

Interim report January-June 2017



Earnings per share up 33%

Summary for January-June 2017

- Net sales MSEK 388 (318)
- Profit before tax MSEK 54,2 (40,5)
- Operating margin 14,9 % (13,6)
- Earnings per share before dilution SEK 1,44 (1,08)
- Cash flow from operations MSEK 134,1 (105,8)

Summary for April-June 2017

- Net sales MSEK 197 (161)
- Profit before tax MSEK 29,8 (22,5)
- Operating margin 16,1 % (14,8)
- Earnings per share before dilution SEK 0,80 (0,60)
- Cash flow from operations MSEK 35,3 (21,8)
- Vitec expands revolving credit facility with MSEK 200

Significant events after the period

- Vitec acquires MV-Nordic A/S in Denmark

CEO's comments



The positive trend in the first quarter continued in the second quarter. Cash flow and earnings have increased faster than sales, which means that for the first six months of the year we basically meet our fifteen percent operating margin target.

We have expanded our revolving credit facility with SEK 200 million, after the increase the total is SEK 450 million. 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 are solid, we see good conditions for continued acquisition-based growth. After the period, the Danish company MV Nordic A / S has been acquired. The company has a turnover of approximately DKK 110 million with an EBITDA of approximately DKK 11 million and the acquisition will directly contribute to increasing Vitec's earnings per share.

Of the Group's approximately 75 percent recurring revenue, 40 percent emerge from SaaS agreements according to a modern subscription model. Vitec continues to convert towards an increasing share of SaaS agreements in new sales or when existing customers upgrade their products. The customer benefits of the SaaS model are becoming more widely known as digitalization continues. This general trend strengthens our potential in transforming our business model.

A clear shift from traditional license sales to subscription of cloud-based products reduces reliance on individual license sales, which increases our long-term ability to control our business. This, together with our people's capacity to innovate and integrate acquisitions, provides good conditions for long-term development of our business. 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



January-June 2017

During the period, both sales and operating income increased. In the second quarter is profit growth again higher than the growth of revenue. In Business Area Estate Agents have we closely monitored the plan in order to restore profitability, during the period Estate Agents now contributes positively to our earnings. In the business Area Health have we, according to our earlier communicated plan, completed the major installation projects. Six out of seven business areas continue to increase their recurring revenue.

Business Area Auto

Business Area Auto reports increased earnings and sales compared to the corresponding period in 2016. In Denmark are we expanding our offering, first deliveries of the new products have already begun rolling out to customers. In Norway, the initiative for Vitec Autodata AS and Vitec Infoeasy AS to create a joint offer continues according to plan. In Finland, the success of our cloud-based offer has continued. Recurring revenues increased by 62% during the period.

Business Area Energy

Business Area Energy reports revenue and operating profit in line with the corresponding period in 2016. The process of increasing our market outside the Nordic region, initiated a couple of years ago, has been successful. Although the volumes are relatively modest, our forecast system Aiolos is in production in more than 20 European countries. Recurring revenues increased by 5% in the period.

Business Area Real Estate

Business Area Real Estate reports higher sales with a stronger result than in the corresponding period of 2016. The move towards more recurring revenues and cloud-based deliveries continues and evolves at a faster rate than expected. The integration of Plania AS, acquired in December 2016, is proceeding according to plan. Recurring revenues increased by 23% in the period.

Business Area Finance & Insurance

Business Area Finance & Insurance reports increased sales and a significantly stronger operating profit compared with the corresponding period in 2016. In Denmark, our solution for MiFID II has been well received by our customers. Vitec offers a standardized MiFID II solution, which means that our customers will not need to force their own solutions. In Sweden, we have continued our efforts to enter the area of credit ratings for consumer credit. The newly developed product Capitex Investment Planning has received a lot of interest in the market and the first delivery is in progress. Recurring revenues increased by 9% in the period.

Business Area Health

Business Area Health reports increased sales with a better operating profit compared with the corresponding period of 2016. Final delivery of major projects that have been ongoing since 2016 has now been completed, according to what we communicated in our Q1 report. We still have high demand on our cloud-based products. Recurring revenues increased by 10% in the period.

Business Area Environment

Business Area Environment, new from the second half of 2016, has no full comparative figures for the period. The business area provides proprietary waste management software in Finland. Integration of operations is as expected and operations are stable. The Recurring revenues is SEK 16.2 million.

Business Area Estate Agents

Business Area Estate Agents reports lower earnings and sales compared to the corresponding period in 2016. Today, more than half of the estate agents in Sweden are using our new product Express. This is a tangible evidence that the shift to Express has been successful. In Norway, are we in an intensive development phase of our new product named Next. The response from our customers is beyond expectation and agreements have already been signed. We also continue to have dialogues with a number of customers that are showing great interest in Next. Recurring revenues decreased by 11% in the period.

Financial information

Sales and results

April-June 2017

Revenues

Net sales for the period amounted to SEK 197,0 million (161,3), which represents an increase of 22 %. Recurring revenue for the period increased by 22 % from the previous year and amounted to SEK 148,1 million (121,6), corresponding to 75,2 % (75,4) of net sales. License increased from the previous year and amounted to SEK 6,0 million (5,7). Service revenues increased by 27 % from the previous year and amounted to SEK 40,4 M (31,8).

Results

Operating profit amounted to SEK 31,7 million (23,9) with an operating margin of 16,1 % (14,8). Profit after tax amounted to SEK 23,6 million (17,7). Earnings per share before dilution were SEK 0,80 (0,60).

