

## Strong development of cloud services and improvements in Business Unit West

### July - September 2019

- Revenues decreased by 3% to SEK 701 (725) million. Change in local currencies was -4%.
- Adjusted EBITA amounted to SEK 36.9 (45.3) million.
- Profit before tax amounted to SEK 30.0 (37.4) million.
- Profit after tax amounted to SEK 24.2 (27.8) million.
- Profit per share amounted to 2.64 (3.02) SEK.
- New contracts relating to cloud services worth SEK 87 (70) million has been concluded, an increase by 24%.

### Events after quarter ending

- On October 14th Proact acquired PeopleWare with estimated annual revenues of 28 MEUR and to a purchase price of EUR 17 million.

### January - September 2019

- Revenues increased by 3% to SEK 2,417 (2,351) million. Change in local currencies was 1%.
- Adjusted EBITA amounted to SEK 116.8 (145.3) million. Items affecting comparability amounted to SEK -20.2 million related to reorganisation and divestment of subsidiary.
- Profit before tax amounted to SEK 79.0 (117.5) million. Adjusted for items affecting comparability, profit before tax amounted to SEK 99.2 (120.1) million.
- Profit after tax amounted to SEK 58.6 (88.3) million.
- Profit per share amounted to 6.38 (9.63) SEK.
- New contracts relating to cloud services worth SEK 244 (172) has been concluded, an increase by 42%.

### Financial summary

Amounts in SEK million	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Rolling 12 2018/2019	Jan-Dec 2018
Total revenues	700.7	724.6	2,416.9	2,350.7	3,383.9	3,317.7
Growth, %	-3.3	10.9	2.8	-0.0	4.4	2.3
Growth, currency adjusted, %	-4.3	3.7	0.7	-4.1	1.8	-1.7
Organic growth, % <sup>1)</sup>	-2.7	10.9	2.7	0.4	4.1	2.5
Adjusted EBITA <sup>2)</sup>	36.9	45.3	116.8	145.3	174.5	203.0
Adjusted EBITA margin, %	5.3	6.3	4.8	6.2	5.2	6.1
Operating profit (EBIT)	30.3	37.3	76.5	118.8	122.2	164.5
Operating margin (EBIT), %	4.3	5.2	3.2	5.1	3.6	5.0
Profit before tax	30.0	37.4	79.0	117.5	129.4	167.8
Net margin, %	4.3	5.2	3.3	5.0	3.8	5.1
Resultat efter skatt	24.2	27.8	58.6	88.3	97.6	127.3
Profit margin, %	3.5	3.8	2.4	3.8	2.9	3.8
Earnings per share (oustanding shares), SEK <sup>3)</sup>	2.64	3.02	6.38	9.63	10.62	13.87
Return on capital employed, % <sup>4)</sup>	-	-	-	-	17.3	29.5
Cash flow from operations	43.8	35.3	120.8	77.2	286.3	242.7

1) Organic growth refers to growth excluding acquired and divested companies (Spain).

2) EBITA before items affecting comparability

3) Proact does not have any outstanding warrants, convertible debentures or other instrument that could give rise to dilution. The company has bought back own shares which will affect the key ratios above.

4) Calculated for rolling 12 months

### About Proact

Proact is Europe's leading independent data centre and cloud services provider. By delivering flexible, accessible and secure IT solutions and services, we help companies and authorities reduce risk and costs, whilst increasing agility, productivity and efficiency. We've completed over 5,000 successful projects around the world, have more than 3,500 customers and currently manage in excess of 100 petabytes of information in the cloud. We employ over 1,000 people with offices across 14 countries in Europe and North America. Founded in 1994, our parent company, Proact IT Group AB (publ), listed on Nasdaq Stockholm in 1999 (under the symbol PACT). For further information about Proact's activities please visit us at [www.proact.eu](http://www.proact.eu)

# Report by the CEO of Proact

"It's satisfying to see the positive development in our cloud services and the good result in Nordic. In addition, I have the pleasure of greeting PeopleWare warmly welcome to Proact."



This week, Proact acquired PeopleWare, a managed service provider based in the Netherlands and Belgium. With this acquisition Proact will significantly increase in size in the region, and thereby further increase our abilities to deliver highest quality services to one of our prioritized segments, mid-market. With the acquisition of PeopleWare, we follow our ambition to broaden the portfolio and the growth rate through acquisitions.

For the company in general, revenue and profits decreased during the third quarter compared to the same period last year. While we see a continued positive trend for cloud services, our revenue decreased by 3 percent to SEK 701 (725) million, which reflects declining sales for the systems business including complementary support and consulting services.

EBITA amounted to SEK 36.9 (45.3) million, corresponding to an EBITA margin of 5.3 (6.3) percent.

Our cloud services revenue, increased by 15 percent, reaching SEK 123 million for the quarter. New contracts for cloud services signed during the quarter amounted to SEK 87 (70) million, a 24 percent increase compared to the same period last year. During the quarter, systems revenue fell by 7 percent, while systems revenue increased with 4 percent for the first nine months of the year.

Despite challenges in Business Unit West the results increased compared to the second quarter in 2019 as a result of our recovery initiatives. Yet, the third quarter was weaker compared to the same period last year. This is mainly due to lower system sales as well as related support and consulting services income. Total revenue for the quarter decreased by 25 percent to SEK 177 (235) million. Cloud services increased by 19 percent.

In the Netherlands, we see a trend where organisations are evaluating new ways of consuming IT together with Proact through hybrid deployment models, which is causing some delays in investments. With the acquisition of PeopleWare, Proact in the Netherlands and in Belgium have an even better opportunity to meet customer demands around hybrid cloud services.

For Germany, systems sales decreased compared to the same period last year, mainly due to continued challenges in the sales organisation. While the result in Germany is negative in the quarter, I am optimistic about our recovery initiatives which will improve sales performance and lower our costs.

I am not satisfied with our third quarter results, but at the same time enthusiastic about our acquisition in the Netherlands. It is gratifying to see the positive development in our cloud services, where new agreements were signed during the quarter to a value of SEK 87 (80) million, an increase with 24 percent compared to the same period last year. It is also positive to see the strong increase in Business Unit Nordic. I'm confident that Proact has great opportunities to capitalize on the ongoing market transformation and to reach our long-term financial targets.

Kista, 17 October, 2019

Jonas Hasselberg  
CEO

# The Group's development

## Revenues and result

### Third quarter

For the third quarter 2019, total revenues amounted to SEK 701 (725) million, a decrease by 3%. Change in local currencies was -4%.

