

Strong development of cloud services, better profitability in Nordics but continued challenges in West

October - December 2019

- Revenues increased by 3 percent to SEK 991 (967) million.
- Adjusted EBITA amounted to SEK 48.8 (57.7) million. Items affecting comparability in the fourth quarter amounted to SEK -11.3 million related to reorganisation and acquisition related expenses..
- Profit before tax amounted to SEK 22.7 (50.3) million. Adjusted for items affecting comparability, profit before tax amounted to SEK 33.9 (50.3) million.
- Profit after tax amounted to SEK 21.6 (39.0) million.
- Profit per share amounted to 2.37 (4.24) SEK.
- New contracts relating to cloud services worth SEK 97 (176) million has been concluded, a decrease by 45 percent.

January - December 2019

- Revenues increased by 3 percent to SEK 3,408 (3,318) million.
- Adjusted EBITA amounted to SEK 165.6 (203.0) million. Items affecting comparability during 2019 amounted to SEK -31.5 million related to reorganisation, divestment of subsidiary and acquisition related expenses.
- Profit before tax amounted to SEK 101.7 (167.8) million. Adjusted for items affecting comparability profit before tax amounted to SEK 133.2 (170.4) million.
- Profit after tax amounted to SEK 80.2 (127.3) million.
- Profit per share amounted to 8.75 (13.87) SEK.
- New contracts relating to cloud services worth SEK 341 (348) has been concluded, a decrease by 2 percent.
- The Board of Directors proposes that the Annual General Meeting resolves on a dividend of SEK 4.15 (4.15) per share.

Financial summary

Amounts in SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Total revenues	991.0	967.0	3,407.9	3,317.7
<i>Growth, %</i>	2.5	8.4	2.7	2.3
<i>Growth, currency adjusted, %</i>	0.2	4.6	0.5	-1.7
<i>Organic growth, %¹⁾</i>	-2.8	8.1	1.1	2.5
Adjusted EBITA ²⁾	48.8	57.7	165.6	203.0
<i>Adjusted EBITA margin, %</i>	4.9	6.0	4.9	6.1
Operating profit (EBIT)	28.9	45.7	105.4	164.5
<i>Operating margin (EBIT), %</i>	2.9	4.7	3.1	5.0
Profit before tax	22.7	50.3	101.7	167.8
<i>Net margin, %</i>	2.3	5.2	3.0	5.1
Resultat efter skatt	21.6	39.0	80.2	127.3
<i>Profit margin, %</i>	2.2	4.0	2.4	3.8
Earnings per share (oustanding shares), SEK ³⁾	2.37	4.24	8.75	13.87
Return on capital employed, % ⁴⁾	-	-	13.2	29.5
Cash flow from operations	208.7	165.5	329.5	242.7

1) Organic growth refers to growth excluding acquired and divested companies (Spain divested June 2019, PeopleWare acquired October 2019).

2) EBITA before items affecting comparability

3) Proact has a longterm performance based share program that could give rise to dilution of maximum 0.44%. 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

Report by the CEO of Proact

"We remain firmly behind our overall objectives, focused on cloud services & accelerated growth through acquisition. We must also maintain revenues and margins in the systems business, including related support and consulting services."



We summarise the fourth quarter and an eventful 2019, where revenues from cloud services increased by 20 percent and Business Unit Nordic developed positively. At the same time, we saw regional challenges in Business Unit West during the second and third quarters, challenges that continued into the fourth quarter.

Revenues for the full year increased by 3 percent to SEK 3,408 (3,318) million while adjusted EBITA decreased 18 percent to SEK 165.6 (203.0) million, which corresponds to an adjusted EBITA margin of 4.9 (6.0) percent.

Fourth quarter revenue increased by 2 percent to SEK 991 (967) million, compared to the same period in 2018. Organically, revenue decreased by 3 percent, from SEK 954 million to 928, and adjusted EBITA decreased from SEK 57.7 million to 48.9.

It should be noted that the fourth quarter results have been adjusted for non-recurring charges of SEK 5 million pertaining to operational restructuring measures initiated earlier in the year, and for acquisition-related costs of SEK 6 million, mainly attributable to the acquisition of PeopleWare in the Netherlands and Belgium.