January-June 2017

Revenues

Net sales for the period amounted to SEK 388,5 million (318,4), which represents an increase of 22 %. Recurring revenue for the period increased by 19 % from the previous year and amounted to SEK 291,4 million (244,6), corresponding to 75,0 % (76,8) of net sales. License increased from the previous year and amounted to SEK 14,3 million (9,3). Service revenues increased by 28 % from the previous year and amounted to SEK 78,0 M (60,8).

Results

Operating profit amounted to SEK 57,9 million (43,4) with an operating margin of 14,9 % (13,6). Profit after tax amounted to SEK 42,4 million (31,7). Earnings per share before dilution were SEK 1,44 (1,08).

Liquidity and financial status

The Group's cash and cash equivalents, including short-term investments, at end of period amounted to SEK 49,0 million (60,1). In addition to these cash and cash equivalents, was a bank overdraft facility of SEK 20 million, and SEK 270,7 million in unused credit facilities of SEK 450 million. During the period, the credit facility has been expanded by SEK 200 million. SEK 65,1 million has been repaid to the previous credit facility of SEK 250 million. Cash flow from operating activities was SEK 134,1 million (105,8). Investments totaled SEK 46,3 million in capitalized work, SEK 1,6 million in other intangible assets and SEK 1,7 million in tangible assets.

Total interest-bearing liabilities amounted on June 30, 2017 to SEK 302,6 million (230,4) distributed on long term debt SEK 257,5 million (200,9) and short-term interest-bearing liabilities SEK 45,1 million (29,5). During the period, the additional purchase price for Futursoft was reclassified from long to short-term debt when the due date is within 12 months.

Equity attributable to Vitec's shareholders amounted to SEK 341,3 million (291,3). The equity ratio was 34 % (36). Paid dividend amounts to SEK 1,00 per share, totaling SEK 29,4 million.

Operations

Vitec Group operations are controlled and organized in seven segments (business areas). For more information on each business area, refer to vitecsoftware.com. The business areas are; Auto, Energy, Real Estate, Finance & Insurance, Health, Environment and Estate Agent.

	Auto		Energy		Real Estate		Finance & Insurance		Health		Environment		Estate Agent	
	Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Recurring revenues	63,1	39,1	9,4	8,9	52,8	43,1	51,7	47,5	28,9	26,1	16,6	2,2	68,8	77,5
License revenue	3,4	0,9	0,0	0,0	6,1	4,7	2,2	3,0	0,2	0,0	2,4	0,0	0,0	0,6
Services revenue	10,2	6,8	3,3	3,9	37,5	28,6	15,2	9,6	6,1	5,1	3,2	1,9	2,4	4,8
Other income	2,6	2,8	0,1	0,1	0,0	0,1	0,3	0,2	0,1	0,2	1,3	0,0	0,2	0,3
Net sales	79,3	49,6	12,8	13,0	96,4	76,5	69,4	60,3	35,2	31,4	23,4	4,2	71,4	83,3
Recurring revenue as a percentage of net sales	80%	79%	73%	69%	55%	56%	74%	79%	82%	83%	71%	54%	96%	93%
Operating profit	10,9	7,9	3,6	3,7	17,4	11,7	15,9	8,2	1,4	0,7	4,3	0,7	4,6	10,7
Operating margin	14%	16%	28%	28%	18%	15%	23%	14%	4%	2%	18%	16%	6%	13%

Business Area Auto

In Business Area Auto, Vitec offers software for the automotive and machinery sector in Denmark, Estonia, 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. Operations in Futursoft was consolidated as of September 7 2016.

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. Operations in Plania was consolidated as of December 5, 2016.

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 Alloc A/S and Vitec Nice AS.

Business Area Health

The software in our Business Area Health is developed for health care companies in Finland. The product is completely web based and is for example used by medical centers, occupational health, hospitals, physiotherapy and rehabilitation centers. The segment consists of the Group Acuvitec Oy

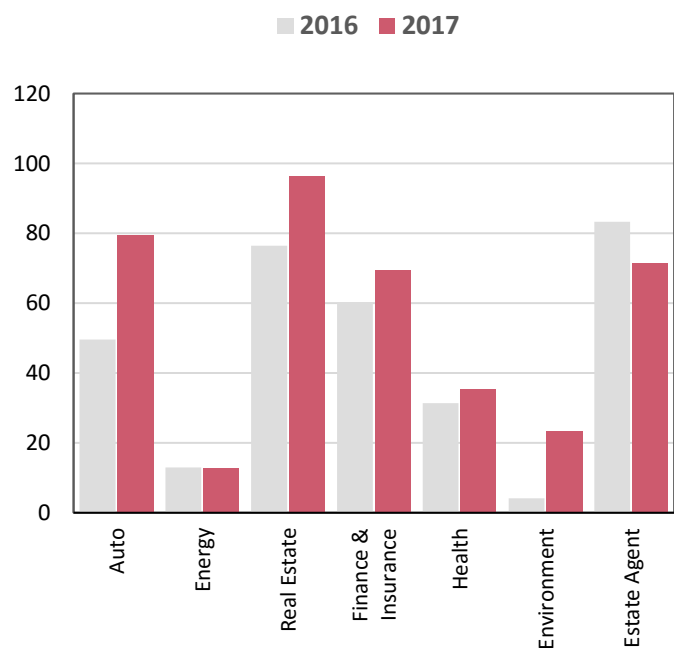
Business Area Environment

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. Recurring revenue and operating profit for Media during the period amounted to SEK 0,3 million. Comparative figures for January-June 2016 relate entirely to Media. Comparative figures for the full year 2016 include SEK 4,6 million in sales and SEK 1,0 million in operating income relating to Media. The segment consists of Tietomitta Oy, which was consolidated as of July 5, 2016 and 3L Media.

