Interim Report January-March 2018

Vitec in brief

Industry-specific business systems

Vitec is the Nordic market leader in Vertical Market Software. We develop and supply standard products for various niches. This means that our offering is tailored to the unique needs and requirements of companies within a specific sector in order to manage and develop their business activities.

Standardized software

Our standardized products are cost-effective for our customers since they can assimilate developments and upgrades made for the entire industry. In this way, we provide our customers with maximum opportunities to develop and future-proof their business..

Business model with recurring revenue

Our business model is based on a high proportion of recurring revenue. This gives us the opportunities to act on a long term bases, as we are less sensitive to temporary downturns within individual companies.

Growth through acquisitions

Vitec has a pronounced acquisition-based growth strategy, with focus on profitability and stable cash flows. By focusing on strong cash flows, we are creating the financial conditions for continued acquisition-driven growth.

Continued growth and stronger cash flow

Summary for January-March 2018

- Net sales MSEK 222 (192)
- Profit before tax MSEK 25,1 (24,4)
- Operating margin 12,3 % (13,7)
- Earnings per share before dilution SEK 0,66 (0,64)
- Cash flow from operations MSEK 112,9 (98,8)
- The Board of Directors proposes increased dividend to SEK 1.10 per share (1.00)

Significant events after the period

- Vitec acquires PP7 Affärssystem AB och Agrando AS

CEO's comments

The operative year 2018 has had a solid start. Our growth is over 15 percent, and this quarter shows, just as the previous one, that our cash flow grows faster than our result. The recurring revenues have grown 14 percent and our license fees continue to diminish. This is in accordance with our strategy and business model; we aim to increase our recurring revenues in favour for non-recurring license revenues. Business area Education & Health differs from the general picture with a negative result for the period. The reason is essentially seasonal variation of Vitec MV, where the first half is significantly weaker than the second half.

Vitec is the leader in the Nordic region in Vertical Software (software that support specific niche business processes). According to Gartner, the most well-known advisory firm in the United States, vertical software is by far the largest segment with more than 25 percent of the total software industry. Most companies are relatively unknown, often less than 50 employees, and rarely placed in the large IT clusters. That is why you rarely hear about these companies. Cost-effectiveness, precision and a well-defined market characterize vertical software companies. The total market for vertical software is thus very large, while the individual markets for each vertical are relatively small.

After the first quarter, we have completed two acquisitions. On April 9, we acquired the Swedish software company PP7 Affärssystem, which develops software for project companies in the construction and installation market in Sweden. On April 19, we acquired the Norwegian software company Agrando whose software addresses the church market in the Nordic region with Norway and Sweden as main markets. With these acquisitions, we continue to strengthen our position as the Nordic region's leading vertical software company, while adding more than 50 MSEK in sales, 8 MSEK in earnings and 50 new employees.

The number of active acquisition dialogues remains high, and we continuously put resources in place to maintain and further develop these dialogues. Vitec's financial position and readiness for future acquisitions is good, which provides for continued acquisition-based growth. With the acquisition of well-established companies and a high proportion of recurring revenues, Vitec continues on the path to act in several independent and specialized niches, to achieve sustainable profitable growth.

Lars Stenlund, CEO

Group Financial information

Sales and results

January-March 2018

Revenues

Net sales for the period amounted to SEK 222,4 million (191,5), which represents an increase of 16 %. The increase in net sales is primarily attributable to acquisitions. Organic growth for the period is 2,2 %. Recurring revenues for the period increased by 14% compared to previous year and amounted to SEK 163,0 million (143,2), corresponding to 73,3 % (74,8) of net sales. License revenues decreased by 8 % compared to previous year and amounted to SEK 7,6 million (8,3). Service revenues was the same as previous year and amounted to SEK 37,6 million (37,5). Other revenues increased by 480 % compared to previous year and amounted to SEK 14,2 million (2,4).

Profit

Operating profit amounted to SEK 27,3 million (26,2) with an operating margin of 12,3 % (13,7). Profit after tax was SEK 19,8 million (18,8). Earnings per share before dilution were SEK 0,66 (0,64).

Liquidity and financial status

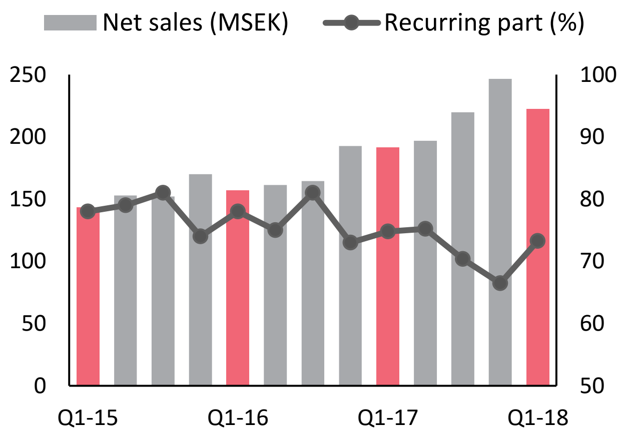
The Group's cash and cash equivalents, including short-term investments, at the end of the period amounted to SEK 60,4 million (130,5). In addition to these cash and cash equivalents, was a bank overdraft facility of SEK 20 million, and SEK 217,3 million in unused credit facilities of SEK 450 million. During the period SEK 51,2 million was repaid to the facility. Amortization of bank loans amounted to SEK 2,2 million. Cash flow from operating activities was SEK 112,9 million (98,8). Investments totaled SEK 30,1, million in capitalized work, SEK 0,1 million in other intangible assets and SEK 5,6 million in tangible assets.

Total interest-bearing liabilities amounted on March 31 2018 to SEK 368,4 million (354,7) distributed on long term debt SEK 337,8 million (264,7) and short-term interest-bearing liabilities SEK 30,6 million (89,9). During the period, the additional purchase prices for the acquisitions of Futursoft Oy and Fox Publish AS was finalized. SEK 22,9 million was paid for Futursoft and SEK 1,4 million was paid for Fox Publish.

