	2021	100	100	1,000	41,005	-	8,833
Vitec Travelize AB	Software company, Parent Company of Åbergs Datasystem i Katrineholm AB	2021	100	100	1,111	68,331	-	11,971
Vitec Unikum datasystem AB	Software company	2021	100	100	10,200	554,967	-	60,646
Vitec Shared Services ApS	Joint administration in Denmark	2020	100	100	40,000	56	56	62
Vitec NexGolf Oy	Software company	2020	100	100	10,000	30,275	30,275	4,456
Vitec Appva AB	Software company	2020	100	100	672	100,893	100,893	17,521
Vitec LJ System AB	Software company	2020	100	100	1,000	21,696	21,696	4,800
Vitec Alma Oy	Software company	2020	100	100	15,086	68,199	68,190	17,683
Vitec Visiolink ApS	Software company, Parent Company of Vitec LIVEdition Aps	2020	100	100	50,000	88,542	88,542	24,468
3L Media AB	Software company	2019	100	100	1,000	2,542	2,542	569
Vitec Förvaltningssystem AB	Software company	2019	100	100	1,000	106,512	106,512	30,778
Malmkroppen AB	Company for minority interests	2019	100	100	50	1,000	1,000	1,000
Vitec HK data AS	Software company	2019	100	100	50	21,177	21,169	2,272
Vitec Katrina Oy	Software company	2019	100	100	13,200	44,139	44,139	12,806
Vitec WIMS AS	Software company	2019	100	100	1,217	72,629	73,721	9,938
Vitec Fixit Systemer AS	Software company	2019	100	100	268	173,375	173,375	7,129
Vitec Avoine Oy	Software company	2019	100	100	3,818	56,132	56,132	12,160
Vitec Shared Services AS	Joint administration in Norway	2018	100	100	30,000	44	44	107
Vitec Smart Visitor System AB	Software company	2018	100	100	4,000	32,434	32,434	7,931
Vitec Cito A/S	Software company	2018	100	100	500,000	87,797	87,797	24,082
Vitec Agrando AS	Software company, Parent Company of Vitec Samfundssystem AB, which in turn is the Parent Company of Agrando Asia (Pvt) Ltd.	2018	100	100	1,129,500	78,852	78,852	31,416
Vitec PP7 AB	Software company	2018	100	100	799,000	10,900	10,900	3,930
Vitec MV A/S	Software company, Parent Company of Vitec MV AS and Vitec MV AB	2017	100	100	600	120,739	120,505	12,307
Vitec Plania AS	Software company	2016	100	100	330	54,202	54,202	3,341
Vitec Futursoft Oy	Software company	2016	100	100	100	107,073	107,073	24,750
Vitec Tietomitta Oy	Software company	2016	100	100	7,922	46,179	46,179	8,489
Vitec Nice AS	Software company	2015	100	100	40,000	26,045	26,045	6,165
Vitec Infoeasy AS	Software company	2015	100	100	1,000	16,930	16,930	4,081
Vitec Datamann A/S	Software company, Parent Company of Carlogistic ApS	2015	100	100	3,000	56,714	56,714	1,266
Vitec Aloc A/S	Software company, Parent Company of Vitec Aloc AS	2014	100	100	20,000	88,658	88,658	95,703
Vitec Autodata AS	Software company	2014	100	100	30,000	37,010	37,010	17,951
Vitec Shared Services Oy	Joint administration in Finland, owns 47% of the shares in Vitec Acute Oy	2014	100	100	19,800	34,439	34,439	18,082
Vitec Acute Oy	Software company	2014	100	100	85,714	38,836	38,836	28,281
Vitec Megler AS	Software company, Parent Company of Vitec Megler AB	2012	100	100	3,256,596	120,548	120,548	7,622
Vitec IT Drift AS	Responsible for internal IT	2012	100	100	1,000	1,869	-	6,128
Vitec Capitex AB	Software company	2011	100	100	1000	8,289	8289	4,605
Vitec Mäklarsystem AB	Software company	2007	100	100	1,000	86,010	86,010	6,431
Vitec AB	Dormant company	2003	100	100	18,000	2,654	2,654	3,046
Vitec IT-Drift AB	Responsible for internal IT	1999	100	100	1,000	1,008	1,008	7,140
Vitec Energy AB	Software company	1998	100	100	1,000	8,205	8,205	4,846
Total						3,200,490	1,851,576	592,480

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 carrying amounts 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.

On January 1 a merger took place in which the Danish company Vitec Visiolink Management ApS merged with its subsidiary Vitec Visiolink ApS. Pursuant to the merger, Vitec Visiolink ApS has taken over the accounting and tax position of the transferring company, along with their assets, rights and obligations. On August 4, the company Vitec Rauk AB merged with its Parent Company Vitec Appva AB. Pursuant to the merger, Vitec Appva AB has taken over the accounting and tax position of the transferring company, along with their assets, rights and obligations. At the beginning of the year, Vitec Megler AS also sold its subsidiary Vitec IT Drift AS to the Parent Company.

Vitec Software Group AB owns the following companies through subsidiaries:

- Via Vitec Agrando AS – Vitec Samfundssystem AB (software company) and Agrando Asia (Pvt) Ltd. (product development on assignment by the Parent Company Agrando AS).
- Via Shared Services Oy – Vitec Acute Oy (holding Software 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 Datamann A/S – Carlogistic ApS (product development on behalf of the Parent Company Vitec Datamann).
- Via Vitec Visiolink ApS - Vitec LIVEditon ApS (sales company).
- Via Vitec Travelize AB – Åbergs Datasystem i Katrineholm AB (software company).
- Via Vabi Holding V.B. – Vabi Development B.V. (software company), Vabi Software B.V. (software company) and Vabi Vastgoed B.V. (software company).

SUBSIDIARIES' CORPORATE REGISTRATION NUMBERS AND REGISTERED OFFICES

	Corporate registration number	Registered office
3L Media AB	556584-9931	Stockholm, Sweden
Agrando Asia (Pvt) Ltd	-	Sri Lanka
Carlogistic ApS	41471387	Herlev, Denmark
Malmkroppen AB	559234-2934	Umeå, Sweden
Vabi Development B.V.	56659407	Delft, the Netherlands
Vabi Holding B.V.	27350429	Delft, the Netherlands
Vabi Software B.V.	27272833	Delft, the Netherlands
Vabi Vastgoed B.V.	27321296	Delft, the Netherlands
Vitec AB	556571-5090	Umeå, Sweden
Vitec Acute Oy	18369420	Tampere, Finland
Vitec Agrando AS	970991786	Sandnes, Norway
Vitec Alma Oy	0872974–4	Kokkola, Finland
Vitec Aloc A/S	14788484	Odense, Denmark
Vitec Aloc AS	976876768	Oslo, Norway
Vitec Appva AB	556871-4967	Gothenburg, Sweden
Vitec Autodata AS	817159362	Oslo, Norway
Vitec Avoine Oy	19353375	Tampere, Finland
Vitec Capitex AB	556875-8105	Umeå, Sweden
Vitec Cito A/S	16724041	Allerød, Denmark
Vitec Datamann A/S	59943510	Søborg, Denmark
Vitec Ecclesia Systemer AS	933780945	Oslo, Norway
Vitec Energy AB	556347-7073	Umeå, Sweden
Vitec Fixit Systemer AS	982821843	Bergen, Norway
Vitec Futursoft Oy	14942533	Espoo, Finland
Vitec Förvaltningssystem AB	556591-2101	Stockholm, Sweden
Vitec HK data AS	965309926	Moelv, Norway
Vitec Infoeasy AS	981875923	Bergen, Norway
Vitec IT Drift AS	986363238	Oslo, Norway
Vitec IT-Drift AB	556459-9347	Umeå, Sweden
Vitec Katrina Oy	15995354	Rauma, Finland
Vitec LIVEdition ApS	34895236	Aarhus, Denmark
Vitec LJ System AB	556254–2877	Lund, Sweden
Vitec Megler AB	559035-4816	Kalmar, Sweden
Vitec Megler AS	944507302	Oslo, Norway
Vitec MV A/S	15314400	Odense, Denmark
Vitec MV AB	556438-3080	Malmö, Sweden
Vitec MV AS	981205308	Oslo, Norway
Vitec Mäklarsystem AB	556367-6500	Umeå, Sweden
Vitec NexGolf Oy	2796412-5	Oulu, Finland
Vitec Nice AS	844699832	Oslo, Norway
Vitec Nordman AB	556026-3351	Solna, Sweden
Vitec Plania AS	841239172	Stavanger, Norway
Vitec PP7 AB	556392-2060	Umeå, Sweden
Vitec Shared Services ApS	41860847	Odense, Denmark
Vitec Shared Services AS	920592287	Oslo, Norway
Vitec Shared Services Oy	25351376	Tampere, Finland
Vitec Smart Visitor System AB	556267-6972	Umeå, Sweden
Vitec Tietomitta Oy	9060034	Espoo, Finland
Vitec Travelize AB	556619-3792	Västra Frölunda, Sweden
Vitec Unikum datasystem AB	556223-4798	Lund, Sweden
Vitec Visiolink ApS	27665314	Aarhus, Denmark
Vitec WIMS AS	984952953	Oslo, Norway
Vitec Samfundssystem AB	556672-5056	Umeå, Sweden
Åbergs Datasystem i Katrineholm AB	556263-7289	Katrineholm, Sweden