Business Area Estate Agents

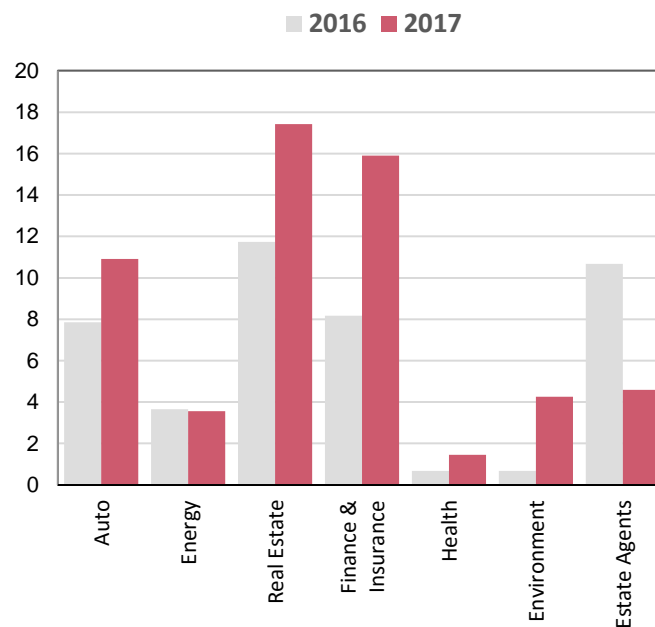
Business Area Estate Agents offers software for real estate agents in Norway and Sweden. Our product support estate agents in all stages throughout the entire business process. The segment consists of Vitec Mäklarsystem AB, Capitex AB, Vitec IT-Makeriet AS, Vitec Megler AS, Vitec Megler AB, Vitec Fox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

Net sales January-June 2017 (MSEK)



Operating profit January-June 2017 (MSEK)

before acquisition costs



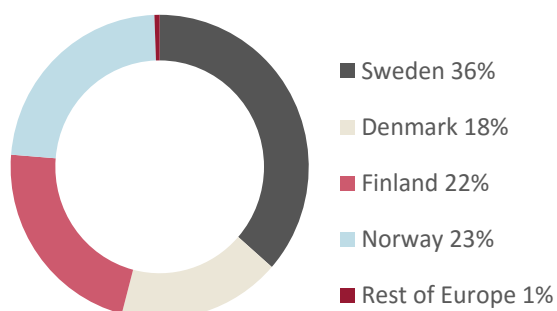
Result overview for segments

BUSINESS AREA	Net sales (MSEK)					Profit before acquisition related costs (MSEK)				
	2017 Apr-Jun	2016 Apr-Jun	2017 Jan-Jun	2016 Jan-Jun	2016 Jan-Dec	2017 Apr-Jun	2016 Apr-Jun	2017 Jan-Jun	2016 Jan-Jun	2016 Jan-Dec
Auto	39,1	25,0	79,3	49,6	119,2	5,9	5,0	10,9	7,9	19,2
Energy	6,4	6,5	12,8	13,0	25,9	1,4	1,8	3,6	3,7	7,3
Real Estate	47,5	39,1	96,4	76,5	158,4	8,1	6,0	17,4	11,7	29,8
Finance & Insurance	36,1	31,2	69,4	60,3	126,6	8,3	4,8	15,9	8,2	20,3
Health	19,2	16,2	35,2	31,4	66,2	1,2	0,1	1,4	0,7	1,9
Environment	11,4	2,2	23,4	4,2	23,0	2,1	0,4	4,3	0,7	3,4
Estate Agent	36,8	40,9	71,4	83,3	155,3	4,7	5,9	4,6	10,7	11,1
Shared	0,3	0,1	0,5	0,3	1,0	-	-	-	-	-
Vitec Group	197,0	161,3	388,5	318,4	675,4	31,7	23,9	58,1	43,4	93,1
Acquisition-related costs						0,0	0,0	-0,2	0,0	-4,8
Operating profit after acquisition-related costs						31,7	23,9	57,9	43,4	88,3
Net financial income/expense						-1,8	-1,4	-3,7	-2,9	-6,4
Profit before tax						29,8	22,5	54,2	40,5	81,9

Sales per geography

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 following table and pie chart shows the Group's revenue based on where the customer is established.

MARKET	Net sales (MSEK)					
	2017 Jan-Jun		2016 Jan-Jun		2016 Jan-Dec	
		%		%		%
Sweden	141,5	36,4%	145,5	45,7%	284,7	42,2%
Denmark	68,5	17,6%	61,1	19,2%	154,6	22,9%
Finland	86,1	22,2%	33,1	10,4%	106,0	15,7%
Norway	89,9	23,1%	77,2	24,2%	119,5	17,7%
Rest of Europe	2,2	0,6%	1,4	0,4%	10,4	1,5%
Rest of world	0,2	0,0%	0,1	0,0%	0,2	0,0%
SUM	388,5	100,0%	318,4	100,0%	675,4	100,0%



Significant events during period

April 4: Annual Report for 2016 has been published

A pdf-version of the Annual Report in Swedish is available for download from www.vitecsoftware.com. The printed version can be ordered from Vitec by E-mail to ir@vitec.se or by letter to Vitec Software Group AB, Tvistevägen 47a, 907 29 Umeå Sweden.