Revenue from the Group's strategically important cloud service business saw a 48 percent increase in the fourth quarter, 16 percent of which was organic, and we signed new cloud service contracts valued at SEK 97 (176) million.

During the quarter, we have maintained solid earnings in Business Unit Nordics, supported by a couple of significant deals, despite a slight decrease in overall revenue for the region. The key figures for the fourth quarter are instead mainly impacted by, as during the previous quarter, challenges in Business Unit West, including Belgium, the Netherlands and Germany.

We are pleased that the measures for improvement implemented in Germany during 2019, related to sales challenges, are proceeding according to plan and we observe improved results

compared to the previous quarter. Meanwhile, the challenges persist in the Netherlands, where lower margins have influenced the result. Given this, I still see great opportunities in the Netherlands from the PeopleWare acquisition, where the successful integration will further our ability to bring new services to our unified customer base in the region.

In Business Unit UK, increased earnings from the services business had a positive impact on results, while lower earnings from the systems business and slightly higher costs for sales and administration had a negative impact on results.

During the autumn, the company has taken steps to improve our sales management, in parallel with increasing the efficiency of our service delivery.

We have also implemented cost savings in Business Unit West. Although I am not satisfied with the quarter's results, our overall goals remain where cloud services and accelerated growth through acquisitions are the focus. We also have to maintain revenue and margins in the system business with associated support and consulting services.

I want to close by extending my thanks to all colleagues who are helping Proact to move forward, and equally to our customers too, for placing their trust in us to be their partner.

Kista, 6 February, 2020

Jonas Hasselberg
CEO

The Group's development

Revenues and result

Fourth quarter

For fourth quarter 2019, total revenues amounted to SEK 991 (967) million, an increase by 3 percent. Revenues in local currencies were unchanged. Organically revenues decreased by 3 percent, in local currencies revenues decreased by 5 percent.

For fourth quarter, system revenues decreased by 5 percent to SEK 636 (671) million, also organically a decrease by 5 percent. During the same period, service revenues increased by 20 percent to SEK 354 (295) million, with an organic growth of 2 percent. Service revenues represented 36 percent of total revenues for fourth quarter.

New contracts relating to cloud services worth SEK 97 (176) million has been concluded during the quarter. The contracts has terms of three to five years. Total revenues from cloud services amounted to SEK 164 (111) million, an increase by 48 percent, with an organic growth of 16 percent.

Adjusted EBITA decreased by 15 percent compared to previous year and amounted for the quarter to SEK 48.8 (57.7) million. The lower EBITA is mainly due to lower revenue from system sales. Comparatively, sales and administration costs, organically and currency adjusted, increased by 9 percent during the quarter, mainly due to year end adjustments of sales provision.

Profit before tax amounted to SEK 22.7 (50.3) million, a decrease of 55 percent. Adjusted for items affecting comparability for fourth quarter (SEK 11.3 million), a decrease of 33 percent.

IFRS 16 has, for the quarter, affected profit before tax with SEK -1.4 million and EBITA with SEK 0.4 million.

January-December

Revenues for full year amounted to SEK 3,408 (3,318) million, an increase by 3 percent. Change in local currencies was 1 percent. Organically revenues increased by 1 percent, in local currencies a decrease by 1 percent.

For full year, system revenues increased by 1 percent to SEK 2,203 (2,175) million. During the same period, service revenues increased by 6 percent to SEK 1,203 (1,139) million. Service revenues represented 35 percent of total revenues for the period.

For the full year new contracts relating to cloud services worth SEK 341 (348) million has been concluded, a decrease of 2 percent. The contracts has terms of three to five years. Total revenues from cloud services amounted to SEK 523 (436) million, an increase by 20 percent.