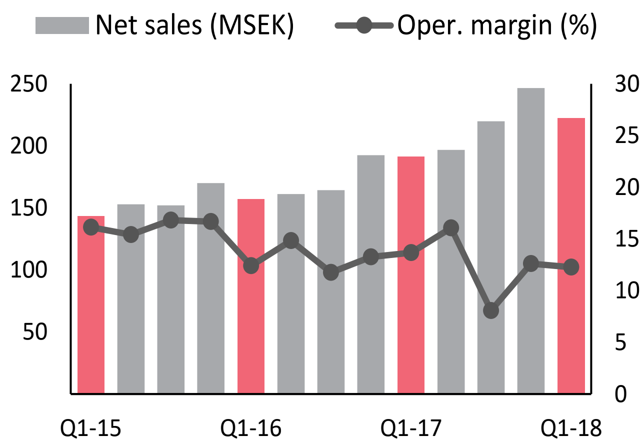
Equity attributable to Vitec's shareholders amounted to SEK 438,4 million (351,1). The equity ratio was 36 % (32). Proposed dividend amounts to SEK 1,10 per share, totaling SEK 32,8 million.

Graphs Group

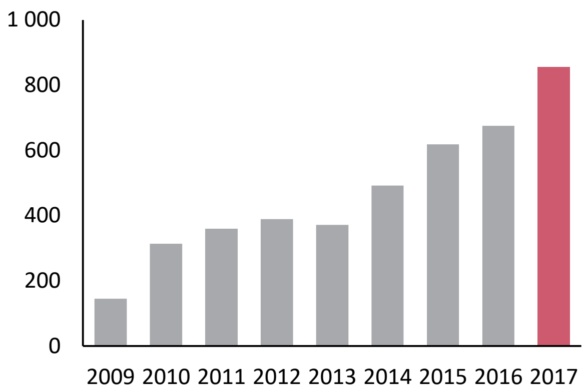
Net sales and recurring part



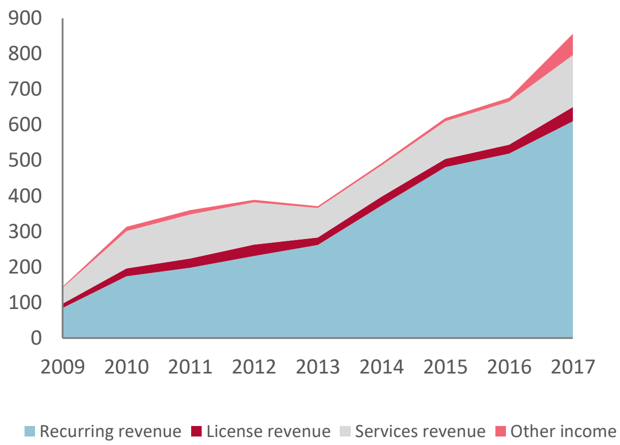
Net sales and operating margin



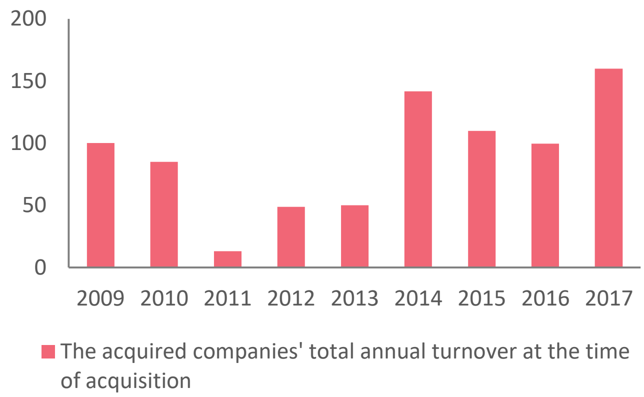
Net sales (MSEK)



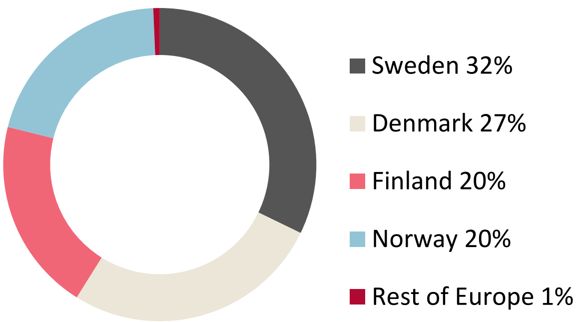
Change in revenues



Acquired revenues



Net sales per geography



Significant events during the period

March 19: Welcome to Vitec Software Groups Annual General Meeting 2018

Shareholders of Vitec Software Group AB (publ), 556258-4804, are invited to participate in the Annual General Meeting to be held on Monday, April 23, 2018 at 5.30 p.m. at Väven, Vävenscenen, Västra Strandgatan 10, Umeå. Registration takes place between 4:30 p.m and 5:15 p.m.

March 29: Annual Report for 2017 has been published

A pdf-version of the Annual Report in Swedish is available at vitecsoftware.com. The printed version will be available soon and can be ordered from our website (www.vitecsoftware.com/en/ir/reports) or by letter to Vitec Software Group AB, Tvistevägen 47a, 907 29 Umeå Sweden.

An English version will be available in a few weeks.

Significant events after the end of the period

April 9: Vitec acquires the software company PP7 Affärssystem

Vitec Software Group AB (publ) has on April 9 agreed to acquire all shares in the Swedish software company PP7 Affärssystem AB. The company develops software for the construction and installation market in Sweden. The main product is a cloud-based software for project and business support that optimizes flows and routines for a specific project. The company had a turnover of close to SEK 8 million for the fiscal year 2017, with an EBITDA result of SEK 1,4 million.

April 19: Vitec acquires the software company Agrando

Vitec Software Group AB (publ) strengthens its Nordic position in Vertical Software by today, on April 19, acquiring 97,2% of the shares in the Norwegian software company Agrando AS. The company's product is an industry-specific software for the church market in the Nordic region with Norway and Sweden as main markets. The company and its subsidiaries had a turnover just above SEK 42 million with an EBITDA result of SEK 5,5 million for the financial year 2017.