For the third quarter, system revenues decreased by 7% to SEK 415 (447) million. During the same period, service revenues increased by 3% to SEK 285 (277) million. Service revenues represented 41% of total revenues for the quarter.

New contracts relating to cloud services worth SEK 87 (70) million SEK has been concluded during the quarter, an increase by 24%. The contracts has terms of three to five years. Total revenues from cloud services amounted to SEK 123 (107) million, an increase by 15%. Revenues from cloud services amounted to SEK 470 million over period of 12 consecutive months.

Adjusted EBITA decreased compared to previous year and amounted for the quarter to SEK 36.9 (45.3) million. The lower EBITA is mainly due to lower revenue from system sales and a lower gross margin, including depreciations, within services. Comparatively, sales and administration costs have decreased by 1% during the quarter. Profit before tax amounted to SEK 30.0 (37.4) million.

IFRS 16 has, for the quarter, affected profit before tax with SEK -2.1 million and EBITA with SEK -0.6 million.

### January-September

Total revenues for the first nine months amounted to SEK 2,417 (2,351) million, an increase by 3%. Change in local currencies was 1%.

For the first nine months, system revenues increased by 4% to SEK 1,567 (1,504) million. During the same period, service revenues increased by 1% to SEK 849 (844) million. Service revenues represented 35% of total revenues for the period.

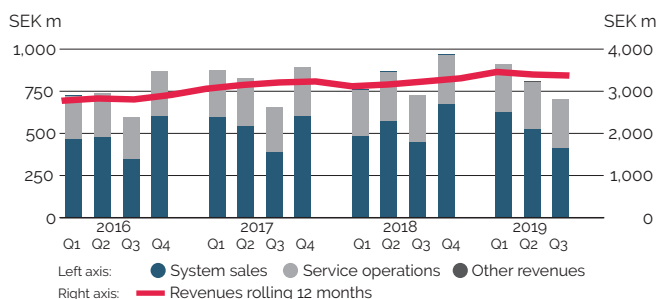
Adjusted EBITA decreased by 20% compared to previous year and amounted for the period to SEK 116.8 (145.3) million. The lower EBITA is mainly due to lower profitability within system sales due to a number of larger deals with lower margin during the first quarter of the year and a lower gross margin, including depreciations, within services. Comparatively, sales and administration costs have increased by 1% during the first nine month of the year. Profit before tax amounted to SEK 30.0 (37.4) million. Profit before tax decreased by 33% and amounted SEK 79.0 (117.5) million. Adjusted for items affecting comparability during 2019 (SEK 20.2 million), decrease was 17%.

IFRS 16 has, for the first nine months, affected profit before tax with SEK -6.3 million and EBITA with SEK -2.2 million.

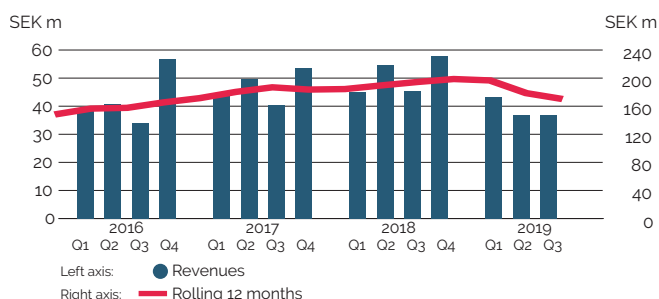
### Revenues per industry

SEK million	July-Sep 2019	July-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	rolling 12 mon	helår 2018
Telecom	67	75	218	218	350	350
Bank, Finance	68	103	233	243	311	320
Oil, Energy	34	36	142	131	187	175
Manufacturing	57	76	312	293	422	402
Media	10	12	46	39	60	53
Trading & Services	103	160	524	572	706	753
Public sector	183	141	539	478	821	759
Other	178	122	402	378	529	505
<b>Total revenue</b>	<b>701</b>	<b>725</b>	<b>2,417</b>	<b>2,351</b>	<b>3,384</b>	<b>3,318</b>

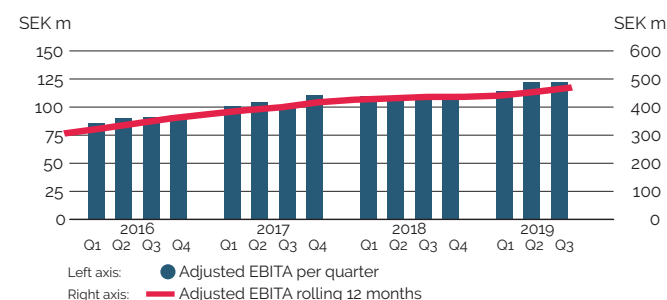
### Revenues



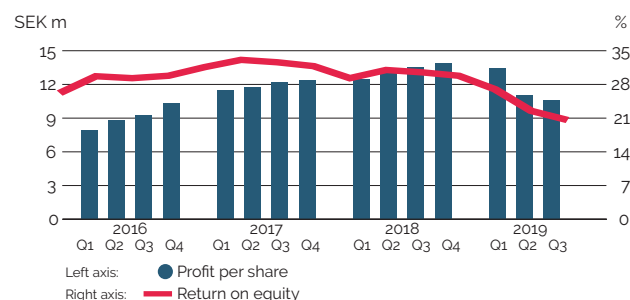
### Adjusted EBITA



### Revenues from cloud service



### Profit per share and return on equity, rolling 12 months, %



Amounts in SEK million	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Rolling 12 2018/2019	Jan-Dec 2018
Total Revenues	700.7	724.6	2,416.9	2,350.7	3,383.9	3,317.7
Cost of goods and services sold, excl. amortizations and depreciations	-501.3	-529.8	-1,783.7	-1,735.7	-2,521.0	-2,473.1
Gross profit	199.4	194.8	633.2	615.0	862.9	844.6
<i>Gross margin excl. amortizations and depreciations, %</i>	28.5	26.9	26.2	26.2	25.5	25.5
Operational expenses excl. amortizations and depreciations	-129.2	-141.9	-420.1	-447.1	-583.9	-610.9
Adjusted EBITDA <sup>1)</sup>	70.2	52.9	213.1	167.9	279.0	233.7
<b>Adjusted EBITDA margin, %</b>	<b>10.0</b>	<b>7.3</b>	<b>8.8</b>	<b>7.1</b>	<b>8.2</b>	<b>7.0</b>
Depreciations and write-downs of tangible assets	-33.3	-7.5	-96.3	-22.5	-104.4	-30.7
Adjusted EBITA <sup>1)</sup>	36.9	45.3	116.8	145.3	174.5	203.0
<b>Adjusted EBITA margin, %</b>	<b>5.3</b>	<b>6.3</b>	<b>4.8</b>	<b>6.2</b>	<b>5.2</b>	<b>6.1</b>
Amortizations and write-downs of intangible assets	-6.6	-8.0	-20.1	-23.9	-32.1	-35.9
Items affecting comparability	-0.0	-	-20.2	-2.6	-20.2	-2.6
Operating profit/loss (EBIT)	30.3	37.3	76.5	118.8	122.2	164.5
<i>Operating margin (EBIT), %</i>	4.3	5.2	3.2	5.1	3.6	5.0