June 21: Vitec expands revolving credit facility with MSEK 200

Vitec expands its existing revolving credit facility at Nordea with MSEK 200. The facility is for acquisitions and called of gradually. - Through the credit facility, we have secured capital that will allow us to continue the strategic plan to grow through acquisitions of vertical market software companies, says Lars Stenlund, CEO of Vitec Software Group.

Significant events after the period

July 6: Vitec acquires MV-Nordic A/S in Denmark

Vitec Software Group AB (publ) has on July 6 agreed to acquire all shares in the Danish software company MV-Nordic A/S. The company offers software for the education sector in Denmark, Norway and Sweden. The main product is a cloud-based service for people with read/write disorders. MV-Nordic has annual sales of approximately 110 MDKK with an EBITDA of approximately 11 MDKK.

Payment is in cash and a convertible bond with deviation from shareholders' preferential rights in accordance with the authorization of the AGM 2017-04-25. The convertible bonds duration is 3 years, which at full conversion dilutes the capital by 0.8%. The acquisition is expected to directly result in an increase in earnings per share for Vitec. Consolidation is from the acquisition date and the company will be included in the segment "Health and Education".

Risks and uncertainties

Vitec's significant risks and uncertainties are described in the Administration Report in the Annual Report for 2016 under the heading "Risks and uncertainties" on pages 28-29, in note 1 under "Assessments and estimates" on page 53 and in note 20, "Financial risks and the handling of such risks" on pages 76-79. No significant changes have occurred since then.

The Parent Company

Net sales amounted to SEK 54,5 million (40,6) and consisted primarily of sales to subsidiaries for services rendered. Profit after tax amounted to SEK 1,3 million (-5,8). 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	2017 Apr-Jun	2016 Apr-Jun	2017 Jan-Jun	2016 Jan-Jun	2016 Jan-Dec
OPERATING REVENUE					
Recurring revenues	148 134	121 622	291 365	244 577	518 512
License revenues	5 953	5 735	14 251	9 288	24 789
Service revenues	40 431	31 791	77 958	60 817	121 116
Other revenues	2 464	2 175	4 908	3 767	10 997
NET SALES	196 982	161 323	388 482	318 449	675 414
Capitalized development costs	22 375	20 594	46 273	38 525	82 262
Reversal of additional purchase price	-	21 176	-	22 695	22 695
SUM	219 357	203 093	434 755	379 669	780 371
OPERATING EXPENSES					
Goods for resale	-2 764	-3 238	-6 075	-6 060	-12 284
Subcontractors and subscriptions	-25 793	-17 720	-51 126	-35 181	-82 024
Other external expenses	-28 681	-21 261	-54 427	-40 647	-92 927
Staff costs	-102 156	-91 001	-209 291	-183 549	-380 023
Depreciation of tangible assets	-2 568	-2 356	-5 256	-4 891	-10 195
Depreciation of intangible assets	-25 663	-18 812	-50 471	-37 179	-81 366
Impairment	-	-21 176	-	-22 695	-22 695
Unrealized exchange gains and losses	-60	-3 585	-31	-6 027	-5 798
TOTAL COSTS	-187 685	-179 149	-376 677	-336 229	-687 312
OPERATING PROFIT BEFORE ACQUISITION-RELATED COSTS	31 672	23 944	58 078	43 440	93 059
Acquisition-related costs	-12	-9	-224	-9	-4 754
OPERATING PROFIT AFTER ACQUISITION-RELATED COSTS	31 660	23 935	57 854	43 431	88 305
Financial income	83	53	105	126	773
Financial expense	-1 910	-1 490	-3 757	-3 044	-7 136
TOTAL FINANCIAL ITEMS	-1 827	-1 437	-3 652	-2 918	-6 363
PROFIT BEFORE TAX	29 833	22 498	54 202	40 513	81 942
Tax	-6 239	-4 797	-11 833	-8 769	-15 128
NET PROFIT	23 594	17 701	42 369	31 744	66 814
OTHER COMPREHENSIVE INCOME, ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS					
Currency translation differences	-3 972	8 582	-5 870	14 426	22 318
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-3 972	8 582	-5 870	14 426	22 318
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	19 622	26 283	36 499	46 170	89 132
PROFIT FOR THE PERIOD ATTRIBUTABLE TO					
-Shareholders of the Parent Company	23 594	17 701	42 369	31 744	66 814
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO					
-Shareholders of the Parent Company	19 622	26 283	36 499	46 170	89 132
EARNINGS PER SHARE					
-Before dilution (SEK)	0,80	0,60	1,44	1,08	2,27
-After dilution (SEK)	0,79	0,59	1,42	1,06	2,25
Average number of shares	29 396 690	29 396 690	29 396 690	29 396 690	29 396 690
Number of shares after dilution	29 838 900	29 838 900	29 838 900	29 838 900	29 838 900