Business Areas January-March 2018

The Group's profit and sales increased compared to the corresponding period for 2017. Four business areas are increasing their profit, while three reports lower profit compared to the corresponding period for 2017. The recurring revenues increased for all business areas except for the business area Estate Agents. After the end of the period, we have completed two acquisitions PP7 Affärssystem and Agrando. PP7 Affärssystem, offers industry-specific software to project companies in the construction and installation market in Sweden. Agrando offers industry-specific software for the church market with Norway and Sweden as main markets.

Business Area Auto

Business area Auto increases its profit compared with the corresponding period in 2017. All operations within Auto delivers according to plan or slightly better. In Norway and Finland, we are still in the initial stages of renewing our products. The business situation is good in Finland where we still have a high demand for our automotive product range. There has been a quieter period in Norway and Denmark. Recurring revenues increased 7 % compared to the corresponding period 2017.

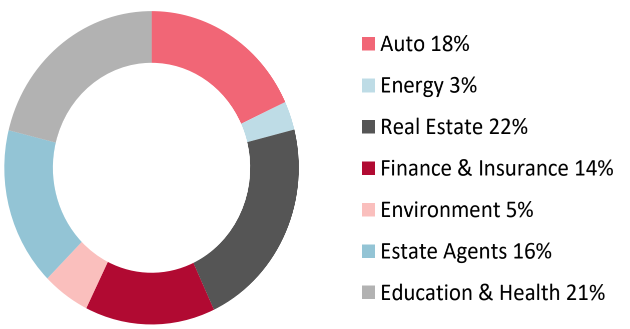
Business Area Energy

Business area Energy increases its profit and turnover compared to the corresponding period of 2017. Energy continues the first quarter of the year in the same positive spirit as the latter part of 2017. Operations are growing steadily while profits are developing at a higher rate. Recurring revenues increased 4 % compared to the corresponding period 2017.

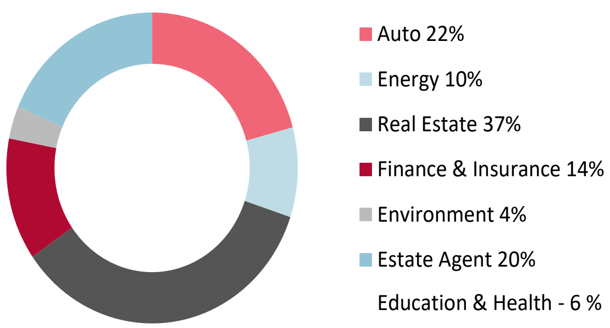
Business Area Real Estate

Business area Real Estate increases its profit compared to the corresponding period of 2017. The business area, particularly in Sweden, continues to have a high demand for its products and delivers a stable first quarter. Historically, Real Estate has had a lower share of recurring revenues than other business areas. However, with a continuous focus on a business model based on subscriptions and an increasing degree of automation, we increase the proportion of recurring revenues. For the quarter, recurring revenues are 59 % (53 %) of total revenues. Recurring revenues increased 11 % compared to the corresponding period 2017.

Net sales January-March 2018



Operating profit January-March 2018



Business Area Finance & Insurance

Business area Finance & Insurance reduces its profit and turnover compared to the corresponding period in 2017. The result for Finance & Insurance does not reach the same high level as the corresponding period in 2017. During the first quarter of 2017, we had major deliveries, primarily in Denmark, which increased the service revenues. We have now converted these deliveries into long-term recurring revenues. In the first half of 2018, we will make major investments in our products, this will short term affect the service revenues. In Norway, we have negative effects from a major customer who left us in 2017, but the business situation is good and we are working on a number of new opportunities. The business in Sweden is stable, and as we have previously communicated, we are working to broaden our offering. Recurring revenues increased 8% compared to the corresponding period 2017.

Business Area Environment

Business area Environment reduces profit and sales compared to the same period in 2017. Recurring revenues has increased at the expense of reduced license revenues, which negatively affects earnings in the short term but gives long-term positive effects. Recurring revenues increased 13 % compared to the same period in 2017.

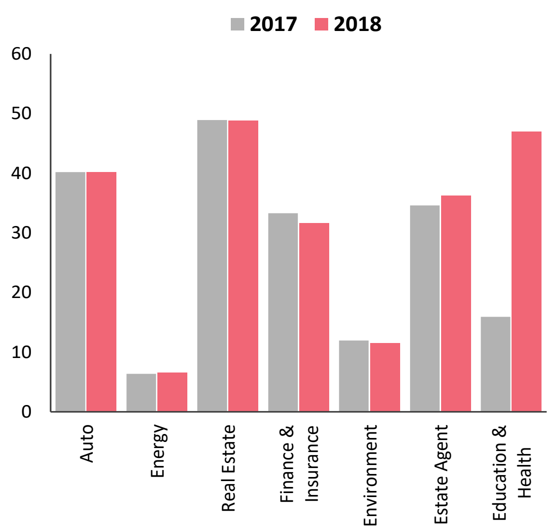
Business Area Estate Agents

Business area Estate Agents increases its profit and turnover compared to the same period in 2017. All our customers in Sweden are upgraded to our new cloud-based product. In Norway, most of the major development work is behind us. A few customers have already been upgraded to the next generation of our software. Media writes a lot about the housing market in Norway and Sweden. Our business is only to a certain extent dependent on the activity in the market, as it is the number of users that is core for our pricing model. The recurring revenues is 8 % lower than the same period in 2017.

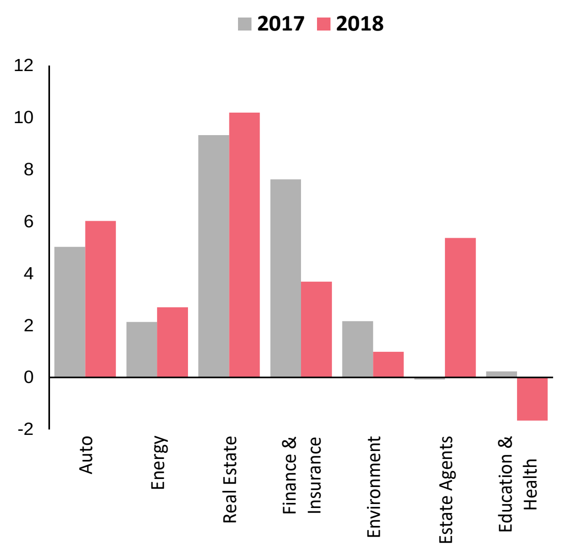
Business Area Education & Health

Business area Education & Health reduces its profit and increases sales compared to the corresponding period in 2017. With the acquisition of Vitec MV, included from the third quarter of 2017, the business area increases total revenue and recurring revenues significantly. Vitec MV operates with a higher proportion of hardware sales than the Group in general, affecting the share of recurring revenues and profit margins. For Vitec MV is the first half of the year is usually weaker than the second half dependent on the school semester, also the integration affects the results to some extent. Health in Finland has a good demand for its product, also the recurring revenues continues to grow in a good way. Recurring revenues increases 101 % compared to the same period 2017.