NOTE 7C SECURITIES HELD AS FIXED ASSETS

Our subsidiary Malmkroppen AB aims to invest in Nordic software companies that are in an earlier phase than the software companies that are usually acquired. Investments during the year:

COMPANY	Corp. ID no.	Ownership stake 2021, %	Carrying amount Dec 31, 2021, SEK 000s
Nordkap AB	556580-0835	4.8	10,000
Voxo AB	559008-0544	7.5	3,006
Tempus Information Systems AB	556835-3949	12.1	3,275
Predge AB	556948-8017	7	5,424

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		Non-financial liabilities	
Non-financial assets, Group	Note	2021	2020	2021	2020
Intangible fixed assets	(8A)	3,118,560	1,687,360	-	-
Tangible property, plant and equipment	(8A)	163,746	104,188	-	-
Other non-current receivables		3,776	1,325	-	-
Deferred tax assets	(6)	8,061	4,517	-	-
Inventories	(8C)	2,788	2,958	-	-
Current tax assets		15,415	2,285	-	-
Prepaid expenses and accrued income	(8D)	45,051	43,270	-	-
Non-financial liabilities, Group					
Post-employment remuneration of employees	(4B)	-	-	4,791	3,760
Deferred tax	(6)	-	-	289,291	185,799
Tax liabilities		-	-	36,591	29,509
Other liabilities		-	-	108,218	107,145
Accrued expenses and prepaid income	(8E)	-	-	227,301	190,516
Total		3,357,397	1,845,903	666,192	516,729

Tangible and intangible fixed assets

Intangible fixed assets

Goodwill

In the event of a business 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 expenditure pertaining to development work is activated 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 expenditure is 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/depreciation and any write-downs. Testing is based on estimates and assumptions that are subject to uncertainties.

Software

These assets comprise right-of-use 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 plans.

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 for acquisitions completed as of the fourth quarter of 2016 follows a declining balance amortization model. 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. Property, plant and equipment 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.

Right-to-use 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. Our right-to-use assets mainly consist of lease agreements pertaining to premises. 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		Software		Brands		Product rights		Customer agree-ments		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Opening cost	806.3	654.2	729.1	596.5	23.0	22.8	86.6	86.7	669.8	579.3	258.6	249.1	2573.3	2188.6
Purchasing*	910.9	191.8	209.1	161.9	0.5	0.3	45.5	4.9	126.1	75.9	292.0	24.5	1584.1	459.3
Divestments/asset retirement	-1.1	-	-0.1	-0.6	-	-0.1	-	-	-1.3	-6.7	-	-	-2.5	-7.4
Added via acqui-sition	-	-	-	-	0.7	0.1	-	-	8.2	55.0	-	-	8.9	55.0
Reclassifications	-17.3	-	-	-	-	-	-	-	14.3	-	7.2	-	4.2	0.0
Exchange-rate differences	26.9	-39.7	23.1	-28.8	0.0	-0.1	3.1	-5.0	20.0	-33.7	10.1	-15.0	83.1	-122.2
Closing accumulat-ed Cost	1725.7	806.3	961.2	729.1	24.3	23.0	135.2	86.6	837.0	669.8	567.8	258.6	4251.2	2573.3
Opening amorti-zation	-36.2	-36.2	-307.7	-251.4	-21.6	-20.6	-0.1	-0.1	-391.2	-316.2	-129.2	-98.3	-885.9	-722.8
Added via acqui-sition	-	-	-	0.0	-0.5	-	-	-	-	-19.9	-	-	-0.5	-19.9
Divestments/asset retirement	-	-	0.1	0.6	-	-	-	-	1.4	6.7	-	-	1.4	6.7
Exchange-rate differences	0.0	0.0	-8.9	11.2	0.0	0.0	-	-	-12.4	17.1	-5.0	6.1	-26.3	34.4
Amortization and impairment for the year	-	-	-71.2	-68.1	-0.7	-1.1	-	-	-93.9	-78.8	-55.4	-37.0	-221.3	-184.8
Closing accumulat-ed amortization	-36.2	-36.2	-387.7	-307.7	-22.9	-21.6	-0.1	-0.1	-496.1	-391.2	-189.6	-129.2	-1132.5	-886.4
Carrying amount	1689.4	769.9	573.5	421.5	1.4	1.4	135.1	86.5	340.9	278.6	378.2	129.4	3118.6	1687.4

*Goodwill, brands, customer agreements and product rights are attributable to acquisitions, while capitalized development expenditure stems from in-house man-hours 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 2021. Goodwill is allocated to cash-generating units, which are equivalent to business units 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 2022 financial year. For the remaining part of the five-year period, an annual growth rate of 2% (2–3) was assumed for most business units. Some business units have budgets for more years than 2022, in which case we used that information. These cases mainly involve business units with strong growth, or where large investments are underway, such as platform changes. For cash flows beyond the five-year period, growth has also been assumed to amount to 2% (2) annually. Cost increases for costs beyond 2022 have been assumed to be 1.50%.

Cash flows were discounted to a weighted average capital cost (WACC) corresponding to 8.02–8.80% (9.50) before tax and 7.27% (7.84) 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. Two sensitivity analyses have been carried out in which we raised the discount rate by one percentage point and lowered the sustainable growth rate (beyond the five-year period) to zero percent. All but one of the cash-generating units passed the test for higher discount rates. Potential undervalue is SEK 1.3 million. All but five of the cash-generating units passed the zero-growth test beyond the five-year period. The units that did not pass the test mainly involve newly acquired companies, where real growth is significantly above zero percent. Potential undervalues amount to SEK 225.4 million. Impairment testing has indicated no existing impairment requirements.

Goodwill

Goodwill amounted to SEK 1,689,392 (769,988).

Capitalized development expenditure

Capitalized development expenditure comprises in-house man-hours spent on product development and to a lesser extent, external consultancy services. Amortization commences in accordance with the prudence principle when capitalization is entered into the books. Amortization period 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.

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

Brands
The brands are identified in the prepared acquisition plans. 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 business unit 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 amortization 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 niche software/capitalized development expenditure and the software/product rights that we acquire, and have therefore adopted an amortization period of 10 years for both classes of assets. Amortization is implemented in accordance with a declining-balance amortization model, which is deemed to reflect actual usage in a more relevant manner, since product rights consist of several components, with each component presumably having a service life of 3 to 20 years. The declining-balance amortization model entails a higher amortization 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.