1) EBITDA and EBITA before items affecting comparability

## Cash flow

### Third quarter

Cash flow for the third quarter was SEK -5 (6) million, of which SEK 44 (35) million from operating activities.

### January-September

For the first nine months, cash flow was SEK -70 (-72) million, of which SEK 121 (77) million from operating activities. Changes in bank loans and utilisation of overdraft facilities have, in total no impact on cash flow. Dividends amounting to SEK 38 million has been paid to the parent company's shareholders. Rolling 12 months cash flow amounted to SEK 41 million.

### Investments

During the first nine months SEK 73 (58) million has been invested in fixed assets. During the same period, SEK - (60) million was paid out in cash for acquisition of shares in subsidiaries.

## Financial position

Cash and cash equivalent amounted to SEK 217 million as at 30 September 2019, compared to SEK 166 million previous year. Of total bank overdraft facilities of SEK 255 million, SEK 7 million has been utilised. Bank loans amounted to SEK 111 million and relate to a three-year revolving credit facility. Investments in IT-equipment for the cloud operations are financed through leasing agreements. Impact on the balance sheet and cash flow from transition to accounting in accordance with IFRS 16 "Leasing" as from January 1, 2019 is shown in Note 1 in this report.

The Group's equity ratio at the end of the period was 23%. As per year-end 2018, the equity ratio was 21%.

### Net debt

SEK million	Sep 30 2019	Jun 30 2019	Sep 30 2018	Jun 30 2018
Cash and cash equivalents	217	219	166	163
Bank overdraft facilities	-7	-6	-53	-19
Liabilities to credit institutions excl. financial leasing liabilities	-111	-110	-106	-119
<b>Net cash (+)/Net debt (-) excl. financial leasing</b>	<b>99</b>	<b>103</b>	<b>6</b>	<b>25</b>
Financial leasing liabilities	-262	-258	-	-
<b>Net cash (+)/Net debt (-) incl. financial leasing</b>	<b>-163</b>	<b>-155</b>	<b>6</b>	<b>25</b>
Unutilized bank overdraft facility	249	242	188	223
Total bank overdraft facility	255	248	241	242

## Income tax

The group's tax expense includes total current tax and deferred tax calculated based on applicable tax rates in the respective countries. Reported tax cost for the first nine months 2019 amounts to SEK 20.4 (29.3) million, corresponding to an efficient tax rate of 26 (25)%.

## Buy-back of own shares

At the Annual General Meeting held on 9 May 2019, the Board of Directors were authorized to acquire up to 10% of the company's shares by the next Annual General Meeting. As at 30 September 2019, no shares have been acquired under this authorisation.

The company holds 182,269 shares in its own custody as at 30 September, which is equivalent to 2.0% of the total numbers of shares.

## Employees

The company employed 835 (822) as at September 30, 2019.

## Parent Company in brief

Parent Company's total revenues for the period amounted to SEK 70.9 (65.6) million. Profit before tax amounted to SEK 22.9 (-0.6) million.

Parent Company's liabilities in a joint group currency account amounted as at 30 September 2019 to SEK 306 (279) million.

At the end of the period, the number of people employed by the parent company totalled 17 (13).

Parent Company's operations have remained unchanged over the period. There have been no significant transactions with related parties.

# Business Units

## Nordics

### Revenue and result

#### Third quarter

In Nordics, revenues increased by 30% during the quarter compared to the previous year. Revenues from system sales increased by 48%, while revenues from service operation remained unchanged.

In Nordics, profit was positively affected by the good system sales. Profitability in both system and service operations remained largely unchanged compared to the corresponding period last year. At the same time, sales and administration costs were also unchanged.

#### January-September

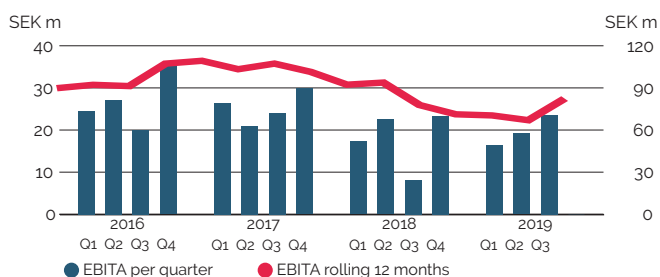
In Nordics, revenues increased by 17% during the first nine months compared with the corresponding period last year. Revenues from system operations increased by 28%, while revenues from service operations decreased by 6%. The decrease is due to a few large service contracts concluded during the first half of 2018. The EBITA margin improved from 4.6% to 4.9% during the period

SEK million	July-Sep 2019	July-Sep 2018	Change, %	Jan-Sep 2019	Jan-Sep 2018	Change, %	Rolling 12 mon	Jan-Dec 2018
Revenues	356	274	30%	1,208	1,032	17%	1,747	1,570
Adjusted EBITA	23.5	8.1	190%	59.1	47.9	23%	82.4	71.2
Margin, %	6.6	3.0		4.9	4.6		4.7	4.5

#### Revenues



#### Adjusted EBITA



## UK

### Revenue and result

#### Third quarter

In the UK, revenues fell by 26% during the quarter compared to the previous year. The decrease is mainly attributable to the system operations, and related support and consulting services, as the market is pending as a result of Brexit. Cloud service revenues increased by 12% compared to the corresponding quarter last year.

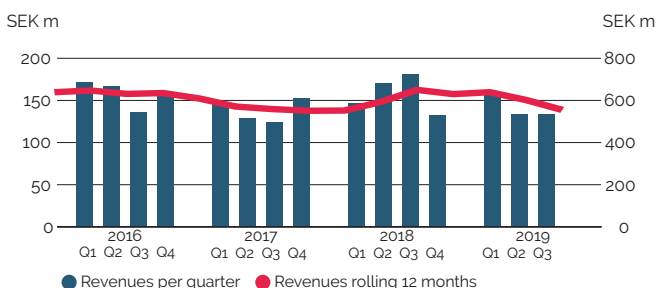
In the UK, earnings were negatively impacted by lower system-related revenues despite improved profitability in system operations and lower sales and administration costs.