Net sales January-March 2018 (MSEK)



Operating profit January-March 2018 (MSEK)
before acquisition-related costs



	Auto		Energy		Real Estate		Finance & Insurance		Environment		Estate Agent		Education & Health	
	Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar		Jan-Mar	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Recurring revenues	33,7	31,4	4,8	4,6	29,0	26,2	28,2	26,1	8,9	7,9	30,2	33,0	28,3	14,1
License revenue	1,2	2,2	0,0	0,1	1,6	4,1	0,0	0,1	0,9	1,7	0,0	0,0	3,9	0,2
Services revenue	4,0	5,1	1,6	1,6	18,2	18,7	3,3	7,1	1,4	1,8	6,0	1,5	3,0	1,6
Other income	1,3	1,5	0,1	0,1	0,0	0,0	0,1	0,1	0,4	0,6	0,1	0,1	11,9	0,0
Net sales	**40,2**	**40,2**	**6,6**	**6,4**	**48,8**	**48,9**	**31,7**	**33,3**	**11,6**	**12,0**	**36,3**	**34,6**	**47,0**	**15,9**
Recurring revenue as a percentage of net sales	84%	78%	74%	73%	59%	53%	89%	78%	77%	66%	83%	95%	60%	89%
Operating profit*	6,0	5,0	2,7	2,1	10,2	9,3	3,7	7,6	1,0	2,2	5,4	-0,1	-1,7	0,2
Operating margin	15%	13%	41%	33%	21%	19%	12%	23%	9%	18%	15%	0%	-4%	1%

*Operating profit for segments are presented before acquisition-related costs

Risks and uncertainties

Vitec's significant risks and uncertainties are described in the Administration Report in the Annual Report for 2017 under the heading "Risks and uncertainties" on pages 27-29, in note 1 under "Assessments and estimates" on page 57 and in note 20, "Financial risks and the handling of such risks "on pages 77-82. No significant changes have occurred since then.

The Parent Company

Net sales amounted to SEK 27,5 million (28,6) and consisted primarily of sales to subsidiaries for services rendered. Profit after tax amounted to SEK -18,4 million (2,5). The profit for the parent company has been charged with unrealized exchange rate differences amounting to SEK 25,0 million. The value of shares in subsidiaries was during the period adjusted down by SEK 2,4 million relating to a downward adjustment of contingent consideration for Futursoft Oy. Short-term non-interest-bearing liabilities decreased correspondingly. The Parent Company is exposed to the same risks and uncertainties as the group in general, see above under section Risks and uncertainties.

Transactions with related parties

No significant related party transactions have occurred in the Group and Parent Company during the period.

Consolidated statement of comprehensive income

TSEK	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
OPERATING REVENUE			
Recurring revenues	163 000	143 231	609 970
License revenues	7 644	8 298	39 563
Service revenues	37 587	37 527	145 672
Other revenues	14 186	2 444	59 824
NET SALES	**222 417**	**191 500**	**855 029**
Capitalized development costs	30 082	23 898	97 213
Reversal of aditional purchase price	2 332	-	1 343
SUM	**254 831**	**215 398**	**953 585**
OPERATING EXPENSES			
Goods for resale	-11 662	-3 311	-48 394
Subcontractors and subscriptions	-24 241	-25 333	-100 791
Other external expenses	-33 345	-25 746	-120 597
Staff costs	-121 538	-107 135	-446 917
Depreciation of tangible assets	-3 869	-2 688	-13 514
Amortization of intangible assets	-30 607	-24 808	-112 025
Impairment	-2 332	-	-1 343
Unrealized exchange gains and losses	62	29	862
TOTAL COSTS	**-227 532**	**-188 992**	**-842 719**
OPERATING PROFIT BEFORE ACQUSITION-RELATED COSTS	**27 299**	**26 406**	**110 866**
Acquisition-related costs	-	-212	-4 164
OPERATING PROFIT AFTER ACQUISITION-RELATED COSTS	**27 299**	**26 194**	**106 702**
Financial income	70	22	328
Financial expense	-2 301	-1 847	-8 903
TOTAL FINANCIAL ITEMS	**-2 231**	**-1 825**	**-8 575**
PROFIT BEFORE TAX	**25 068**	**24 369**	**98 127**
Tax	-5 264	-5 594	-18 701
NET PROFIT	**19 804**	**18 775**	**79 426**
OTHER COMPREHENSIVE INCOME, ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS			
Currency translation differences	20 469	-1 898	-2 285
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**20 469**	**-1 898**	**-2 285**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**40 273**	**16 877**	**77 141**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO			
-Shareholders of the Parent Company	19 804	18 775	79 426
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO			
-Shareholders of the Parent Company	40 273	16 877	77 141
EARNINGS PER SHARE			
-Before dilution (SEK)	0,66	0,64	2,70
-After dilution (SEK)	0,66	0,63	2,70
Average number of shares	29 838 900	29 396 690	29 424 555
Number of shares after dilution	30 213 419	29 838 900	29 538 825

Segment information

BUSINESS AREA	Net sales (MSEK)			Profit before acqusition related costs (MSEK)		
	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
Auto	40,2	40,2	155,9	6,0	5,0	19,5
Energy	6,6	6,4	25,7	2,7	2,1	8,0
Real Estate	48,8	48,9	190,1	10,2	9,3	32,2
Finance & Insurance	31,7	33,3	142,3	3,7	7,6	29,0
Environment	11,6	12,0	44,1	1,0	2,2	5,5
Estate Agent	36,3	34,6	138,0	5,4	-0,1	5,5
Education & Health	47,0	15,9	157,9	-1,7	0,2	11,2
Shared	0,3	0,2	1,0	-	-	-
Vitec Group	**222,4**	**191,5**	**855,0**	**27,3**	**26,4**	**110,9**
Acquisition-related costs				-	-0,2	-4,2
Operating profit after acquisition-related costs				**27,3**	26,2	106,7
Net financial income/expence				-2,2	-1,8	-8,6
Profit before tax				**25,1**	**24,4**	**98,1**

Vitec is a Nordic software company and our customers are mainly in Sweden, Denmark, Finland and Norway, we also have a number of customers in other parts of the world. The diagram on page five shows the distribution of sales per country.