Consolidated statement of financial position

TSEK	2017-06-30	2016-06-30	2016-12-31
ASSETS			
FIXED ASSETS			
<i>Intangibles assets</i>	801 629	610 970	809 612
<i>Tangible fixed assets</i>	31 373	28 369	34 267
<i>Financial assets</i>	1 920	875	950
<i>Deferred tax</i>	4 209	6 165	4 185
TOTAL FIXED ASSETS	839 131	646 379	849 014
CURRENT ASSETS			
<i>Inventories</i>	688	342	1 031
<i>Receivables</i>	111 772	103 773	165 726
<i>Short-term investments</i>	43	-	43
<i>Cash and equivalents</i>	48 981	60 122	80 877
TOTAL CURRENT ASSETS	161 484	164 237	247 677
TOTAL ASSETS	1 000 615	810 616	1 096 691
EQUITY AND LIABILITIES			
<i>Equity</i>	341 315	291 251	334 213
<i>Long-term liabilities, interest bearing</i>	257 487	200 866	339 395
<i>Long-term liabilities, non-interest bearing</i>	129 261	106 584	157 129
<i>Short-term liabilities, interest bearing</i>	45 104	29 534	44 126
<i>Short-term liabilities, non-interest bearing</i>	227 448	182 381	221 828
TOTAL EQUITY AND LIABILITIES	1 000 615	810 616	1 096 691

Consolidated statement of changes in equity

TSEK	2017 Apr-Jun	2016 Apr-Jun	2017 Jan-Jun	2016 Jan-Jun	2016 Jan-Dec
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY					
At beginning of period	351 090	291 425	334 213	271 538	271 538
Dividend	-29 397	-26 457	-29 397	-26 457	-26 457
Total comprehensive income for the period	19 622	26 283	36 499	46 170	89 132
AT END OF PERIOD	341 315	291 251	341 315	291 251	334 213

Consolidated statement of cash flows

TSEK	2017 Apr-Jun	2016 Apr-Jun	2017 Jan-Jun	2016 Jan-Jun	2016 Jan-Dec
OPERATING ACTIVITIES					
Operating profit	31 660	23 935	57 854	43 431	88 305
<i>Adjustments for items not included in cash flow</i>					
Other operating income	-	-21 176	-	-22 695	-22 695
Depreciation/amortisation and impairment	28 232	42 344	55 728	64 765	114 256
Unrealized exchange gains/losses	-60	3 585	-31	6 027	5 798
	59 832	48 688	113 551	91 528	185 664
Interest received	83	53	105	126	117
Interest paid	-1 839	-1 490	-3 618	-2 977	-5 553
Tax paid	-8 018	-1 461	-15 511	-15 593	-27 471
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	50 058	45 790	94 527	73 084	152 757
<i>Changes in working capital</i>					
Change in inventories	341	22	343	57	95
Change in accounts receivables	-5 237	-6 082	61 436	61 758	2 659
Change in operating receivables	1 846	-5 530	-10 931	-5 710	1 265
Change in accounts payable	7 712	3 503	186	-723	3 534
Change in operating liabilities	-19 451	-15 934	-11 447	-22 650	-1 860
CASH FLOW FROM CURRENT OPERATIONS	35 269	21 770	134 114	105 816	158 450
INVESTMENT ACTIVITIES					
Acquisition of subsidiaries, net*	-2 081	-11 932	-2 081	-14 877	-156 112
Sale of subsidiaries	-	-	-	-	4 217
Acquisition of intangible assets and capitalized development costs	-23 838	-22 449	-47 916	-41 709	-83 763
Acquisition of tangible assets	-1 207	-1 724	-1 677	-2 414	-9 046
CASH FLOW FROM INVESTMENT ACTIVITIES	-27 126	-36 105	-51 674	-59 000	-244 704
FINANCING ACTIVITIES					
Dividend	-29 397	-26 457	-29 397	-26 457	-26 457
New loans	-	-	-	17 000	185 466
Amortisation of loans	-53 105	-24 375	-80 690	-32 052	-49 865
CASH FLOW FROM FINANCIAL ACTIVITIES	-82 502	-50 832	-110 087	-41 509	109 144
CASH FLOW FOR THE PERIOD	-74 360	-65 167	-27 647	5 307	22 890
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	130 452	125 805	80 920	60 268	60 268
Exchange-rate differences in cash and cash equivalents	-7 068	-516	-4 249	-5 453	-2 238
CASH AND CASH EQUIVALENTS AT END OF PERIOD**	49 024	60 122	49 024	60 122	80 920

* Payment for acquisition of subsidiaries consisted of residual payment for Nice AS. The payment did not result in any changes in share capital or control. Payment for acquisition of subsidiaries in 2016 consisted of proceeds for Fox Publish AS SEK 2,9 million and Acuvitec OY SEK 11,9 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	2017 Apr-Jun	2016 Apr-Jun	2017 Jan-Jun	2016 Jan-Jun	2016 Jan-Dec
Operating income	25 996	20 511	54 547	40 648	98 337
Operating costs	-25 802	-22 796	-49 318	-43 647	-101 864
OPERATING RESULT	194	-2 285	5 229	-2 999	-3 527
RESULT FROM FINANCIAL INVESTMENTS					
Income from shares in group companies	-	-	-	-	58 335
Financial income	66	40	66	80	737
Financial expense	-1 802	-1 412	-3 621	-2 902	-6 382
PROFIT AFTER FINANCIAL NET	-1 542	-3 657	1 674	-5 821	49 163
Appropriations	-	-	-	-	7 781
PROFIT BEFORE TAX	-1 542	-3 657	1 674	-5 821	56 944
Tax	340	-	-368	-	-9
NET PROFIT	-1 202	-3 657	1 306	-5 821	56 935