Customer agreements
Customer agreements are identified through acquisition plans. Their amortization 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 table below shows the cost, residual values and remaining amortization period for product rights, customer agreements, brands and goodwill per cash-generating unit.

	Product rights			Customer agreements			Brand	Goodwill
Cash-generating unit	Cost (SEK million)	Residual value (SEK million)	Remaining amortization period (years)	Cost (SEK million)	Residual value (SEK million)	Remaining amortization period (years)	Residual value (SEK million)	Residual value (SEK million)
Vitec Actor Smartbook	6.3	1.4	6.8	9.8	4.6	6.8	0.7	17.7
Vitec Acute	72.8	26.3	2.2	21.4	2.5	0.2	2.2	-
Vitec Agrando	21.0	12.2	9.7	22.5	9.1	9.7	1.7	57.2
Vitec Alma	12.0	7.5	8.2	2.5	1.6	8.2	0.8	39.8
Vitec Aloc	47.9	13.3	2.5	8.6	0.6	0.5	2.8	25.0
Vitec Appva	9.0	18.9	8.5	4.5	9.5	8.5	1.4	68.6
Vitec Autosystemer	28.6	7.5	3.5	12.3	0.9	3.5	1.3	17.9
Vitec Avoine	3.2	1.6	7.2	10.8	5.4	7.2	0.7	29.2
Vitec Capitex Finanssystem	4.2	-	-	-	-		-	4.7
Vitec Cito	4.4	1.8	6.4	14.5	6.0	6.4	1.0	58.7
Vitec Datamann	30.6	11.9	3.5	11.5	4.5	3.5	2.0	13.7
Vitec Energy AB	-	-		-	-		0.0	3.4
Vitec Fixit	20.2	10.5	7.5	29.4	15.2	7.5	2.1	104.3
Vitec Futursoft	21.4	3.6	4.7	14.3	7.4	4.7	44.4	33.1
Vitec Bygg o Fastighet	29.6	0.4	6.3	3.8	0.5	6.3	0.2	27.7
Vitec HK data	10.0	6.2	7.9	6.0	3.7	7.9	0.5	3.1
Vitec Katrina	8.8	5.4	7.9	1.1	0.7	7.9	0.5	32.4
Vitec Samfundssystem	6.7	4.6	8.3	4.4	3.0	8.3	0.5	8.1
Vitec Megler	59.7	5.5	3.2	11.3	2.0	3.2	2.5	46.3
Vitec MV	67.5	13.9	1.0	29.7	6.1	1.0	3.6	45.9
Vitec Mäklarsystem	35.2	-	-	0.2	0.1	3.2	-	45.3
Vitec Nexgolf	9.2	7.6	8.8	8.4	6.9	8.8	0.3	14.5
Vitec Nice	15.0	6.0	3.9	4.4	1.8	3.9	0.4	3.8
Vitec Nordman	9.0	7.9	9.3	4.4	3.9	9.3	0.7	21.8
Vitec Plania	15.8	2.5	4.9	6.8	3.1	4.9	17.2	13.1
Vitec Tietomitta	18.1	8.8	6.5	4.9	2.4	4.5	0.5	9.1
Vitec Travelize	8.7	7.2	9.1	19.2	17.5	9.1	0.5	42.0
Vitec Unikum	63.4	51.3	9.0	118.3	106.4	9.0	20.0	356.4
Vabi	37.7	35.5	9.8	148.7	144.5	9.8	24.3	457.8
Vitec Visiolink	38.0	23.5	-	4.7	2.9	-	1.8	39.3
Vitec WIMS	8.2	4.1	7.3	10.9	5.5	7.3	0.6	47.0

TANGIBLE FIXED ASSETS (SEK MILLION)

	Buildings		Investments in leased premises		Right-to-use assets		Equipment, fixtures and fittings		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Opening cost	9.9	9.4	15.3	13.8	118.8	124.8	92.6	79.0	236.6	227.0
Reclassifications	0.1	0.4	-	0.6	4.0	0.2	2.5	5.6	6.6	6.9
Purchasing*	-	-	3.4	0.5	103.2	15.1	15.2	9.2	121.7	24.7
Sales/Disposals	-	-	-1.4	-0.2	-30.2	-21.2	-7.3	-0.7	-39.0	-22.1
Added via acquisition	-	-	2.7	1.0	-	-	8.1	3.1	10.9	4.1
Foreign exchange differences	0.0	0.0	0.3	-0.4	0.0	0.0	3.4	-3.6	3.7	-4.0
Closing accumulated cost	10.0	9.9	20.4	15.3	195.7	118.8	114.4	92.6	340.6	236.6
Opening depreciation	-1.3	-1.1	-12.1	-9.8	-55.8	-38.7	-62.8	-46.4	-132.3	-96.2
Reclassifications	-0.1	-	-	-0.9	-1.3	7.8	-2.5	-5.6	-3.9	1.3
Purchasing*	-	-	0.0	-	-	-	-	-	0.0	0.0
Sales/disposals	-	-	1.4	0.1	24.0	12.0	6.4	0.7	31.8	12.9
Added via acquisition	-	-	-2.3	-0.5	-	-	-5.3	-2.4	-7.6	-2.9
Foreign exchange differences	0.0	-	-0.2	0.3	0.0	0.0	-2.4	2.2	-2.6	2.5
Depreciation and impairment for the year	-0.2	-0.2	-1.6	-1.4	-46.8	-36.9	-13.6	-11.2	-62.2	-49.8
Closing accumulated depreciation	-1.6	-1.3	-14.8	-12.1	-79.9	-55.8	-80.2	-62.8	-176.8	-132.3
Carrying amount	8.3	8.3	5.5	4.0	115.8	86.0	34.1	32.6	163.8	104.2

NOTE 8B PARENT COMPANY FIXED ASSETS

INTANGIBLE FIXED ASSETS (SEK MILLION)

	Software		Product rights		Total	
	2021	2020	2021	2020	2021	2020
Opening cost	10.8	10.5	0.6	0.6	11.4	11.4
Purchasing	0.5	0.3	-	-	0.5	0.0
Sales/disposals	-	-	-	-	0.0	0.0
Closing accumulated cost	11.3	10.8	0.6	0.6	11.9	11.4
Opening amortization	-9.8	-9.0	-0.6	-0.6	-10.4	-10.4
Sales/disposals	-	-	-	0.0	0.0	0.0
Amortization for the year	-0.6	-0.8	-	-	-0.6	0.0
Closing accumulated amortization	-10.3	-9.8	-0.6	-0.6	-10.9	-10.4
Carrying amount	1.0	1.0	0.0	0.0	1.0	1.0

TANGIBLE FIXED ASSETS (SEK MILLION)

	Buildings		Investments in leased premises		Equipment, fixtures and fittings*		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening cost	9.3	9.3	6.5	6.5	7.1	7.0	22.9	22.8
Purchasing	-	-	1.5	0.0	1.2	0.0	2.7	0.1
Closing accumulated cost	9.3	9.3	8.0	6.5	8.3	7.1	25.6	22.9
Opening depreciation	-1.3	-1.1	-5.2	-4.8	-5.6	-5.2	-12.1	-11.1
Depreciation for the year	-0.2	-0.2	-0.5	-0.5	-0.4	-0.4	-1.1	-1.0
Closing accumulated depreciation	-1.5	-1.3	-5.8	-5.2	-6.0	-5.6	-13.2	-12.1
Carrying amount	7.9	8.1	2.2	1.3	2.3	1.5	12.3	10.8

FINANCIAL FIXED ASSETS (SEK MILLION)

Participations in subsidiaries	2021	2020
Opening cost	1,851.6	1,533.2
Acquisitions for the year	1,349.8	309.8
Adjustments to purchase consideration	-1.1	-
Capital contribution paid	0.2	8.6
	3,200.5	1,851.6
Other financial fixed assets		
Deferred tax assets	0.5	0.8
Carrying amount	3,201.0	1,852.4

NOTE 8C INVENTORIES

Inventories comprise goods for resale and exist to an immaterial extent.