#### January-September

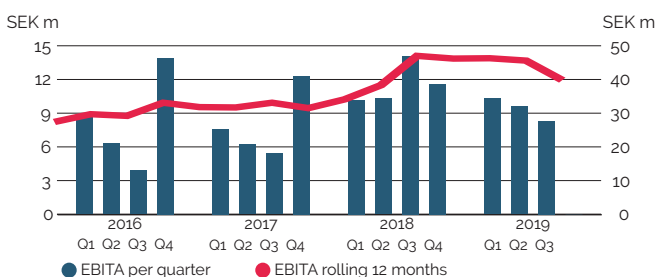
In the UK, revenue fell during the first nine months by 15%. Revenue from system operations decreased by 29%, while revenue from cloud services increased by 15%. The EBITA margin has deteriorated from 7.0% to 6.7%.

SEK million	July-Sep 2019	July-Sep 2018	Change, %	Jan-Sep 2019	Jan-Sep 2018	Change, %	Rolling 12 mon	Jan-Dec 2018
Revenues	133	181	-26%	422	498	-15%	555	630
Adjusted EBITA	8.3	14.1	-41%	28.2	34.6	-19%	39.8	46.2
Margin, %	6.2	7.8		6.7	7.0		7.2	7.3

#### Revenues



#### Adjusted EBITA



# Business Units

## West

### Revenue and result

#### Third quarter

In the West, revenues decreased by 25% during the quarter compared to the corresponding period last year. System revenues decreased by 39 % while service revenues remained unchanged, however, cloud service revenues increased by 19%.

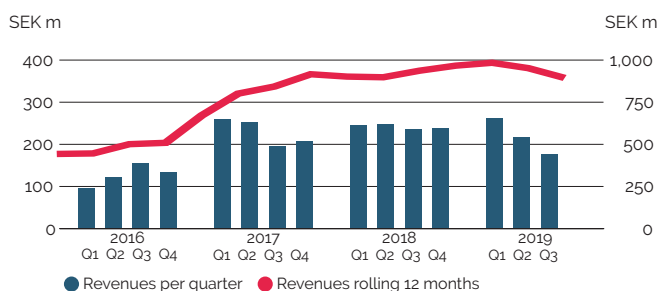
In the West, earnings deteriorated during the quarter mainly due to lower system revenues and associated support and consulting services. The biggest deviation in earnings is still attributable to the German operations where system sales were weak, while previously implemented investments regarding increased market presence in northern Germany have led to a negative result. The result in West has improved compared to second quarter this year, implying that the improvement measures that have been initiated produces results.

#### January-September

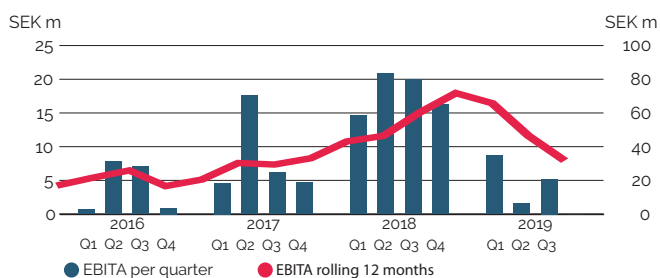
In the West, revenues fell by 10% in the first nine months compared to the same period last year. System revenues decreased by 16% while service revenues increased by 2%. Cloud services revenue increased by 24%. In the West, the adjusted EBITA margin deteriorated from 7.6% to 2.4% due to lower system revenues combined with decreased gross margin and lower consulting income.

SEK million	July-Sep 2019	July-Sep 2018	Change, %	Jan-Sep 2019	Jan-Sep 2018	Change, %	Rolling 12 mon	Jan-Dec 2018
Revenues	177	235	-25%	657	730	-10%	894	967
Adjusted EBITA	5.2	20.0	-74%	15.5	55.5	-72%	31.7	71.8
Margin, %	2.9	8.5		2.4	7.6		3.5	7.4

#### Revenues



#### Adjusted EBITA



## East

### Revenue and result

#### Third quarter

In East, revenues decreased by 10% during the quarter due to the lack of major system business. However, service revenues increased by 15%.

In East, earnings were negatively impacted mainly by lower revenues.

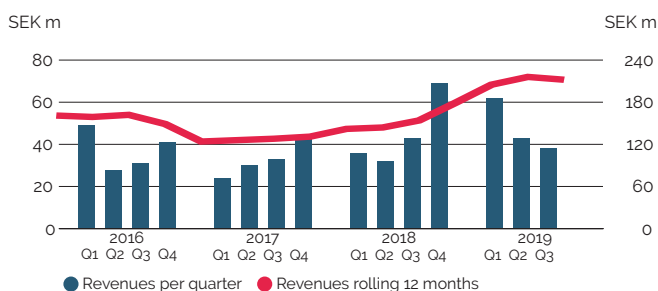
#### January-September

In East, revenues increased by 30% during the first nine months of the year.

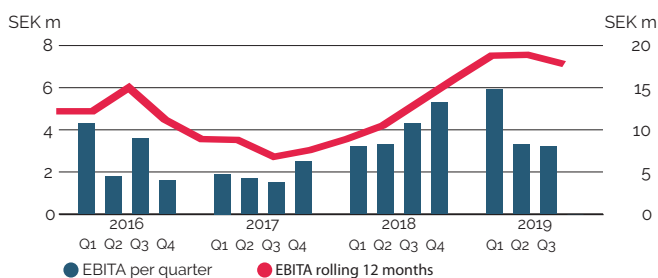
The EBITA margin decreased from 9.8% to 8.7% due to lower profitability in the service business and higher sales costs.

SEK million	July-Sep 2019	July-Sep 2018	Change, %	Jan-Sep 2019	Jan-Sep 2018	Change, %	Rolling 12 mon	Jan-Dec 2018
Revenues	38	43	-10%	143	110	30%	212	179
Adjusted EBITA	3.2	4.3	-25%	12.5	10.8	16%	17.8	16.1
Margin, %	8.4	10.1		8.7	9.8		8.4	9.0

#### Revenues



#### Adjusted EBITA



## Proact Finance

### Revenue and result

#### Third quarter

Proact Finance revenues for the third quarter were unchanged compared to the same period last year. Future contracted cash flows from Proact Finance amount to SEK 157 (154) million, an increase of 2%.