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

Balance sheet, Parent Company

TSEK	2017-06-30	2016-06-30	2016-12-31
ASSETS			
FIXED ASSETS			
<i>Intangible assets</i>	3 541	4 087	3 942
<i>Tangible assets</i>	11 780	12 581	12 015
<i>Financial assets</i>	865 057	662 695	873 801
TOTAL FIXED ASSETS	880 378	679 363	889 758
CURRENT ASSETS			
<i>Receivables</i>	27 817	19 435	82 710
<i>Cash and equivalents</i>	42 533	60 122	60 557
TOTAL CURRENT ASSETS	70 350	79 557	143 267
TOTAL ASSETS	950 728	758 920	1 033 025
EQUITY AND LIABILITIES			
<i>Equity</i>	273 996	238 963	301 718
<i>Untaxed reserves</i>	2 341	2 222	2 341
<i>Long-term liabilities</i>	259 973	205 503	367 706
<i>Short-term liabilities</i>	414 418	312 232	361 260
TOTAL EQUITY AND LIABILITIES	950 728	758 920	1 033 025

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 to existing standards that have entered into force in 2017, has had no impact on the consolidated financial position or financial reports. The accounting policies and calculation methods are unchanged from the one described in the Annual Report for 2016. IFRS15 Revenues from contracts with customers enters into force 2018 and affects when and how a company should report revenue. A project for IFRS15 commenced last year and is described in the Annual Report for 2016. No significant changes has occurred since then.

Taxes

Tax for the year amounted to SEK 12,6 million (7,7). Deferred tax amounted to SEK -0,8 million (1,1).

Investments

Investments amounted to SEK 46,3 million in capitalized work, SEK 1,6 million in other intangible assets and SEK 1,7 million in tangible assets.

Interest bearing liabilities

Long-term interest-bearing liabilities consist of bank loans SEK 257,5 million. Short-term interest-bearing liabilities consist of bank loans SEK 31,2 million and convertible debenture loan SEK 13,9 million. The company's credit agreement with the bank contain terms with restrictions, covenants. The Group has fulfilled the terms in its entirety for the period.

Convertible debenture

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

- Loan 1501 (short-term debt interest bearing liabilities, staff). SEK 13,9 million. Duration of the loan is January 1, 2015 - December 31, 2017. The interest rate is Stibor 180. The conversion price is SEK 31,80. Conversion may be requested 1 November to 30 November 2017. The share capital may upon conversion increase by a maximum of SEK 44 221. At full conversion the dilution of about 1.5% of the share capital and 0.7% of the votes. The convertible program was registered by the Swedish Companies Registration Office February 11, 2015.

Equity

Consolidated shareholders' equity as of June 30, 2017 was SEK 341,3 million.

Financial instruments

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. The change for the period in respect of financial instruments at level 3 refers primarily to additional purchase prices for acquisitions. Conditional purchase prices are valued at fair value base on available data, such as contractual terms, as well as relevant assessments in respect of anticipated fulfillment of conditions. When calculating fair value, an assumed interest rate of 0,9% has been used. As the difference between fair value and book value is marginal, no correction has taken place.

The conditional additional purchase price for Fox Publish AS is subject to separate events within a maximum period of 42 months after the acquisition date as of March 2, 2015. The conditional additional purchase price for Futursoft OY is dependent on EBITDA 201610-201709.

The following table shows the difference between fair value and booked value.

Recurring valuations at fair value, as at 30 June 2017				
	Level 1	level 2	Level 3	Book value
Additional purchase price Fox Publish AS			2 597	2 626
Additional purchase price Futursoft OY			24 184	24 184
Total			26 781	26 810

For all other financial assets and liabilities, booked value is consistent with fair value.

Acquisitions

Acquisition of MV-Nordic A/S

On July 6, all shares and votes were acquired in the Danish software company MV-Nordic A/S. The company offers software for the education sector in Denmark, Norway and Sweden. The main product is a cloud-based service for people with read/write disorders. The MV-Nordic Group has annual sales of approximately 110 MDKK with an EBITDA of approximately 11 MDKK. Payment is in cash and a convertible bond with deviation from shareholders' preferential rights in accordance with the authorization of the AGM 2017-04-25. The convertible bonds duration is 3 years, which at full conversion dilutes the capital by 0.8%.

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

Assurance of the board

The Board of Directors and President hereby assure that the interim report provides a fair and true view of the company's and the Group's operation, financial position and earnings, and describes the significant risks and uncertainties facing the company and the companies included in the Group.

Umeå July 13, 2017

Crister Stjernfelt (Chairman)

Kaj Sandart

Birgitta Johansson-Hedberg

Jan Friedman

Anna Valtonen

Lars Stenlund (CEO)



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

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 Thursday July 13, 2017 at 08:30 CET.

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E-mail: ir@vitec.se

Financial information is published on www.vitecsoftware.com immediately after publication.

The annual report is available at the company headquarters and on our website.

Financial calendar

2017-10-20 interim report January-September 2017 (≈08:30)

2018-02-14 Year end report January-December 2017 (≈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

In this interim report, we refer to non-IFRS measures that Vitec and other parties use in evaluating the Company's results. These measures provide management and investors with meaningful information to analyze trends in the Company's business. These non-IFRS measure is intended to supplement, not replace, the financial measures presented in accordance with IFRS. Non-IFRS measures presented on the last page of this report are defined as follows.