The value at December 31, 2021 was SEK 2,788,000 (2,958,000).

NOTE 8D PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Deferred income	8,414	11,787	-	-
Prepaid rent	7,726	7,950	3,241	2,268
Other prepaid expenses	28,911	23,533	3,380	1,772
Total	45,051	43,270	6,621	4,040

NOTE 8E ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent Company	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Accrued salaries	66,424	52,748	4,529	3,822
Accrued special payroll tax	8,104	6,480	1,048	2,210
Prepaid income	203,353	168,028	-	-
Social Security expenses	15,844	16,008	1,423	1,201
Other accrued expenses	24,498	17,868	6,167	1,911
Total	318,223	261,132	13,167	9,144

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

NOTE 9 FINANCIAL ASSETS AND LIABILITIES

	Note	Financial assets measured at amortized cost		Financial assets measured at fair value through profit or loss		Financial liabilities measured at fair value through profit or loss		Other financial liabilities measured at amortized cost	
		2021	2020	2021	2020	2021	2020	2021	2020
Financial assets, Group									
Accounts receivable	9A	246,691	220,773	-	-	-	-	-	-
Other receivables	-	6,130	5,402	-	-	-	-	-	-
Cash and cash equivalents	9B	119,854	134,695	-	-	-	-	-	-
Other non-current receivables	7C	-	-	21,705	-	-	-	-	-
Financial liabilities, Group									
Convertible debentures (non-current)	9D	-	-	-	-	-	-	45,030	64,778
Convertible debentures (current liabilities)	9D	-	-	-	-	-	-	18,306	-
Liabilities to credit institutions, non-current	9E	-	-	-	-	-	-	691,297	490,549
Liabilities to credit institutions, current	9E	-	-	-	-	-	-	2,767	2,763
Other liabilities (non-current)	9E	-	-	-	-	33,000	45,000	-124	13,994
Other liabilities (current)	9C,9E	-	-	-	-	52,141	65,284	-	-
Accounts payable	-	-	-	-	-	-	-	46,784	35,094
Accrued expenses	8E	-	-	-	-	-	-	90,922	70,616
Total		372,675	360,870	21,705	-	85,141	110,284	894,982	677,794

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

Financial liabilities
Financial liabilities comprise convertible debentures, liabilities to credit institutions, liabilities for right-to-use assets in the form of lease agreements pertaining to premises, accounts payable and components of accrued expenses.

Other liabilities comprise supplementary purchase considerations from acquisitions.

Accounts payable are unsecured and are normally paid within 30 days. The fair value of accounts payable and other liabilities is deemed to correspond to 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:

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

Our financial assets comprise accounts receivable, other receivables, cash and cash equivalents and other non-current receivables. Accounts receivable, other receivables and cash and cash equivalents are measured at amortized cost. The non-current receivables relate to securities held as fixed assets; they are measured at fair value through profit or loss.

Securities held as fixed assets refer to unlisted shares and participations and are attributable to level 3 in the fair value hierarchy. The carrying amount of the holding corresponds to the cost of each holding and the fair value is judged to be close to the carrying amount, so no remeasurement has been carried out.

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 is 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 contractual 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 at December 31, 2021 totaled SEK 246,691,000. Provision for doubtful accounts receivable totaled SEK 746,000 (1,268,000). The Group's realized bad-debt losses in 2021 totaled SEK 553,000 (1,194,000).

MATURITY ANALYSIS PERTAINING TO PROVISIONS ON DOUBTFUL RECEIVABLES

	2021	2020
Overdue less than 3 months	218	141
Overdue 3 to 6 months	369	459
Overdue more than 6 months	159	668
	746	1,268

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

	2021	2020
Overdue less than 3 months	13,615	11,834
Overdue 3 to 6 months	1,844	289
Overdue more than 6 months	-86	-1,152
	15,373	10,971

THE CHANGE IN EXPECTED BAD-DEBT LOSSES DURING THE FINANCIAL YEAR IS DETAILED BELOW:

	2021	2020
Opening balance expected bad-debt losses	1,268	1,862
Increase/decrease in expected bad-debt losses	-368	826
Bad-debt losses written off during the year	-154	-1,420
Closing balance expected bad-debt losses	746	1,268

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 cash 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 119,854,000, comprising bank balances. The Group has a Group currency account.

NOTE 9C FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

In accordance with IFRS 7, the fair value of each financial asset and financial liability must be disclosed, regardless of whether they are recognized in the balance sheet. Vitec deems the fair value of the financial assets and 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 1.58% was applied. Since the difference between fair value and carrying amount is marginal, no restatement has been made.

The table below shows the differences between fair value and carrying amount.

RECURRING MEASUREMENTS AT FAIR VALUE, AS OF DECEMBER 31, 2021

SEK 000s	Level 1	Level 2	Level 3	Carrying amount
Securities held as fixed assets			20,705	20,705
Total assets	-	-	20,705	20,705
Supplementary purchase consideration, ALMA Consulting Oy			7,141	7,141
Supplementary purchase consideration, Appva AB			45,000	45,000
Supplementary purchase consideration ,Travelize International AB			32,487	33,000
Total liabilities	-	-	84,628	85,141

RECURRING MEASUREMENTS AT FAIR VALUE, AS OF DECEMBER 31, 2020

SEK 000s	Level 1	Level 2	Level 3	Carrying amount
Supplementary purchase consideration, WIMS AS			27,681	27,681
Supplementary purchase consideration, M&V Software Oy			10,038	10,038
Supplementary purchase consideration, ALMA Consulting Oy			10,038	10,038
Supplementary purchase consideration, Appva AB			54,083	55,000
Supplementary purchase consideration, NexGolf Oy			7,528	7,528
Total	-	-	109,368	110,285

All supplementary purchase considerations are valued at maximum outcome. Future payments are dependent on EBITDA improvements in the concerned companies. The supplementary purchase considerations for Appva AB and ALMA Consulting Oy can generate payments during the first quarter of 2022. The supplementary purchase consideration for Travelize can generate payments during the first quarter of 2022 or 2023.

OPENING BALANCE – CLOSING BALANCE, ANALYSIS CARRYING AMOUNTS

SEK 000s	Opening balance, Carrying amount	New acquisitions	Payments	Remeasurement	Exchange-rate differences	Closing balance
Securities held as fixed assets	0	20,705				20,705
Total	-	20,705	-	-	-	20,705
Supplementary purchase consideration, WIMS AS	27,681		-28,056	-1,023	1,398	0
Supplementary purchase consideration, M&V Software Oy	10,038		-10,131		93	0
Supplementary purchase consideration, ALMA Consulting Oy	10,038		-3,071		174	7,141
Supplementary purchase consideration, Appva AB	55,000		-10,000			45,000
Supplementary purchase consideration, NexGolf Oy	7,528		-7,598		70	0
Supplementary purchase consideration, Nordman & Co AB		11,000	-11,000			0
Supplementary purchase consideration, Travelize International AB		33,000				33,000
Total	110,285	44,000	-69,856	-1,023	1,735	85,141

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 allocated the option of conversion and recognized net after tax under shareholders' equity, and is not remeasured.

Bond 2001 (convertible, acquisition of Visiolink Management ApS) current liability

In conjunction with the acquisition of Visiolink Management ApS in January 2020, the Parent Company issued 1,410 convertible debentures valued at SEK 10,000 each, for a nominal value of SEK 14,100,000. On November 15, 2021, a partial conversion of 282 debentures took place. The remaining nominal value amounts to SEK 11,280,000. The estimated value of the stock option portion of the convertible bond is SEK 956,000. The stock option portion is recognized as shareholders' equity in accordance with IAS 32. The remainder of the bond, including interest (SEK 389,000) is recognized as a current liability. The duration of the bond is from January 30, 2020 – December 30, 2020, at an interest rate of Stibor 180. The conversion price is SEK 230. Conversion may be exercised from July 1, 2021 to December 30, 2022, at which time the share capital may increase by no more than SEK 4,904. Full conversion would entail a dilution of approximately 0.1% of the capital and 0.1% of the votes. The shares were issued on market terms.