Profit before tax amounted to SEK 1.2 (0.7) m

#### January-September

Proact Finance revenues amounted to SEK 79 (76) million during the first nine months of the year, an increase of 4%.

Profit before tax amounted to SEK 2.8 (2.7) million.

SEK million	July-Sep 2019	July-Sep 2018	Change, %	Jan-Sep 2019	Jan-Sep 2018	Change, %	Rolling 12 mon	Jan-Dec 2018
Revenues	18	18	1%	79	76	4%	100	97
EBIT	0.3	0.1	–	–0.1	0.1	–	0.2	0.3
Net financial items	1.0	0.6	–	2.8	2.7	–	3.7	3.6
Profit before tax	1.2	0.7		2.8	2.7		3.9	3.9

### Operating segments

**Nordics:** Sweden, Norway, Finland, USA and Denmark

**UK:** United Kingdom

**East:** Estonia, Latvia, Lithuania, Czech Republic and Slovakia

**West:** Netherlands, Belgium, Spain and Germany

**Proact Finance:** Proact's own in-house finance company is reported separately as this company supports all geographical regions.

Jan-Sep 2019 SEK million	Nordics	UK	West	East	Proact Finance	Groupwide	Eliminations	Group
Total revenue	1,208	422	657	143	79	98	–191	2,417
EBITDA, before items affecting comparability	87.2	65.1	32.7	16.0	0.1	12.0	–	213.1
Depreciations and write-down on tangible fixed assets	–28.1	–36.9	–17.3	–3.5	–0.1	–10.4	–	–96.3
EBITA, before items affecting comparability	59.1	28.2	15.5	12.5	–0.1	1.7	–	116.8
Items affecting comparability	–	–	–8.6	–	–	–11.6	–	–20.2
EBITA	59.1	28.2	6.8	12.5	–0.1	–9.9	–	96.6
Amortizations and write-down on intangible fixed assets	–1.1	–6.4	–7.7	–0.6	–	–4.2	–	–20.1
EBIT	58.0	21.8	–0.9	11.9	–0.1	–14.2	–	76.5
Net financial items	–3.0	–2.8	–0.5	–0.1	2.8	6.4	–0.5	2.5
Profit before tax	55.0	19.0	–1.3	11.8	2.8	–7.7	–0.5	79.0
Tax								–20.4
Comprehensive income for the period								58.6

Jan-Sep 2018 SEK million	Nordics	UK	West	East	Proact Finance	Groupwide	Eliminations	Group
Total revenue	1,032	498	730	110	76	89	–183	2,351
EBITDA, before items affecting comparability	54.5	41.6	61.9	11.9	0.2	–2.3	–	167.9
Depreciations and write-down on tangible fixed assets	–6.6	–7.0	–6.4	–1.1	–0.2	–1.3	–	–22.5
EBITA, before items affecting comparability	47.9	34.6	55.5	10.8	0.1	–3.6	–	145.3
Items affecting comparability	–	–	–	–	–	–2.6	–	–2.6
EBITA	47.9	34.6	55.5	10.8	0.1	–6.1	–	142.8
Amortizations and write-down on intangible fixed assets	–1.1	–9.3	–7.9	–0.9	–	–4.7	–	–23.9
EBIT	46.8	25.4	47.6	9.9	0.1	–10.8	–	118.8
Net financial items	–0.5	–0.6	–0.4	0.1	2.7	1.0	–3.6	–1.3
Profit before tax	46.3	24.8	47.2	10.0	2.7	–9.8	–3.6	117.5
Tax								–29.3
Comprehensive income for the period								88.3



# Market Review

Understanding market trends, identifying new technology with commercial potential, and then building competence around this is something Proact always have been strong in. In this way, we can be at the forefront of the market's development and establish ourselves early in segments where demand is expected to grow.

This is a successful cornerstone of our strategy – but we are also seeing some major, widespread trends from the buyers.

For our customers, IT has historically been a tool mainly for rationalisation and efficiency. In particular, with Proact's focus on data centres, sales have largely been driven by new technology with a constantly improving price/performance ratio.

Well-functioning IT delivery is, of course, a prerequisite for any organisation to run efficiently, but the ongoing digital transformation adds a new dimension giving IT an even greater strategic importance.

Cost savings and/or efficiency are no longer the main drivers of customer IT investments. Instead, people are expecting IT to drive business development, business revenue and business growth.

## Flexibility and hybrid delivery models

To drive business and business development through IT, there is a strong and widespread vision of a cloud-based IT infrastructure. However, there are very few organisations in Proact's segments that can, or will, put everything into public clouds. This could be for any number of reasons, including data sovereignty, data regulations, organisations' internal policies, security concerns, cost implications and latency issues, to name but a few.

Instead, we are seeing that most of our customers choose a hybrid solution that takes advantage of the benefits of traditional IT infrastructure, managed cloud services, private cloud services and public cloud services.

However, this type of hybrid delivery model adds complexity. Organisations face new challenges, especially relating to security and networking – and this opens up new opportunities for systems and cloud integrators with a strong range of services and expertise.

# Other information

## Events after the balance sheet date

On October 14th, Proact published a press release about the acquisition of PeopleWare. Proact's acquisition of the top-ranking IT managed services provider PeopleWare enhances Proact's market presence in the Netherlands and Belgium and adds expertise for delivering high-growth managed cloud services into the medium sized enterprise segment. The purchase price amounts up to EUR 17 million and is based on 2019 full year performance, corresponding to 8x adjusted EBITA. The purchase price will be released at its full during a 24 month period post-closing. PeopleWare has a yearly revenue of approximately EUR 28 million and will be consolidated into the group results as of now. The acquisition is financed through bank loan of EUR 14 million and EUR 3 million in cash. The company is consolidated as from the date of acquisition. At the time of publication of this report, it does not exist financial statements that can form the basis for a detailed description of the acquisition. For this reason, no information is provided on the fair value of acquired assets and acquired liabilities.

## Transactions with related parties

No transactions between Proact and related parties, which have significantly affected the Group's position and profit, have taken place during the quarter.

## Risks and uncertainty factors within the enterprise

The company has in the current situation difficulties to assess consequences of United Kingdom's forthcoming exit from EU. Short term, currency rate effects will affect the group's financial statements. Otherwise, no risks or uncertainty factors have altered, by comparison with those commented upon in the last Annual Report issued. For a more detailed description of significant risks and uncertainty factors, please see Proact's annual report for 2018, page 26.