Profit margin

Profit after tax in relation to net sales

Operating margin

Operating profit as a percentage of net sales.

EBITDA

Profit before interest, tax and depreciations.

Equity/assets ratio

Shareholders' equity, including equity attributable to non-controlling interests in relation to total assets.

Debt/equity ratio

Average liabilities in relation to average shareholders' equity and non-controlling interests.

Return of 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.

Return on equity

Reported profit after tax in relation to average shareholders' equity attributable to Parent Company shareholders.

Sales per employee

Net sales relation to average number of employees.

Value added per employee

Operating profit, plus depreciation and staff costs in relation to the average number of employees.

Adjusted equity per share (JEK)

Equity attributable to Parent Company shareholders in relation to the number of shares issued at the closing date.

Earnings per share

Profit/loss for the period, attributable to the Parent Company's shareholders in relation to the average number of shares.

Cash flow per share

Cash flow from operating activities before the change in operating capital in relation to the average number of shares.

P/E ratio

Share price on the closing date in relation to earnings per share.

P/Adjusted equity per share

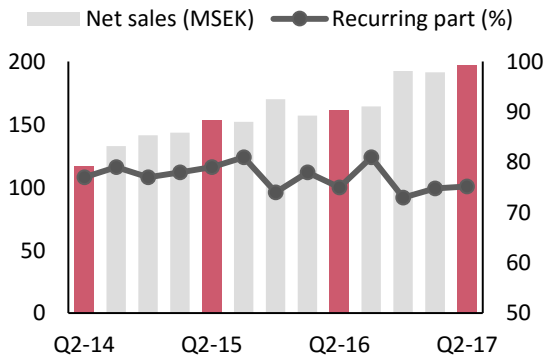
The share price on the closing date multiplied by the number of shares issued on the closing date in relation to the equity.

P/S

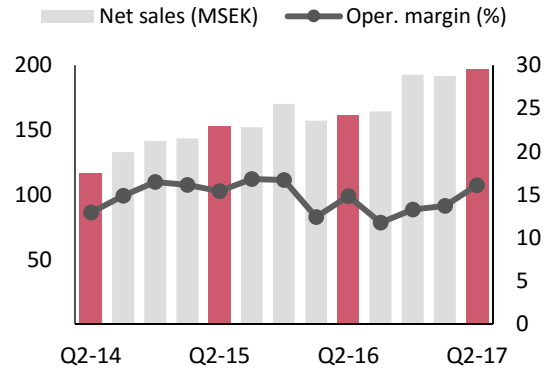
The share price on the closing date multiplied by the average number of shares in relation to net sales.

Graphs

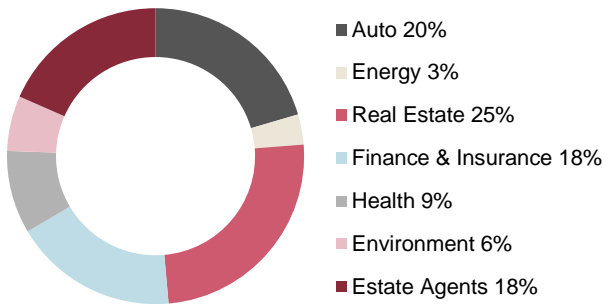
Net sales and recurring part



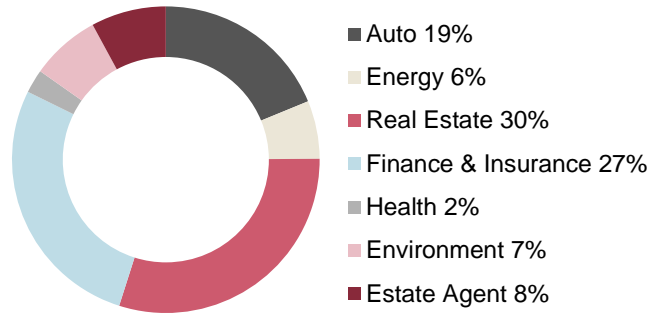
Net sales and operating margin



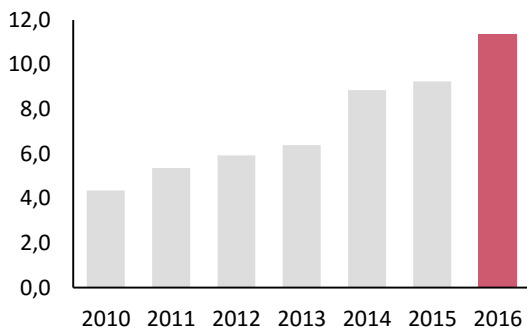
Net sales January-June 2017



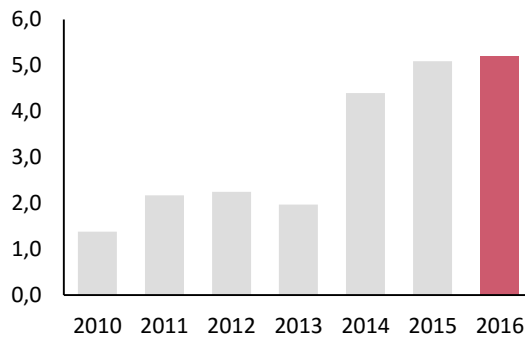
Operating profit January-June 2017



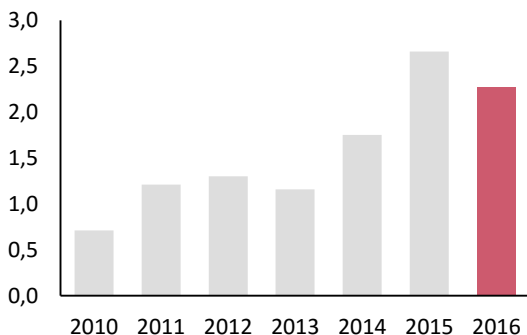
JEK per share (SEK)