Net sales consist of recurring revenues, license revenues, service revenues and other revenues. These consist in turn of performance obligations.

Our performance obligations are support, maintenance and upgrades, time-limited right to use and hosting, perpetual right to use, services, information services, third party perpetual right to use, third party maintenance and other. Of recurring revenues SEK 76,4 million (77,2) are support, maintenance and upgrades, SEK 54,0 million (38,9) are time-limited right to use and hosting, SEK 25,0 million (24,5) are information services and SEK 4,6 million (2,7) are third party maintenance. License revenues consist of SEK 7,6 million (7,8) perpetual right to use and SEK 0,0 million (0,5) third party perpetual right to use.

Our most common types of contracts are sales of licenses with traditional support and maintenance agreements, cloud services SaaS, subscriptions, service sales and sales of information services. The agreements run from one month to a year, and in some cases longer. Our recurring revenues are recognized evenly distributed over the term of the contracts as the customer receives control over the service and the performance obligation is fulfilled. Our license revenues are recognized at a given point in time, our service revenues are recognized continuously as the services are rendered and the customer receives control and benefit of them.

Consolidated statement of financial position

TSEK	2018-03-31	2017-03-31	2017-12-31
ASSETS			
FIXED ASSETS			
Intangibles assets	976 298	804 844	944 327
Tangible fixed assets	41 876	32 209	37 956
Financial assets	1 870	947	1 791
Deferred tax	6 917	4 170	6 714
TOTAL FIXED ASSETS	**1 026 961**	**842 170**	**990 788**
CURRENT ASSETS			
Inventories	4 688	1 030	3 619
Receivables	134 128	111 831	209 595
Short-term investments	46	43	44
Cash and equivalents	60 345	130 409	57 924
TOTAL CURRENT ASSETS	**199 207**	**243 313**	**271 182**
TOTAL ASSETS	**1 226 168**	**1 085 483**	**1 261 970**
EQUITY AND LIABILITIES			
Equity	438 437	351 090	398 164
Long-term liabilities, interest bearing	337 779	264 721	374 918
Long-term liabilities, non-interest bearing	145 702	130 404	147 339
Short-term liabilities, interest bearing	30 620	89 934	31 180
Short-term liabilities, non-interest bearing	273 630	249 334	310 369
TOTAL EQUITY AND LIABILITIES	**1 226 168**	**1 085 483**	**1 261 970**

Consolidated statement of changes in equity

TSEK	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY			
At beginning of period	398 164	334 213	334 213
Option element convertible bond	-	-	2 221
Conversion bonds	-	-	13 986
Dividend	-	-	-29 397
Total comprehensive income for the period	40 273	16 877	77 141
AT END OF PERIOD	**438 437**	**351 090**	**398 164**

Consolidated statement of cash flows

TSEK	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
OPERATING ACTIVITIES			
Operating profit	27 299	26 194	106 702
Adjustments for items not included in cash flow			
Other operating income	-2 332	-	-1 343
Depreciation/amortisation and impairment	36 809	27 496	126 882
Unrealized exchange gains/losses	-62	29	862
	61 714	**53 719**	**233 103**
Interest received	70	22	328
Interest paid	-2 063	-1 779	-8 438
Tax paid	-10 331	-7 493	-25 381
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	**49 390**	**44 469**	**199 612**
Changes in working capital			
Change in inventories	-1 069	2	8 836
Change in accounts receivables	91 823	66 673	-20 754
Change in operating receivables	-20 814	-12 777	2 233
Change in accounts payable	-9 982	-7 526	6 839
Change in operating liabilities	3 514	8 004	-9 136
CASH FLOW FROM CURRENT OPERATIONS	**112 862**	**98 845**	**187 630**
INVESTMENT ACTIVITIES			
Acquisition of subsidiaries, net*	-24 316	-	-88 826
Sale of subsidiaries	-	-	-
Acquisition of intangible assets and capitalized development costs	-30 163	-24 078	-101 500
Acquisition of tangible assets	-5 646	-470	-7 750
CASH FLOW FROM INVESTMENT ACTIVITIES	**-60 125**	**-24 548**	**-198 076**
FINANCING ACTIVITIES			
Dividend	-	-	-29 397
New loans	-	-	109 129
Amortisation of loans	-53 438	-27 585	-95 275
CASH FLOW FROM FINANCIAL ACTIVITIES	**-53 438**	**-27 585**	**-15 543**
CASH FLOW FOR THE PERIOD	**-701**	**46 713**	**-25 989**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**57 968**	**80 920**	80 920
Exchange-rate differences in cash and cash equivalents	3 124	2 819	3 037
CASH AND CASH EQUIVALENTS AT END OF PERIOD**	**60 391**	**130 452**	**57 968**

* Payment for acquisition of subsidiaries consisted during the period of final payments for additional purchase prices for Futursoft Oy SEK 22,9 million and Fox Publish AS SEK 1,4 million. The payments did not result in any changes in share capital or control.

**Cash and cash equivalents are defined as funds for which there is an insignificant risk of value fluctuations and that can easily be converted to cash at a known amount. Short-term investments comprises funds that can be converted to cash at a known amount within one banking day.