## Alternative Performance Measures

The company presents financial key figures in the interim report that are not defined according to IFRS. The company believes that these key figures provide valuable supplementary information to investors and the company's management. Definitions for the financial ratios, see Annual Report 2018.



## Forthcoming reports

6 Feb 2020	Year-end Report 2019
24 Apr 2020	Interim Report Q1 2020
6 May 2020	Annual General Meeting 2020
15 July 2020	Interim Report Q2 2020
23 Oct 2020	Interim Report Q3 2020
11 Feb 2021	Year-end Report 2020

Kista 17 October 2019  
Proact IT Group AB (publ)

Jonas Hasselberg  
CEO

This interim report has not been audited.

## Note

The information in this interim report is such information as Proact IT Group (publ) shall publish in accordance with lagen om värdepappersmarknad, the Securities Market Act, and/or lagen om handel med finansiella instrument, the Act on Trading in Financial Instruments. This information was submitted for publication at 08:00 (CET) on 17 October 2019.

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# Financial reports

## Consolidated statement of comprehensive income

Amounts in SEK million	July-Sep 2019	July-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Rolling 12 months	Full Year 2018
System income	415.0	447.4	1,567.1	1,503.7	2,238.0	2,174.6
Service income	285.3	277.1	848.7	843.7	1,143.8	1,138.9
Other operating income	0.4	0.0	1.1	3.3	2.1	4.2
<b>Total income</b>	<b>700.7</b>	<b>724.6</b>	<b>2,416.9</b>	<b>2,350.7</b>	<b>3,383.9</b>	<b>3,317.7</b>
Cost of goods and services sold	-527.2	-542.0	-1,860.2	-1,774.2	-2,611.5	-2,525.5
<b>Gross profit</b>	<b>173.6</b>	<b>182.5</b>	<b>556.7</b>	<b>576.5</b>	<b>772.4</b>	<b>792.2</b>
Sales and marketing expenses	-89.0	-92.1	-285.1	-292.2	-395.4	-402.4
Administration expenses	-54.3	-53.1	-174.8	-162.9	-234.6	-222.7
Items affecting comparability	-	-	-11.1	-2.6	-11.1	-2.6
Disposal of subsidiary	-	-	-9.1	-	-9.1	-
<b>Operating profit/loss (EBIT)</b>	<b>30.3</b>	<b>37.3</b>	<b>76.5</b>	<b>118.8</b>	<b>122.2</b>	<b>164.5</b>
Net financial items	-0.3	0.1	2.5	-1.3	7.1	3.3
<b>Profit before tax</b>	<b>30.0</b>	<b>37.4</b>	<b>79.0</b>	<b>117.5</b>	<b>129.4</b>	<b>167.8</b>
Income tax	-5.8	-9.7	-20.4	-29.3	-31.7	-40.6
<b>Comprehensive income for the period</b>	<b>24.2</b>	<b>27.8</b>	<b>58.6</b>	<b>88.3</b>	<b>97.6</b>	<b>127.3</b>
<b>Other comprehensive income</b>						
<b>Items which may be reversed later in the income statement</b>						
Change of hedging reserve (net investment in foreign operations)	-0.3	-0.1	-0.7	0.6	-1.6	-0.2
Tax effect of change of reserve (net investment in foreign operations)	0.1	0.0	0.2	-0.1	0.4	0.1
Translation differences from remaining foreign operations	5.2	-4.8	18.4	16.8	11.2	9.6
Total items which may be reversed later in the income statement	5.0	-4.9	20.0	17.3	12.1	9.4
<b>Total comprehensive income for the period</b>	<b>29.2</b>	<b>22.9</b>	<b>78.6</b>	<b>105.5</b>	<b>109.8</b>	<b>136.7</b>
<b>Comprehensive income attributable to:</b>						
Shareholders of the Parent company	24.1	27.7	58.4	88.2	97.2	127.0
Holdings without a controlling influence	0.1	0.1	0.3	0.1	0.5	0.3
<b>Total comprehensive income for the period attributable to:</b>						
Shareholders of the Parent company	29.1	22.8	78.3	105.5	109.3	136.5
Holdings without a controlling influence	0.1	0.1	0.3	-0.0	0.5	0.2

## Data per share<sup>1)</sup>

	July-Sep 2019	July-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Rolling 12 months	Full Year 2018
Earnings per share for the period attributable to the shareholders of the parent company, SEK	2.64	3.02	6.38	9.63	10.62	13.87
Equity per share attributable to the shareholders of the parent company, SEK	55.52	47.77	55.52	47.77	55.52	51.12
Cash flow from operations per share, SEK	4.78	3.86	13.20	8.43	31.29	26.51
Number of outstanding shares at end of period	9,151,617	9,151,617	9,151,617	9,151,617	9,151,617	9,151,617
Weighted average number of outstanding shares	9,151,617	9,151,617	9,151,617	9,160,075	9,151,617	9,157,943

<sup>1)</sup> Proact does not have any outstanding warrants, convertible debentures or other instrument that could give rise to dilution

## Consolidated Balance Sheet in Brief

Amounts in SEK million	30 Sep 2019	30 Sep 2018	31 Dec 2018
<b>ASSETS</b>			
<b>Fixed assets</b>			
Goodwill	409.5	398.9	393.2
Other intangible fixed assets	54.6	80.6	70.4
Tangible fixed assets	339.5	66.2	73.4
Other long-term receivables	345.7	271.9	294.4
Deferred tax receivables	17.0	15.4	13.7
<b>Current assets</b>			
Inventories	32.4	66.4	30.6
Trade and other receivables	835.8	849.8	1,067.5
Cash and cash equivalents	216.6	165.5	269.9
<b>Total assets</b>	<b>2,251.1</b>	<b>1,914.5</b>	<b>2,213.1</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to the shareholders of the parent company	508.1	437.2	467.8
Equity attributable to holdings without a controlling influence	1.9	1.6	1.8
<b>Total equity</b>	<b>510.0</b>	<b>438.8</b>	<b>469.6</b>
<b>Long-term liabilities</b>			
Long-term liabilities, interest-bearing	280.3	11.6	120.2
Long-term liabilities, non-interest-bearing	352.7	256.5	330.9
Deferred tax liabilities	18.1	22.8	21.8
<b>Short-term liabilities</b>			
Short-term liabilities, interest-bearing	101.9	149.6	9.9
Short-term liabilities, non-interest-bearing	988.0	1,035.2	1,260.7
<b>Total equity and liabilities</b>	<b>2,251.1</b>	<b>1,914.5</b>	<b>2,213.1</b>

## Consolidated Statement of Changes in Equity

Amounts in SEK million	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
At beginning of period	469.6	384.4	384.4
Total comprehensive income for the period	78.6	105.5	136.7
Dividend	-38.0	-34.3	-34.3
Dividend to holdings without a controlling influence	-0.3	-0.3	-0.3
Financial liability to holdings without a controlling influence	-	-1.7	-2.1
Acquisition from holdings without a controlling influence	-	-7.3	-7.3
Buy-back of own shares	-	-7.5	-7.5
<b>At end of period</b>	<b>510.0</b>	<b>438.8</b>	<b>469.6</b>

Holdings without a controlling influence: Proact Lietuva UAB 26.14%.