Bond 2006 (Convertible Acquisition of Appva AB), current liability

In conjunction with the acquisition of Appva AB in June 2020, the Parent Company issued 800 convertible debentures valued at SEK 10,000 each, at a nominal value of SEK 8,000,000. The estimated value of the stock option portion of the convertible bond is SEK 623,000. The stock option portion is recognized as shareholders' equity in accordance with IAS 32. The remainder of the bond, including interest (SEK 244,000) is recognized as a current liability. The duration of the bond is from June 17, 2020 – December 30, 2022, with an interest rate of Stibor 180. The conversion price is SEK 240. Conversion may be exercised from January 1, 2022 to December 30, 2022, at which time the share capital may increase by no more than SEK 3,333. Full conversion would entail a dilution of approximately 0.1% of the capital and 0.1% of the votes. The shares were issued on market terms.

Bond 2009 (Convertible Employee Program), non-current liability

In September 2020, the Parent Company issued 1,351 convertible debentures valued at SEK 10,000 each, at a nominal value of SEK 13,510,000. The estimated value of the stock option portion of the convertible bond is SEK 997,000. The stock option portion is recognized as shareholders' equity in accordance with IAS 32. The remainder of the bond, including interest (SEK 54,000) is recognized as a non-current liability. The duration of the bond is from September 1, 2020 – September 30, 2023. The interest rate is 0.3%. The conversion price is SEK 333. Conversion may be exercised between September 1 and September 30, 2023, at which time the share capital may increase by no more than SEK 4,057. Full conversion would entail a dilution of approximately 0.1% of the capital and 0.1% of the votes. The shares were issued on market terms.

Bond 2021: 1 (Convertible Employee Program), non-current liability

In April 2021, the Parent Company issued 865 convertible debentures valued at SEK 10,000 each, at a nominal value of SEK 8,650,000. The estimated value of the stock option portion of the convertible bond is SEK 419,000. The stock option portion is recognized as shareholders' equity in accordance with IAS 32. The remainder of the bond, including interest (SEK 15,000) is recognized as a non-current liability. The duration of the bond is from June 1, 2021–June 30, 2024. The interest rate is 0.3%. The conversion price is SEK 463. Conversion may be exercised between June 1 and September 30, 2024, at which time the share capital may increase by no more than SEK 1,869. Full conversion would entail a dilution of approximately 0.1% of the capital and 0.0% of the votes. The shares were issued on market terms.

Bond 2101 (convertible, acquisition of Unikum datasystem AB) non-current liability

In conjunction with the acquisition of Unikum datasystem AB in January 2021, the Parent Company issued 1,560 convertible debentures valued at SEK 10,000 each, at a nominal value of SEK 15,600,000. The estimated value of the stock option portion of the convertible bond is SEK 752,000. The stock option portion is recognized as shareholders' equity in accordance with IAS 32. The remainder of the bond, including interest (SEK 238,000) is recognized as a non-current liability. The duration of the bond is from January 4, 2021 – December 30, 2023, at an interest rate of Stibor 180. The conversion price is SEK 373. Conversion may be exercised from January 1, 2023 to December 30, 2023, at which time the share capital may increase by no more than SEK 4,182. Full conversion would entail a dilution of approximately 0.1% of the capital and 0.1% of the votes. The shares were issued on market terms.

Bond 2102 (convertible, acquisition of Travelize International AB) non-current liability

In conjunction with the acquisition of Travelize International AB in February 2021, the Parent Company issued 700 convertible debentures valued at SEK 10,000 each, at a nominal value of SEK 7,000,000. The estimated value of the stock option portion of the convertible bond is SEK 337,000. The stock option portion is recognized as shareholders' equity in accordance with IAS 32. The remainder of the bond, including interest (SEK 98,000) is recognized as a non-current liability. The duration of the bond is from February 3, 2021 – December 30, 2023, at an interest rate of Stibor 180. The conversion price is SEK 362. Conversion may be exercised from January 1, 2023 to December 30, 2023, at which time the share capital may increase by no more than SEK 1,934. Full conversion would entail a dilution of approximately 0.1% of the capital and 0.0% of the votes. The shares were issued on market terms.

Bond 2104 (convertible, acquisition of Nordman & Co AB) non-current liability

In conjunction with the acquisition of Nordman & Co AB in April 2021, the Parent Company issued 240 convertible debentures valued at SEK 10,000 each, at a nominal value of SEK 2,400,000. The estimated value of the stock option portion of the convertible bond is SEK 116,000. The stock option portion is recognized as shareholders' equity in accordance with IAS 32. The remainder of the bond, including interest (SEK 27,000) is recognized as a non-current liability. The duration of the bond is from June 26, 2021 – June 30, 2024, with an interest rate of Stibor 180. The conversion price is SEK 468. Conversion may be exercised from January 1, 2024 – June 30, 2024, at which time the share capital may increase by no more than SEK 513. Full conversion would entail a dilution of approximately 0.0% of the capital and 0.0% of the votes. The shares were issued on market terms.

Convertible debentures are recognized in the balance sheet as follows:

2021	
Nominal value of convertible debentures	66,400
Equity portion	-4,159
Total	62,241
Interest expenses*	1,095
Liability portion	63,336

*Interest expense is calculated by multiplying the estimated market interest rate with the liability portion.

NOTE 9E CURRENT AND NON-CURRENT LIABILITIES

	Group		Parent Company	
	2021	2020	2021	2020
Non-current interest-bearing liabilities				
Liabilities to credit institutions	691,297	490,549	691,297	490,549
Convertible debentures	45,030	64,778	45,030	64,778
Total non-current interest-bearing liabilities	736,327	555,327	736,327	555,327
Non-current non-interest-bearing liabilities				
Other liabilities*	111,265	88,028	30,500	45,000
Total non-interest-bearing liabilities	111,265	88,028	30,500	45,000
Total non-current liabilities	847,592	643,355	766,827	600,327
Current interest-bearing liabilities				
Liabilities to credit institutions	2,767	2,763	2,752	2,752
Convertible debentures	18,306	0	18,306	0
Total current interest-bearing liabilities	21,073	2,763	21,058	2,752
Total interest-bearing liabilities	757,400	558,090	757,385	558,079
Current non-interest-bearing liabilities				
Accounts payable	46,784	35,094	8,870	3,634
Other liabilities *	90,110	94,868	52,159	65,284
Accrued expenses	90,922	70,616	10,696	5,733
Total current interest-bearing liabilities	227,816	200,578	71,725	74,651
Total financial liabilities	1,096,481	846,696	859,610	677,730

*Other non-current and current liabilities consist mainly of supplementary purchase consideration and finance lease liabilities.

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 no bank loans denominated in foreign currency. However, supplementary purchase considerations for foreign acquisitions are recognized in foreign currency. The supplementary purchase considerations are measured using the rate on the balance-sheet date. The Parent Company also has bank accounts denominated in foreign currency. These are set up to manage acquisitions in foreign currency, and to manage transactions with the foreign subsidiaries. These bank accounts are classified as hedging instruments together with the liabilities for supplementary purchase considerations. The purpose of the hedge is to hedge exchange rate fluctuations on the company's investments in foreign subsidiaries. The investment takes place in the local currency.

Items in foreign currencies identified as hedges on net investments totaled SEK 307,603,000. The exchange rate difference on translation into Swedish crowns (SEK) totaled SEK 16,605,000 at the close of the reporting period and was recognized under "Other comprehensive income" after deduction for deferred tax.