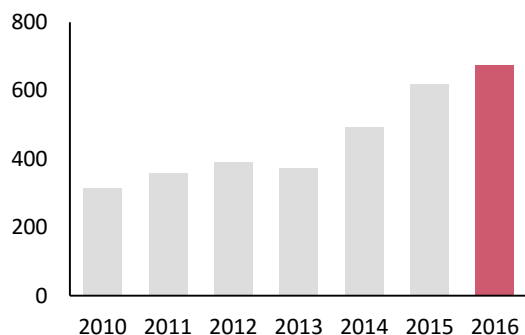
Cashflow per share (SEK)



Profit per share (SEK/share)



Net sales (MSEK)



Vitec at a glance

Industry-specific business systems

Vitec develops and supplies business-critical standardized software to satisfy industry-specific needs. We grow through acquisitions of well-managed software companies in the Nordic region.

Long-term customer relations

We adopt a long-term approach, focusing on our customers' security. We create value through our supportive product offering, which facilitates development and increased profitability for our customers.

Business model with recurring revenue

Our business model is based on a high proportion of recurring revenue. This creates the conditions to act in the long-term, as we are less sensitive to temporary downturns within individual companies.

Growth through acquisitions

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

History

Vitec was established in 1985 as a spin-off company from the University of Umeå, and since 1998 it has been a public company based on software. During our 30-year history, we have experienced continuous growth and have recorded a profit every year. Vitec is now a Nordic software Group with approx. 500 employees.



Key figures

		2017	2016	2016
		Jan-Jun	Jan-Jun	Jan-Dec
Net sales	(TSEK)	388 482	318 449	675 414
Business Area Auto	(TSEK)	79 329	49 553	119 171
Business Area Energy	(TSEK)	12 809	12 951	25 872
Business Area Real Estate	(TSEK)	96 396	76 487	158 357
Business Area Finance & Insurance	(TSEK)	69 443	60 322	126 567
Business Area Health	(TSEK)	35 175	31 401	66 203
Business Area Environment	(TSEK)	23 400	4 156	22 990
Business Area Estate Agent	(TSEK)	71 402	83 285	155 285
Shared	(TSEK)	528	292	969
Growth	(%)	22%	8%	9%
Profit after financial items	(TSEK)	54 202	40 513	81 942
Profit after tax	(TSEK)	42 369	31 744	66 814
Profit after tax attributable to owners of the parent	(TSEK)	42 369	31 744	66 814
Profit growth attributable to owners of the parent	(%)	33%	-6%	-15%
Profit margin	(%)	11%	10%	10%
Operating margin	(%)	15%	14%	13%
Total assets	(tkr)	1 000 615	810 616	1 096 691
Equity/assets ratio	(%)	34%	36%	30%
Equity/assets ratio after full conversion	(%)	35%	38%	32%
Debt/equity ratio	(times)	1,86	1,91	2,25
Return on capital employed*	(%)	18%	21%	14%
Return on equity*	(%)	24%	28%	22%
Sales per employee	(TSEK)	777	705	1 445
Value added per employee	(TSEK)	646	585	1 198
Personnel expenses per employee	(TSEK)	419	407	813
Average numbers of employees	(number)	500	452	467
Adjusted shareholders' equity per share (JEK)	(SEK)	11,61	9,91	11,37
Earnings per share	(SEK)	1,44	1,08	2,27
Earnings per share after dilution	(SEK)	1,42	1,06	2,25
Paid dividends per share	(SEK)	1,00	0,90	0,90
Cash flow per share	(SEK)	3,22	2,49	5,20
P/E ratio*		27,33	25,30	33,22
P/JEK		6,20	6,61	6,64
P/S*		2,84	3,01	3,29
Calculation bases:				
Results used for the calculation of earnings per share	(TSEK)	42 369	31 744	66 814
Cash flow for the calculation of cash flow per share	(TSEK)	94 527	73 084	152 757
Average number of shares (weighted average)	(psc)	29 396 690	29 396 690	29 396 690
The number of shares after dilution	(psc)	29 838 900	29 838 900	29 838 900
The number of shares issued on the closing date	(psc)	29 396 690	29 396 690	29 396 690
Share price at end of period	(SEK)	72,00	65,50	75,50

* Values for rolling 12 months.

Vitec Software Group AB (publ) is a Nordic software company that develops and delivers standardized software for industry specific needs. The Group has operations in Sweden, Denmark, Finland and Norway and grows in the mature part of the software industry by consolidating vertical software segments. Our customers include facility management companies, construction and real estate companies, banks and insurance companies, utilities and energy traders, healthcare companies, car spare part dealers and newspaper companies. The Group has approx. 500 employees and had 2016 a turnover of SEK 675 million. Vitec is listed on Nasdaq Stockholm.