## Consolidated Cash Flow Statement in Brief

Amounts in SEK million	July-Sep 2019	July-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Rolling 12 months	Full Year 2018
Cash flow from operating activities before changes in working capital	82.9	46.1	186.4	136.3	258.6	208.5
Cash flow from changes in working capital	-39.1	-10.8	-65.6	-59.1	27.7	34.3
<b>Cash flow from operating activities</b>	<b>43.8</b>	<b>35.3</b>	<b>120.8</b>	<b>77.2</b>	<b>286.3</b>	<b>242.7</b>
Cash flow from investing activities	-24.0	-49.6	-77.6	-114.6	-104.1	-141.1
Cash flow from financing activities	-25.0	20.0	-113.0	-34.1	-141.6	-62.7
<b>Total cash flow for the period</b>	<b>-5.3</b>	<b>5.7</b>	<b>-69.8</b>	<b>-71.5</b>	<b>40.7</b>	<b>39.0</b>
Cash and cash equivalents at beginning of the period	218.9	162.9	269.9	220.4	165.5	220.4
Currency translation difference in cash and cash equivalents	3.0	-3.0	16.5	16.7	10.4	10.6
<b>Cash and cash equivalents at end of the period</b>	<b>216.6</b>	<b>165.5</b>	<b>216.6</b>	<b>165.5</b>	<b>216.6</b>	<b>269.9</b>

## Key ratios

	July-Sep 2019	July-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Rolling 12 mon	Full Year 2018
<b>Total revenue, SEK millions</b>	<b>701</b>	<b>725</b>	<b>2,417</b>	<b>2,351</b>	<b>3,384</b>	<b>3,318</b>
of which currency effect total revenues, SEK million						
Adjustment total revenues for the period converted to previous years currency rates	7	47	50	96	83	130
Currency adjusted total revenues, SEK million	693	677	2,367	2,254	3,300	3,188
<b>Currency adjusted growth total revenues, %</b>	<b>-4.3</b>	<b>3.7</b>	<b>0.7</b>	<b>-4.1</b>	<b>1.8</b>	<b>-1.7</b>
System revenues, SEK millions	415	447	1,567	1,504	2,238	2,175
of which currency effect system revenues, SEK million	4	29	30	59	51	80
Currency adjusted system revenues, SEK million	411	419	1,537	1,445	2,187	2,094
<b>Currency adjusted growth total revenues, %</b>	<b>-8.0</b>	<b>7.4</b>	<b>2.2</b>	<b>-5.7</b>	<b>3.9</b>	<b>-1.8</b>
Services revenues, SEK millions	285	277	849	844	1,144	1,139
of which currency effect services revenues, SEK million	4	18	20	37	32	50
Currency adjusted services revenues, SEK million	281	259	829	806	1,112	1,089
<b>Currency adjusted growth total revenues, %</b>	<b>1.5</b>	<b>-1.1</b>	<b>-1.8</b>	<b>-1.1</b>	<b>-2.0</b>	<b>-1.5</b>
<b>EBITDA, SEK million</b>						
Operating profit and loss before amortization and write-downs on intangible and tangible assets	70.2	52.9	192.9	165.3	258.7	231.1
EBITDA margin, %	10.0	7.3	8.0	7.0	7.6	7.0
Depreciation and write-down on tangible assets, SEK million	-33.3	-7.5	-96.3	-22.5	-104.4	-30.7
<b>EBITA, SEK million</b>						
Operating profit and loss before amortization and write-downs on intangible assets	36.9	45.3	96.6	142.8	154.3	200.5
EBITA margin, %	5.3	6.3	4.0	6.1	4.6	6.0
Depreciation and write-down on tangible assets, SEK million	-6.6	-8.0	-20.1	-23.9	-32.1	-35.9
<b>EBIT, SEK million</b>						
Operating profit and loss before financial items and tax	30.3	37.3	76.5	118.8	122.2	164.5
EBIT margin, %	4.3	5.2	3.2	5.1	3.6	5.0
<b>Profit before tax, SEK million</b>						
Profit before tax, SEK million	30.0	37.4	79.0	117.5	129.4	167.8
Net margin, %	4.3	5.2	3.3	5.0	3.8	5.1
<b>Profit after tax, SEK million</b>						
Profit after tax, SEK million	24.2	27.8	58.6	88.3	97.6	127.3
Profit margin, %	3.5	3.8	2.4	3.8	2.9	3.8
Equity	510.0	438.8	510.0	438.8	510.0	469.6
Total assets	2,251.1	1,914.5	2,251.1	1,914.5	2,251.1	2,213.1
<b>Equity ratio, %</b>						
Equity / total assets	22.7	22.9	22.7	22.9	22.7	21.2
<b>Capital turnover rate, times</b>						
Total revenues / Periods average total assets	0.3	0.4	1.1	1.2	1.6	1.6
<b>Return on equity, %</b>						
Profit after tax / Periods average equity	4.9	6.5	12.0	21.4	20.6	29.8
Financial costs included in net financial items, SEK million	6.1	1.9	3.2	71	0.0	3.9
Capital employed	892.2	600.0	892.2	600.0	892.2	599.7
Total assets minus non-interestbearing liabilities and deferred tax						
<b>Return on capital employed, %</b>						
(Profit before tax + Financial costs) / Periods average capital employed	4.1	6.6	11.0	21.4	17.3	29.5
Investments in fixed assets, SEK million	53.0	10.0	184.3	56.5	211.7	83.8
<b>Profit before tax per employee, SEK thousands</b>						
Profit before tax / Periods average number of full time employees	37	47	98	148	161	210
Average number of employees	803	798	803	796	804	798

For a five-year summary, see Note 2. Definitions of key ratios, see Annual Report 2018.