NOTE 10 LEASING

IFRS 16 Leases is effective from January 1, 2019.

Lease activities and how these are accounted for

The leases are related to offices, data centers, equipment and vehicles. Assets and liabilities arising from lease agreements 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. Local agreements 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:

	2021	2020
Right-to-use assets		
Properties	115,749	62,819
Vehicles	65	111
	115,814	62,930
Lease liabilities		
Current liabilities	37,969	29,584
Non-current liabilities	78,389	29,034
	116,358	58,618

Additions to the right-of-use assets relating to leases in 2021 amounted to SEK 157,825,000 (15,079,000). The increase of SEK 28,121,000 (4,929,000) is attributable to the acquisitions during the year; in addition, existing contracts were extended, which entailed additional right-of-use assets totaling SEK 129,704,000 (10,150,000).
Retiring right-of-use assets related to premises contracts amount to SEK -30,232,000 (-20,590,000).
Total cash flow for lease agreements in 2021 was SEK 46,814,000 (46,279,000).

The following amounts related to lease agreements are recognized in profit or loss:

	2021	2020
Depreciation of right-of-use assets		
Properties	-46,730	-36,839
Vehicles	-49	-92
	-46,779	-36,931
Interest expenses (included in financial expenses)	-2,449	-2,049
Expenses attributable to short-term leases and leases of lesser value (included in administrative expenses)	-5,475	-5,030

Total cash flow for lease agreements in 2021 was SEK 46,814,000 (46,279,000).

Maturity analysis long- and short-term lease liabilities	2021	2020
Less than 1 year after balance-sheet date	37,969	29,584
More than 1 but less than 3 years after balance-sheet date	57,299	25,584
More than 3 but less than 5 years after balance-sheet date	21,089	3,450

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 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 at December 31, 2021 amounted to SEK 119.9 million. In addition to cash and cash equivalents, Vitec had overdraft facilities of SEK 125 million and SEK 815 million in an acquisition credit facility. 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 and tax 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 (known as covenants). There is currently one such agreement with our bank. At 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, 2021 and 2020 was as follows:

DEBT/EQUITY RATIO, SEK MILLION

	Dec 31, 2021	Dec 31, 2020
Total borrowings	757	558
Less cash and cash equivalents	-120	-135
Net debt	638	423
Total equity	1,989	843
Total capital	2,627	1,267
Debt/Equity ratio, %*	24	33

*Debt/equity ratio in the multi-year summary of the administration report is calculated differently; refer to Definitions of performance indicators, 147.

DIVIDEND

	2021	2020
The dividend for the 2019 financial year was SEK 1.35 per share	10,901	-
The dividend for the 2020 financial year was SEK 1.64 per share (1.35)	56,646	43,974
Total dividends expensed or paid	**67,547**	**43,974**
For the 2021 financial year, the Board of Directors has proposed a dividend of SEK 2 per share (1.64). The total amount of the proposed dividend was not recognized as a liability as of December 31, 2021, but is expected to be settled with retained earnings in April 2022.	75,288	58,431
	75,288	**58,431**

Credit risk

Accounts receivable are associated with a certain amount of credit risk. Our business model frequently entails advance payments and credit checks. 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 246.7 million as of December 31, 2021 the balance-sheet date, 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. Transaction exposure arises mainly from sales in currencies other than the company's own currency, which occurs in some of our companies. Primarily Norwegian crowns (NOK), Danish crowns (DKK) and Euros (EUR). The Group did not utilize any currency hedging in 2021.

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 in part through liabilities 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, December 31, 2021:

NOK	1.0254
DKK	1.3752
EUR	10.2269

A change of 5% in foreign-currency rates in 2021 would impact profit/loss for the year and shareholders' equity by approximately SEK 6.4 million, distributed as: NOK 1.5 million, DKK 0.8 million and EUR 4.1 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 12.0 million.

ANALYSIS OF MATURITIES

	Group		Parent Company	
	2021	2020	2021	2020
Current and non-current interest-bearing liabilities, excluding convertible debentures (Capital amounts)				
Less than 1 year after balance-sheet date	2,767	2,763	2,752	2,752
More than 1 but less than 3 years after balance-sheet date	691,297	487,754	691,297	487,754
More than 3 but less than 5 years after balance-sheet date	-	2,795	-	2,795
*Convertible debentures (Capital amounts)**				
Convertibles less than 1 year after balance-sheet date	18,306	-	18,306	-
Convertibles more than 1 year but less than 3 years after balance-sheet date	45,030	64,778	45,030	64,778
*Interest ***				
Less than 1 year after balance-sheet date	10,913	11,948	10,913	11,948
More than 1 but less than 3 years after balance-sheet date	8,159	23,730	8,159	23,730
More than 3 but less than 5 years after balance-sheet date	-	1,557	-	1,557
Non-interest-bearing liabilities				
Less than 1 year after balance-sheet date	55,997	94,869	55,959	65,285
More than 1 but less than 3 years after balance-sheet date	107,615	65,558	33,000	44,083
More than 3 but less than 5 years after balance-sheet date	3,774	7,559	-	-
More than 5 years after balance-sheet date	-	13,994	-	-
Total capital and interest				
Less than 1 year after balance-sheet date	87,983	109,580	87,930	79,985
More than 1 but less than 3 years after balance-sheet date	852,101	641,820	777,486	620,345
More than 3 but less than 5 years after balance-sheet date	3,774	11,910	-	4,351
More than 5 years after balance-sheet date	-	13,994	-	-

*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 1.58% (1.65).
*** This includes interest on unutilized portions of the acquisition loan facility. Capital amount SEK 815.0 million, interest 0.58%.

NOTE 12 SHAREHOLDERS' EQUITY

Registered share capital on December 31, 2021, totaled SEK 3,504,616 and comprised 2,950,000 class A shares (29,500,000 votes) and 32,096,163 class B shares (32,096,163 votes). The Annual General Meeting in April resolved to approve a dividend of SEK 1.64 per share. The dividend was divided up and paid on four payment dates: June 30, 2021, September 30, 2021, December 30, 2021 and March 30, 2022. The amount paid during the financial year was SEK 53,177,914, of which SEK 10,901,188 relates to the dividend for the 2019 financial year, which was paid on March 30, 2021. The expensed amount totals SEK 14,368,927.

The proposed but as-yet-unresolved dividend amounts to SEK 2 per share, totaling SEK 75,287,660. Dividends are recognized as a liability once the AGM approves the dividend.

SHARE TYPES

	Dec 31, 2021	Dec 31, 2020
Shares at Jan 1		
Vitec-A	3,050,000	3,350,000
Vitec-B	29,723,422	29,223,216
Total shares at Jan 1	32,773,422	32,573,216
Reclassification of class A shares to class B shares	-100,000	-300,000
Reclassification of class A shares to class B shares	100,000	300,000
Conversion of Vitec-B share debentures	272,741	200,206
New share issue	2,000,000	-
Shares at year-end	35,046,163	32,773,422

Shares at year-end	Dec 31, 2021	Dec 31, 2020
Vitec-A	2,950,000	3,050,000
Vitec-B	32,096,163	29,723,422
Total shares at year-end	35,046,163	32,773,422

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 debt, 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 details.

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	
	2021	2020	2021	2020	2021	2020
OPENING BALANCE	490,549	415,738	2,763	3,026	64,778	51,686
Cash flow	197,248	96,577	0	-280	8,650	13,510
Change in non-cash items						
Exchange-rate fluctuations	-	-21,449	-	-	-	-
Finance leases	-	-	-	-	-	-
Acquisition financing	-	-	-	-	23,376	19,442
Conversion	-	-	-	-	-34,145	-21,222
Other	3,500	-297	4	17	677	1,362
Reclassifications long-/short-term	-	-	-	-	-	-
CLOSING BALANCE	691,297	490,549	2,767	2,763	63,336	64,778

CHANGE IN LIABILITIES FOR FINANCING ACTIVITIES, PARENT COMPANY

	Long-term liabilities to credit institutions		Short-term liabilities to credit institutions		Convertible debentures	
	2021	2020	2021	2020	2021	2020
OPENING BALANCE	490,549	415,738	2,752	3,032	64,778	51,686
Cash flow	197,248	96,557	0	-280	8,650	13,510
Change in non-cash items						
Exchange-rate fluctuations		-21,449				
Acquisition financing					23,376	19,442
Conversion					-34,145	-21,222
Other	3,500	-297			677	1,362
Reclassifications long-/short-term						
CLOSING BALANCE	691,297	490,549	2,752	2,752	63,336	64,778

NOTE 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 applies 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 "cash-flow 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 cash flow 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's 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 management/operations development.