Income statement, Parent Company

TSEK	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
Operating income	27 494	28 551	111 076
Operating costs	-48 724	-23 516	-107 940
OPERATING RESULT	**-21 230**	**5 035**	**3 136**
RESULT FROM FINANCIAL INVESTMENTS			
Income from shares in group companies	-	-	64 898
Financial income	35	-	231
Financial expense	-2 410	-1 819	-8 289
PROFIT AFTER FINANCIAL NET	**-23 605**	**3 216**	**59 976**
Appropriations	-	-	4 912
PROFIT BEFORE TAX	**-23 605**	**3 216**	**64 888**
Tax	5 193	-708	57
NET PROFIT	**-18 412**	**2 508**	**64 945**

The results of the period are consistent with the total comprehensive income.

Balance sheet, Parent Company

TSEK	2018-03-31	2017-03-31	2017-12-31
ASSETS			
FIXED ASSETS			
Intangible assets	3 010	3 750	3 301
Tangible assets	11 633	11 724	11 432
Financial assets	970 347	873 992	980 278
TOTAL FIXED ASSETS	**984 990**	**889 466**	**995 011**
CURRENT ASSETS			
Receivables	91 811	79 719	90 596
Cash and equivalents	55 138	123 807	51 616
TOTAL CURRENT ASSETS	**146 949**	**203 526**	**142 212**
TOTAL ASSETS	**1 131 939**	**1 092 992**	**1 137 223**
EQUITY AND LIABILITIES			
Equity	329 868	304 226	353 473
Untaxed reserves	2 429	2 341	2 429
Long-term liabilities	337 512	267 025	374 611
Short-term liabilities	462 130	519 400	406 710
TOTAL EQUITY AND LIABILITIES	**1 131 939**	**1 092 992**	**1 137 223**

Annotations

Accounting and valuation principles and other comments

This report has been prepared in accordance with IAS 34 Interim Financial Reporting. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and the Swedish Annual Accounts Act. The parent company's financial statements have been prepared in accordance with the Annual Accounts Act and recommendation RFR 2 Accounting for Legal Entities. The new standards, amendments and interpretations of existing standards, which entered into effect in 2018, have not had any impact on the Group's financial position or financial statements. The accounting principles and calculation methods remain unchanged compared with the description in the 2017 annual report.

IFRS 15 Revenue from Contracts with Customers enters into effect 1 January 2018 and Vitec applies the new standard. According to IFRS 15, the revenue is recognized when the customer obtains control over the service and when the performance obligation is fulfilled. Our analysis of our contracts has not arrived at any significant differences based on how we recognized the revenue before IFRS 15. The transition has therefore not had any effect on reported sales and profit, no adjustment of opening balance or recalculation of comparative figures have been made. A company may choose between applying the new standard with full retroactivity or with prospective application with further disclosures. We have chosen retroactive application.

The additional purchase price for Futursoft Oy has been adjusted downwards by SEK 2,3 million. This correction was recognized as other operating income in accordance with IFRS 3:58. At the same time, impairment of intangible assets has taken place. The adjustment has no effect on recognized profit.

Tax

Current tax for the period amounted to SEK 6,0 million (6,0). Deferred tax amounted to SEK 0,7 million (-0,4).

Investments

Investments amounted to SEK 30,1 million in capitalized work, SEK 0,1 million in other intangible assets and SEK 5,6 million in tangible assets.

Interest bearing liabilities

Long-term interest-bearing liabilities consist of bank loans of SEK 298,5 million and convertible debentures of SEK 39,0 million. Short-term interest-bearing liabilities consist of bank loans SEK 30,6 million. The company´s credit agreement with the bank include terms with restrictions, so-called covenants. The Group met these terms in their entirety for the period.

Convertible debenture

Convertible debentures are included in long-term interest bearing liabilities:

- Loan 1707 (long-term debt interest bearing liabilities, acquisition MV-Nordic A/S). SEK 19,2 million. Duration of the loan is July 6, 2017 - June 30, 2020. The interest rate is Stibor 180. The conversion price is SEK 85,00. Conversion may be requested 1 January 2019 to 30 June 2020. The share capital may upon conversion increase by a maximum of SEK 23 432. At full conversion the dilution of about 0,8 % of the share capital and 0,4 % of the votes

- Loan 1801 (long-term debt interest bearing liabilities, staff). SEK 19,7 million. Duration of the loan is January 1, 2018 - December 31, 2020. The interest rate is Stibor 180. The conversion price is SEK 104,00. Conversion may be requested 1 November to 30 November 2020. The share capital may upon conversion increase by a maximum of SEK 20 029. At full conversion the dilution of about 0,7 % of the share capital and 0,3% of the votes.

Financial instruments

IFRS 9 Financial Instruments enters into effect in 2018 and addresses the recognition of financial assets and liabilities. Vitec applies the new standard as of January 1, 2018. The standard has different measurement categories for financial assets and a new model for impairment testing. The main impact of the standard refers to a partially new process for credit losses. Vitec will apply the transition forward and have taken into account historical customer losses over a business cycle and subsequently finds that the new standard has no material effect on the consolidated accounts.

Classification and valuation

Financial instruments are initially recognized at their acquisition value corresponding to the instrument´s fair value plus transaction costs. A financial instrument is classified when recognized for the first time, including on the basis of the purpose for which the instrument was acquired. Vitec has financial instrument in the categories loans receivable and accounts receivable, financial liabilities valued at fair value, and financial liabilities valued at their accrued acquisition value.

Financial liabilities valued at fair value

According to IFRS 7, information must be provided about the fair value of each financial asset and financial liability, irrespective of whether they are reported in the balance sheet or not. Vitec judges that the fair value of the financial assets/liabilities is close to the reported book value.

All of the company´s financial instruments that are subject to valuation at fair value are classified at level 3 and refers to additional purchase prices in connection with acquisitions. During the period, the additional purchase price agreements for Futursoft Oy and Fox Publish AS was finalized, at closing date there are therefore no financial instruments that are subject to fair value measurement.

Acquisitions

Acquistion of PP7 Affärssystem AB

On April 9, all shares and votes were acquired in the Swedish software company PP7 Affärssystem AB. The company develops software for the construction and installation market in Sweden. The main product is a cloud-based software for project and business support that optimizes flows and routines for a specific project. The company had a turnover of close to SEK 8 million for the fiscal year 2017, with an EBITDA result of SEK 1,4 million. Payment is in cash and with a conditional additional purchase price based on improvement of EBITDA by 20181231.