Key figures Proact reports and monitors the business by are common key figures used by the industry and by companies' listed on Nasdaq Stockholm.

## Parent Company's Income Statement, in brief

Amounts in SEK million	Jan-Sep 2019	Jan-Sep 2018	Full Year 2018
Net sales	70.9	65.6	97.0
Cost of goods and services sold	–	–	–
<b>Gross profit</b>	<b>70.9</b>	<b>65.6</b>	<b>97.0</b>
Administration expenses	–87.3	–83.6	–116.8
<b>Operating profit</b>	<b>–16.5</b>	<b>–18.0</b>	<b>–19.8</b>
Net financial items	39.3	17.4	104.7
Profit efter financial items	22.9	–0.6	84.8
<b>Profit before tax</b>	<b>22.9</b>	<b>–0.6</b>	<b>93.7</b>
Income tax	1.9	3.2	0.8
<b>Comprehensive income for the period</b>	<b>24.8</b>	<b>2.6</b>	<b>94.6</b>

## Parent Company's Balance Sheet, in brief

Amounts in SEK million	30 Sep 2019	30 Sep 2018	31 Dec 2018
<b>ASSETS</b>			
Fixed assets	719.0	739.5	728.6
Current assets	93.2	60.8	76.3
<b>Total assets</b>	<b>812.2</b>	<b>800.3</b>	<b>804.9</b>
<b>EQUITY AND LIABILITIES</b>			
Restricted Equity	54.5	52.5	52.9
Non-restricted Equity	274.3	197.5	289.0
<b>Equity</b>	<b>328.8</b>	<b>249.9</b>	<b>341.9</b>
Long-term liabilities	122.5	15.3	118.1
Short-term liabilities	361.0	535.1	344.9
<b>Total equity and liabilities</b>	<b>812.2</b>	<b>800.3</b>	<b>804.9</b>

# Explanatory information

## Note 1 ► Accounting principles

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The consolidated accounts for the interim report, like the annual report for 2018, have been compiled in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, and the Swedish Annual Accounts Act. The Parent Company's accounts have been compiled in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 (Accounting for Legal Entities). The Group applies the same accounting principles as those described in the annual report for 2018 with the addition of IFRS 16, as described below

As of January 1, 2019, Proact applies IFRS 16 Leasing, which replaces IAS 17 Leases. Proact applies the simplified transition method and the main impact on the company's reporting is from the accounting of IT equipment and leases for premises. The change means that leasing contracts (with the exception of short-term lease contracts and leasing contracts of lesser value) are reported as a rights to use and a leasing debt in the balance sheet. The opening effect for the Group at the transition on January 1, 2019 entails in the balance sheet a Right of Use assets of SEK 225 million, a leasing liability of SEK 217 million and an adjustment for prepaid leasing fees of SEK 8 million. In the statement of comprehensive income, the linear operating leasing cost is replaced by a cost for depreciation of the right of use assets and an interest expense attributable to the leasing liability. Proact uses different discount rates depending on the terms of the agreements.

### Financial instruments

Proact's financial instruments consist of derivatives, accounts receivable, cash and cash equivalents, accounts payable, accrued trade creditors and interest-bearing liabilities. Derivative instruments are recognized in the balance sheet as per the contract date and are valued at fair value, both initially and in subsequent revaluations. All derivatives are reported continuously at fair value with the value changes reported in the statement of comprehensive income within cost sold for those derivatives that are linked to accounts payable and financial items for the derivatives that are linked to financial leasing contracts. Derivatives are valued at fair value within level 2, ie fair value determined on the basis of valuation techniques with observable market data, either directly (as price) or indirectly (hence to price). All other financial assets have been classified as loans and receivables, which includes accounts receivable and cash and cash equivalents. All other financial liabilities have been classified as other financial liabilities valued at amortized cost, which includes accounts payable, accrued supplier costs and liabilities to credit institutions. Liabilities to credit institutions run at variable interest rates, and reported interest rates are on a par with current interest on liabilities to credit institutions and other financial assets and liabilities with short maturities. Based on this, the book values of all financial assets and liabilities are judged to be a reasonable estimate of fair value.



## Note 2 ► Five-year summary

	Oct-Sep 2018/2019	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016 <sup>1)</sup>	Jan-Dec 2015 <sup>1)</sup>
Total revenue, SEK million	3,384	3,318	3,243	2,922	2,802
EBITDA, SEK million	258.7	231.1	218.8	191.4	169.2
EBITDA margin, %	7.6	7.0	6.7	6.6	6.0
EBITA, SEK million	154.3	200.5	188.1	163.9	140.4
EBITA margin, %	4.6	6.0	5.8	5.6	5.0
EBIT, SEK million	122.2	164.5	155.6	137.2	113.5
EBIT margin, %	3.6	5.0	4.8	4.7	4.1
Profit before tax, SEK million	129.4	167.8	151.1	133.7	104.1
Net margin, %	3.8	5.1	4.7	4.6	3.7
Profit after tax, SEK million	97.6	127.3	114.0	96.7	78.4
Profit margin, %	2.9	3.8	3.5	3.3	2.8
Equity ratio, %	22.7	21.2	19.8	18.4	19.2
Capital turnover rate, times	1.6	1.6	1.7	1.7	1.8
Return on equity, %	20.6	29.8	31.8	29.8	26.8
Return on capital employed, %	17.3	29.5	29.2	27.2	25.6
Dividend to shareholders of the Parent company, SEK million <sup>2)</sup>	38.0	34.3	32.4	25.1	15.6
Investments in fixed assets, SEK million	211.7	83.8	166.7	60.5	150.4
Financial costs included in net financial items, SEK millions	0.0	3.9	11.4	8.3	14.2
Profit before tax per employee, SEK thousands	161	211	189	185	156
Average number of employees	804	797	799	723	669
Earnings per share for the period, SEK <sup>3)</sup>	10.62	13.87	12.22	10.32	8.20

1) Years prior to 2017 has not been recalculated according to new accounting principles (IFRS 15), which are applied as from January 2018.

2) Relates to the year in which the dividend was executed. For business year 2018 a dividend of SEK 4.15, total SEK 38.0 million, was made.

3) Calculated on the basis of the weighted average number of outstanding shares. Proact does not have any outstanding warrants, convertible debentures or other instrument that could give rise to dilution.