The Parent Company's expenses include invoicing from Group companies at a rate of 7% (9).

NOTE 14B ANTICIPATED DIVIDENDS

The Parent Company has recognized a receivable pertaining to anticipated dividends from subsidiaries. This totaled SEK 152.6 million and was distributed as follows:

	2021	2020
Vitec Acute Oy	8.1	6.3
Vitec Agrando AS	7.2	11.5
Vitec Aloc A/S	13.8	-
Vitec Autodata AS	-	3.8
Vitec Avoine Oy	5.1	13.0
Vitec Capitex AB	3.0	5.0
Vitec Cito A/S	16.5	9.5
Vitec Datamann A/S	-	2.7
Vitec Energy AB	3.0	7.0
Vitec Fixit Systemer AS	15.4	17.2
Vitec Futursoft Oy	18.4	23.1
Vitec Förvaltningssystem AB	10.0	33.0
Vitec HK data AS	-	3.8
Vitec Infoeasy AS	-	1.0
Vitec IT Drift AS	4.1	-
Vitec Katrina Oy	5.1	-
Vitec LJ System AB	2.0	-
Vitec Megler AS	7.2	15.1
Vitec Mäklarsystem AB	4.0	8.0
Vitec Plania AS	9.2	6.7
Vitec Shared Services Oy	7.3	-
Vitec Smart Visitor System AB	3.0	1.0
Vitec Tietomitta Oy	-	10.0
Vitec WIMS AS	10.3	-
	152.6	177.7

NOTE 14C APPROPRIATIONS

	2021	2020
Differences between book depreciation and depreciation according to plan	-95	365
Group contributions received	57,000	-
Group contributions paid	-5	-1
Total	56,899	364

NOTE 14D UNTAXED RESERVES

	Dec 31, 2021	Dec 31, 2020
Differences between book depreciation and depreciation according to plan	1,772	1,677
Total	1,772	1,677

NOTE 14E DEFERRED TAX

Deferred tax 20.6% (21.4) within the Parent Company's untaxed reserves totaled SEK 365,000 (359,000).

NOTE 15 MISCELLANEOUS INFORMATION

NOTE 15A EARNINGS PER SHARE

Profit after tax was SEK 6.14 (4.93). Earnings per share after dilution amounted to SEK 6.05 (4.91). Financial instruments that could yield future dilutive effects comprised in their entirety convertible debentures and warrants. Calculation of dilution is shown in the table on page 149.

	Dec 31, 2021	Dec 31, 2020
Earnings per share before dilution	6.14	4.93
Earnings from calculation of earnings per share	206,941	160,710
Weighted average number of shares	33,723,971	32,573,765
Earnings per share after dilution	6.05	4.91
Earnings from calculation of earnings per share after dilution	207,648	162,072
Average number of shares after dilution	34,314,851	32,993,975

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.

There is general collateral in the form of our credit facility agreement with covenant commitments.

Vitec has no contingent liabilities.

PLEDGED ASSETS FOR OWN LIABILITIES AND PROVISIONS

	Group		Parent Company	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Chattel mortgages	39,000	39,000	39,000	39,000
Total	39,000	39,000	39,000	39,000

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 convertible program 2009: Olle Backman, Kerstin Anderson, Gert Gustafsson, Anna Andersson, Aleš Zobec, Anna-Karin Nilsson, Sara Nilsson, Karin Wendén and Patrik Fransson with SEK 100,000 each.
  The following senior executives participated in the ongoing convertible program 2021:1: Olle Backman, Kerstin Anderson, Anna Andersson, Aleš Zobec, Anna-Karin Nilsson and Sara Nilsson with SEK 100,000 each.
- Senior executives are participating in an ongoing warrant incentive program. Olle Backman, Jerker Vallbo, Kerstin Anderson, Gert Gustafsson, Aleš Zobec, Kim Møller Jensen and Patrik Fransson have received 20,000 warrants each. Anna Andersson, Sten Stockmann, Sara Nilsson and Karin Wendén have received 10,000 warrants each. Svein-Roger Westengen and Anna-Karin Nilsson have received 3,000 and 5,000 warrants, respectively. The warrants were acquired on market terms.
- Most of our Swedish companies rent premises from the Parent Company through customary lease 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 21, 2021: Vitec acquires the software company DocuBizz ApS

On January 21, Vitec acquired all shares in the Danish software company DocuBizz ApS. The company reported sales of SEK 27 million, with an EBITDA of SEK 6 million for the 2021 financial year.

The software company DocuBizz develops and provides a SaaS solution that digitalizes and automates management of all types of supplier invoices for companies. The software matches invoices with purchase orders, presents history and more, and the invoice is sent via the system to the right person for approval. The software also supports automatic accounting in the customer's business system. The company's approximately 350 customers are mainly in the automotive industry in Scandinavia, Germany, and the US. Vitec welcomed 12 new employees as part of the acquisition.

Payment was in cash and with a convertible, with deviation from shareholders' preferential rights in accordance with the authorization from the Annual General Meeting on April 28, 2021. The convertible matures in 36 months and at full conversion will have a dilutive effect on capital of 0.02%. 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 plan to comprise product rights, customer agreements, 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.

Proposed appropriation of profits

THE FOLLOWING FUNDS ARE AT THE DISPOSAL OF AGM:	
Earnings brought forward	450,232,646
Share premium reserve	1,320,473,795
Profit for the year	183,948,023
	1,954,654,464

THE BOARD OF DIRECTORS PROPOSES THAT THESE FUNDS BE DISTRIBUTED AS FOLLOWS:	
Dividends of SEK 2.00 per share to shareholders	75,287,660
To be carried forward to the share premium reserve	1,320,473,795
To be carried forward	558,893,009
	1,954,654,464

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 International Financial Reporting Standards and generally accepted accounting policies, and provide 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 March 25, 2022. 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 April 26, 2022.

Umeå, March 25, 2022

Lars Stenlund
Chairman of the Board

Anna Valtonen
Board member

Birgitta Johansson-Hedberg
Board member

Crister Stjernfelt
Board member

Jan Friedman
Board member

Kaj Sandart
Board member

Olle Backman
Chief Executive Officer

Our audit report was submitted on March 30, 2022

PricewaterhouseCoopers AB

Aleksander Lyckow

Authorized Public Accountant

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 2021 except for the corporate governance statement on pages 70–83. The annual accounts and consolidated accounts of the company are included on pages 59–140 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 December 31, 2021 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 December 31, 2021 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 70–83. 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

Focus and scope of the audit

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 acquisition targets on the basis of a clearly defined specification of requirements. As at year-end, December 31, 2021, the group was comprised of 42 subsidiaries within 31 independent business units. Of the subsidiaries, there are ten companies reporting net sales in excess of SEK 60 Million and which, in total, represent approximately 55% 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 2021, recurring revenues accounted for 82 percent of the group's reported net sales.