The company is consolidated as from the acquisition date. At the publication of this report, there are no financial statements that can be the basis for a detailed description of the acquisition. For this reason, no information is presented about the purchased receivables and the fair value of acquired assets and liabilities. Additional items in a detailed acquisition analysis will be product rights, brands and customer agreements. Goodwill is considered to be attributable to the expected profitability, complementary expertise as well as anticipated synergies in the form of joint development of our products.

Acquistion of Agrando AS

On April 19, 97,2 % of the shares and votes were acquired in the Norwegian software company Agrando AS. The company's product is an industry-specific software for the church market in the Nordic region with Norway and Sweden as main markets. The company and its subsidiaries had a turnover just above SEK 42 million with an EBITDA result of SEK 5,5 million for the financial year 2017. Payment is in cash.

The company is consolidated as from the acquisition date. At the publication of this report, there are no financial statements that can be the basis for a detailed description of the acquisition. For this reason, no information is presented about the purchased receivables and the fair value of acquired assets and liabilities. Additional items in a detailed acquisition analysis will be product rights, brands and customer agreements. Goodwill is considered to be attributable to the expected profitability, complementary expertise as well as anticipated synergies in the form of joint development of our products.

Signatures

Umeå, April 23 2018,

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Lars Stenlund

The board: Kaj Sandart, Anna Valtonen, Crister Stjernfelt, Birgitta Johansson-Hedberg and Jan Friedman.

Information

Publication

The information in this report is such a kind that Vitec Software Group AB (publ.) is legally required to disclose pursuant to the EU´s Market Abuse Regulation and the Swedish Securities Market Act. The information was released for publication on Monday April 23, 2018 at 13:00 CET.

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Financial information

Our website vitecsoftware.com is the premier IR information channel. There we publish financial information immediately after publication.

You can also order information and reports trough:

E-mail: ir@vitec.se
Mail: Vitec Software Group AB (publ), Investor Relations, Tvistevägen 47 A, S-907 29 Umeå, Sweden
Phone: +46 90-15 49 00

The annual report is available on vitecsoftware.com

Financial calendar

2018-07-12	Interim report January-June 2018 (≈08:30))
2018-10-18	Interim report January-September 2018 (≈08:30))

This English version of the report is a translation of the original Swedish version; in the event of variances, the Swedish version shall take precedence over the English translation.

The auditors have not audited this report.

Corporate registration

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

Key figure definitions

This interim report refers to a number of financial measures that are not defined in accordance with IFRS, so-called alternative key figures according to ESMA guidelines. These measures provide management and investors with significant information for analyzing trends in the company´s business operations. The alternative key figures are not always comparable to those used by other companies. They are intended to supplement, not replace, financial measures presented in accordance with IFRS. Key figures presented on the last page of this report are defined as follows:

Non-IFRS key figures	Definition	Description of use
Recurring revenue	Recurring, contractual income where there is no direct link between our work effort and the agreed price. The agreed amount is usually billed in advance and the income is recognized during the contract period.	*Key ratio for operating operations.*
Recurring revenue portion of sales	Recurring revenue through net sales.	*Key ratio for operating operations.*
Growth	Development of the company´s net sales in relation to the same period last year.	*Used to follow the company´s sales development*
Organic growth	Development of the company´s net sales, excluding during the period acquired companies, in relation to the same period last year.	*Used to follow the company´s sales development*
Profit growth to Parent Company shareholders	Development of the company´s profit after tax in relation to the same period last year.	*Used to follow the company´s earnings development*
Profit margin	Profit after tax in relation to net sales.	*Used to follow the company´s earnings development*
Operating margin	Operating profit in relation to net sales.	*Used to follow the company´s earnings development*
EBITDA	Earnings before interest, taxes, depreciation and amortization.	*Shows the company´s operating profit before depreciation and amortization.*
Equity/assets ratio	Shareholders ‘equity, including equity attributable to non-controlling interests, in relation to total assets.	*The measure shows the company´s financial stability.*
Equity/assets ratio after full conversion	Shareholders ‘equity, including convertible loans, in relation to total assets.	*The measure shows the company´s financial stability.*
Debt/equity ratio	Average liabilities in relation to average shareholders ‘equity and non-controlling interests.	*The measure shows the company´s financial stability.*
Average shareholders equity	Average of the periods shareholders´ equity and the previous periods shareholders´ equity.	*Underlying measure used to calculate other key ratios.*
Return on capital employed	Profit before tax plus interest expenses in relation to average capital employed. Capital employed is defined as total assets less non interest-bearing liabilities and deferred tax.	*The measure shows the company´s profitability. Indicates the company´s profitability in relation to externally financed capital and equity.*
Return on equity	Reported profit after tax in relation to average shareholders ‘equity attributable to Parent Company shareholders.	*The measure shows the company´s profitability and is a measure of the return on equity.*
Sales per employee	Net sales in relation to average number of employees.	*Used to assess the company´s efficiency*
Value added per employee	Operation profit, plus depreciation, amortization and personnel costs in relation to the average number of employees.	*Used to assess the company´s efficiency*
Personnel cost per employee	Personnel cost in relation to the average number of employees.	*Key figure for measuring efficiency in operations.*
Average number of employees	Average number of employees for the year.	*Underlying measure used to calculate other key ratios.*
Adjusted equity per share	Equity attributable to Parent Company shareholders in relation to the number of shares issued at the closing date.	*The measure shows equity per share on the balance sheet date.*
Cash flow per share	Cash flow from operating activities before the change in operating capital in relation to the average number of shares.	*Used to follow the company´s development of cash flow measured per share*
P/E ratio	Share price on the closing date in relation to earnings per share.	*Consistent measure to measure the share price in relation to profit after tax.*
P/Adjusted equity per share	The share price on the closing date multiplied by the number of shares issued on the closing date in relation to the equity.	*Consistent measure to measure the share price in relation to adjusted equity.*
P/S	The share price on the closing date multiplied by the average number of shares in relation to net sales.	*Consistent measure to measure the share price in relation to net sales*
Average number of shares after dilution	Average number of shares for the period with addition for shares attributable to full conversion of convertibles.	*Underlying measure used to calculate other key ratios.*

IFRS key figures	Definition	Description of use
Earnings per share	Profit for the period attributable to the Parent Company´s shareholders in relation to the average number of shares for the period.	*IFRS-key figure*
Earnings per share after dilution	Profit for the period attributable to the Parent Company´s shareholders with addition for interest expenses regarding convertible loans, in relation to the average number of shares.	*IFRS-key figure*

Segment definitions

Vitec Group operations are controlled and organized in seven segments (business areas). The business areas are; Auto, Energy, Real Estate, Finance & Insurance, Education &Health, Environment and Estate Agent.