In addition to the larger subsidiaries, the audit of the consolidated accounts has included the Parent Company, Vitec Software Group AB and the larger subsidiaries in Sweden, 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 mistake. 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 the Netherlands, Norway and Sweden. For each business combination, company management prepares an acquisition plan 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 the 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 plan 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 112–117 and Note 1 in the 2021 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. • 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 2,543, including SEK 1,689 million in goodwill. 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 122 and Note 1 in the 2021 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 evaluated the reasonability of the discount rate used. • We compared the calculated value in use with the market cap as of December 31, 2021. • We evaluated management's forecast capacity through comparing previously undertaken forecasts against actual outcome. • Based on materiality, we confirmed that sufficient disclosures have 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 2–57 and 147–151. The Board of Directors and the Chief Executive Officer are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer 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 Chief Executive Officer 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 mistake.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Chief Executive Officer 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 Chief Executive Officer intend to liquidate the company, to cease operations, or have 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 mistake, 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 ISA and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or mistake 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 the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se*/revisornsansvar*. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of Vitec Software Group AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer 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 Directors and the Chief Executive Officer

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 Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions 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 Chief Executive Officer 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 the Swedish Inspectorate of Auditors' website: *www.revisorsinspektionen.se/revisornsansvar*. This description is part of the auditor's report.

Auditor's review of the ESEF report

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Chief Executive Officer have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Vitec Software Group AB for 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #checksumma has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Vitec Software Group AB 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Chief Executive Officer determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Chief Executive Officer, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Chief Executive Officer.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for ensuring that the corporate governance statement on pages 70–83 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 RevR 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 Annual General Meeting on April 28, 2021 and has been the company's auditor since May 6, 2015.

Stockholm March 30, 2022

PricewaterhouseCoopers AB

Aleksander Lyckow

Definitions of performance 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 performance indicators presented in the multiyear overview on page 84 are defined as follows:

Non-IFRS performance 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 performance indicator for the management of operational activities.
Percentage of recurring revenues	Recurring revenues in relation to net sales.	A key performance indicator for the management of operational activities.
Growth	The trend of the company's net sales in relation to the corresponding year-earlier period.	Used to monitor the company's sales trend.
Growth in recurring revenues	Trend in recurring revenues in relation to the corresponding year-earlier period.	A key performance indicator for the management of operational activities.
Organic growth in recurring revenues	Development of the company's recurring revenues, including yearly data for acquired companies during the period, in relation to the corresponding year-earlier period.	Used to monitor the company's sales trend and transition toward recurring revenues.
Proforma net sales	Net sales the past four quarters with addition of sales from acquired units for the time prior to the acquisition date.	Used to monitor the company's sales trend.
Proforma recurring revenues, ARR	ARR, Annual Recurring Revenues. Recurring revenues the past four quarters with addition of recurring revenues from acquired units for the time prior to the acquisition date.	Used to monitor the company's sales trend.
EBITA	Net profit/loss for the period before acquisition-related costs, acquisition-related amortization, net financial items and tax.	Indicates the company's net profit/loss for the period before acquisition-related costs and acquisition-related amortization.
EBITDA	Earnings before interest, tax, depreciation and amortization for the period.	Indicates the company's operating profit before 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.
Acquisition-related amortization	Amortization regarding product rights and customer agreements.	Used to disclose items affecting comparability.
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.
Interest-bearing net liability	Non-current interest-bearing liabilities and the current portion of interest-bearing liabilities, less cash and cash equivalents.	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 performance indicators is based.
Return on capital employed	Profit after net financial items plus interest expenses, as a percentage of average capital employed. Capital employed is defined as total assets less interest-free liabilities and deferred tax.	This measurement is an indicator of the company's profitability in relation to externally financed capital and shareholders' equity.
Return on equity	Reported profit/loss after tax in relation to average equity attributable to Parent Company shareholders.	This measurement is an indicator of the company's profitability and gauges the return on shareholders' equity.
Sales per employee	Net sales in relation to the average number of employees.	This metric is used to assess the company's efficiency.
Added value per employee	Operating profit/loss plus depreciation/amortization and personnel expenses in relation to average number of employees.	This metric is used to assess the company's efficiency
Personnel expenses per employee	Personnel expenses in relation to average number of employees.	A key performance indicator used to measure operational efficiency.
Average no. of employees	Average number of employees in the Group during the financial year.	An underlying measurement on which the calculation of other performance indicators is based.
AES (Adjusted equity per share)	Shareholders' equity attributable to Parent Company shareholders, in relation to the number of shares issued at the balance-sheet date.	This measurement indicates the equity per share at the balance-sheet date.
Cash flow per share	Cash flow from operating activities before changes in working capital, in relation to the average number of shares.	Used to monitor the company's trend in cash flow per share.
Number of shares after dilution	The average number of shares during the period plus the number of shares added following the full conversion of convertibles.	An underlying measurement on which the calculation of other performance indicators is based.

IFRS performance indicators	Definition	Description of usage
Earnings per share	Profit after tax attributable to Parent Company shareholders, in relation to the average number of shares during the period.	IFRS performance indicators.
Earnings per share after dilution	Profit after tax attributable to Parent Company shareholders, plus interest expenses pertaining to convertible debentures, in relation to the average number of shares after dilution.	IFRS performance indicators.

Estimates

ORGANIC GROWTH IN RECURRING REVENUES

SEK million	2021	2020	Growth, %
Reported net sales	1,571	1,313	20
of which recurring revenues	1,324	1,080	23
Annual effect of acquired units	63	252	
of which recurring revenues	59	211	
Organic growth in net sales	1,634	1,565	4
Organic growth in recurring revenues	1,383	1,291	7

EFFECT OF ACQUIRED UNITS

SEK million	Sales, time before acquisition		Recurring revenues, time before acquisition	
	2021	2020	2021	2020
Companies acquired 2021	63	115	59	184
Companies acquired 2020	-	137	-	27
Total annual effects	63	252	59	211

Calculation of EBITA	2021	2020
Operating profit	283,050	222,434
Acquisition-related costs	14,574	12,933
Acquisition-related amortization	142,199	109,419
EBITA	439,823	344,786

Weighted average number of shares	No. of days	No. of shares	Weighted value
No. of shares on Jan 1	18	32,773,422	1,616,224
Jan 18, 2021 Conversion	219	33,033,902	19,820,341
Aug 25, 2021 New share issue	82	35,033,902	7,870,630
Nov 15, 2021 Conversion	46	35,046,163	4,416,777
Average number of shares	365		33,723,971

Average number of shares after dilution	No. of days	No. of shares	Weighted value
No. of shares on Jan 1	18	32,773,422	1,616,224
Jan 18, 2021 Conversion	219	33,033,902	19,820,341
Aug 25, 2021 New share issue	82	35,033,902	7,870,630
Nov 15, 2021 Conversion	46	35,046,163	4,416,777
Dilution, Visiolink convertible	365	49,043	49,043
Dilution, Appva convertible	365	33,333	33,333
Dilution, Personnel 2020 convertible	365	40,571	40,571
Dilution warrants 2020	365	251,000	251,000
Dilution, Unikum convertible Jan 4, 2021	362	41,823	41,479
Dilution, Travelize convertible Feb 3, 2021	332	19,337	17,589
Dilution, Nordman convertible April 26, 2021	250	5,128	3,512
Dilution employee convertibles June 15, 2021	200	18,693	10,243
Dilution warrants June 15, 2021	200	263,000	144,110
Average number of shares after dilution			34,314,851

Earnings from calculation of earnings per share after dilution	
Profit for the year	206,941
Interest expenses on convertible debentures	707
	207,648

Shareholder information

Our website, *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	April 26, 2022
Interim report January–March	April 22, 2022
Interim report January–June	July 15, 2022
Interim report January–September	October 20, 2022
Year-end report January–December	February 1, 2023

INVESTOR INFORMATION IS AVAILABLE AT VITECSOFTWARE.COM

You can also sign up for an e-mail subscription to receive our press releases at *vitecsoftware.com*. There is also information released ahead of our general meetings of shareholders and much more.

IF YOU HAVE ANY QUESTIONS, PLEASE DO NOT HESITATE TO CONTACT:

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vertical software