Business Area Auto

In Business Area Auto, Vitec offers software for the automotive and machinery sector in Denmark, Finland, Norway and Sweden. The products support work processes, including vehicle sales, workshops, tire storage and distribution of spare parts. The segment consists of Vitec AutoData AS, Vitec Datamann A/S, Vitec Infoeasy AS and Futursoft OY.

Business Area Energy

Vitec develops advanced forecasting systems for electricity traders, as well as calculation and map systems for owners of electricity and district heating networks. The geographic market for the business area comprises the Nordic countries, the Baltic states, the rest of Europe and the Middle East. The segment consists of Vitec Energy AB.

Business Area Real Estate

Vitec offers software for the construction and real estate sector in Sweden and Norway. This includes comprehensive business systems for our customers´ main processes, such as leasing, sales, customer service, finance, technical management and energy monitoring. The segment consists of Vitec Förvaltningssystem AB, Vitec Fastighetssystem AB, Vitec Capifast AB, Vitec Software AB and Vitec Plania AS.

Business Area Finance & Insurance

In Business Area Finance & Insurance, Vitec delivers software to banks and insurance companies in Denmark, Norway and Sweden. The segment consists of Vitec Capitex AB, the Group Aloc A/S and Vitec Nice AS.

Business Area Education & Health

Our software in Business Area Education & Health are developed for health care companies in Finland and the education sector in Denmark, Norway and Sweden. In Finland, our offer is completely web based and used by medical centers, occupational health, hospitals, physiotherapy and rehabilitation centers. Both in private and public organizations. For the education sector, we develop and distribute reading and writing tools for people with read/write disorders. Several elementary schools and other companies within the education sector use our products in their education and communication. The segment consists of the Group Acuvitec Oy and the Group Vitec MV A/S. Vitec MV was consolidated as of 6 July 2017.

Business Area Environment

In 2016, Vitec acquired the Finnish company Tietomitta Oy whose products are proprietary software for waste management in Finland. The acquisition meant a new vertical market for Vitec and the business expanded with Business Area Environment. The product is a market leader in Finland and manages the entire chain within waste management, from pick-up to billing, accounting and reporting. The segment also includes the operations that previously formed the segment Media. The segment consists of Tietomitta Oy and 3L Media.

Business Area Estate Agents

Business Area Estate Agents offers software for real estate agents in Norway and Sweden. Our product supports estate agents in all stages throughout the entire business process. The segment consists of Vitec Mäklarsystem AB, Capitex AB, Vitec Megler AS, Vitec Megler AB and ADservice Scandinavia AB.

Key figures

		2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
Net sales	(TSEK)	222 417	191 500	855 029
Business Area Auto	(TSEK)	40 220	40 180	155 920
Business Area Energy	(TSEK)	6 577	6 363	25 721
Business Area Real Estate	(TSEK)	48 800	48 938	190 111
Business Area Finance & Insurance	(TSEK)	31 695	33 303	142 293
Business Area Environment	(TSEK)	11 562	11 960	44 051
Business Area Estate Agent	(TSEK)	36 277	34 594	138 019
Business Area Eduation & Health	(TSEK)	46 971	15 930	157 944
Shared	(TSEK)	314	231	969
Growth	(%)	16%	22%	27%
Profit after financial items	(TSEK)	25 068	24 369	98 127
Profit for the year	(TSEK)	19 804	18 775	79 426
Profit attributable to Parent Company shareholders	(TSEK)	19 804	18 775	79 426
Profit growth to Parent Company shareholders	(%)	5%	34%	19%
Profit margin	(%)	9%	10%	9%
Operating margin	(%)	12%	14%	12%
Total assets	(tkr)	1 226 168	1 085 483	1 261 970
Equity/assets ratio	(%)	36%	32%	32%
Equity/assets ratio after full conversion	(%)	39%	34%	35%
Debt/equity ratio	(times)	1,93	2,05	2,22
Return on capital employed	(%)	14%	15%	14%
Return on equity	(%)	20%	22%	22%
Sales per employee	(TSEK)	396	384	1 584
Value added per employee	(TSEK)	326	322	1 258
Personnel cost per employee	(TSEK)	216	215	828
Average number of employees	(number)	562	499	540
Adjusted equity per share	(SEK)	14,69	11,94	13,34
Earnings per share	(SEK)	0,66	0,64	2,70
Earnings per share after dilution	(SEK)	0,66	0,63	2,70
Dividend paid per share	(SEK)	-	-	1,00
Cash flow per share	(SEK)	1,66	1,51	6,78
P/E ratio		31,01	27,02	32,23
P/Adjusted equity per share		5,69	5,51	6,52
P/S		2,82	2,72	3,04
Calculation bases:				
Profit when calculating earnings per share	(TSEK)	19 804	18 775	79 426
Cash flow when calculating cash flow per share	(TSEK)	49 390	44 469	199 612
Average number of shares (weighted average)	(psc)	29 838 900	29 396 690	29 424 555
Average number of shares after dilution	(psc)	30 213 419	29 838 900	29 538 825
Number of shares issued as of closing date	(psc)	29 838 900	29 396 690	29 838 900
Share price at respective periods end	(SEK)	83,60	65,75	87,00

Vitec is market leader for Vertical Market Software in the Nordic region. We develop and deliver standard niche software. Vitec grows through acquisitions of well-managed and well-established software companies. The Group's overall processes together with the employees' in-depth knowledge of the customer's local market enables continuous improvement and innovation. Our 600 employees are based in Denmark, Finland, Norway and Sweden. Vitec is listed on Nasdaq Stockholm and had net sales of SEK 855 million in 2017. Find out more at www.vitecsoftware.com.