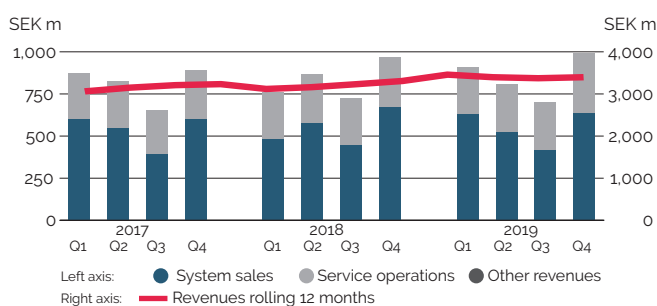
Adjusted EBITA decreased by 18 percent compared to previous year and amounted for the period to SEK 165.6 (203.0) million. Lower EBITA is mainly due to the challenges in Business Unit West. Comparatively, sales and administration costs, organically and currency adjusted, increased by 3 percent for full year. Profit before tax amounted to SEK 101.7 (167.8) million, a decrease of 39 percent. Adjusted for items affecting comparability during 2019 (SEK 31.5 million), decrease was 22 percent.

IFRS 16 has, for the full year, affected profit before tax with SEK -7.7 million and EBITA with SEK -1.8 million.

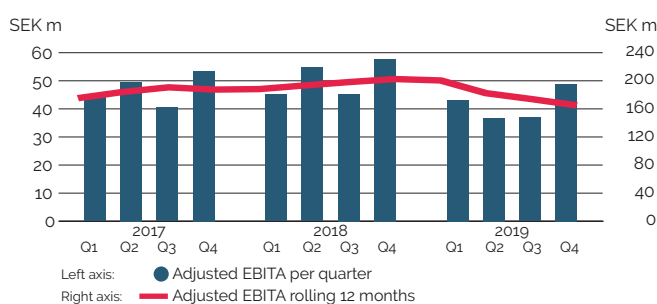
Revenues per industry

SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Telecom	85	132	303	350
Bank, Finance	75	78	308	320
Oil, Energy	83	44	226	175
Manufacturing	217	109	529	402
Media	12	14	58	53
Trading & Services	236	181	760	753
Public sector	305	282	844	759
Other	-22	127	381	505
Total revenue	991	967	3,408	3,318

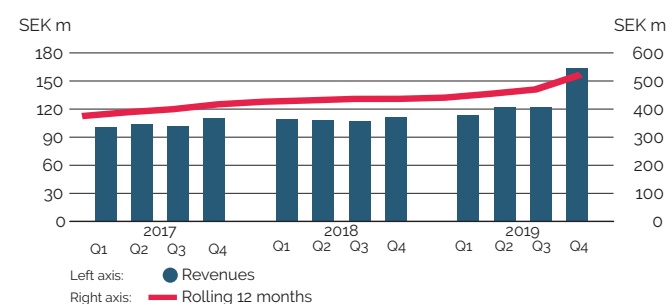
Revenues



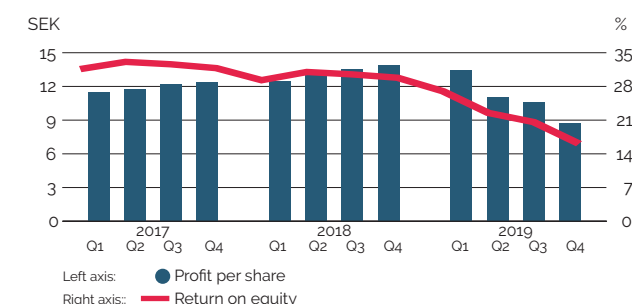
Adjusted EBITA



Revenues from cloud service



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



Amounts in SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Total Revenues	991.0	967.0	3,407.9	3,317.7
Cost of goods and services sold, excl. amortizations and depreciations	-724.8	-737.3	-2,508.5	-2,473.1
Gross profit excl. amortizations and depreciations	266.1	229.6	899.3	844.6
<i>Gross margin excl. amortizations and depreciations, %</i>	<i>26.9</i>	<i>23.7</i>	<i>26.4</i>	<i>25.5</i>
Operational expenses excl. amortizations and depreciations	-176.0	-163.8	-596.1	-610.9
Adjusted EBITDA ¹⁾	90.1	65.8	303.2	233.7
Adjusted EBITDA margin, %	9.1	6.8	8.9	7.0
Depreciations and write-downs of tangible assets	-41.3	-8.1	-137.6	-30.7
Adjusted EBITA ¹⁾	48.8	57.7	165.6	203.0
Adjusted EBITA margin, %	4.9	6.0	4.9	6.1
Amortizations and write-downs of intangible assets	-8.7	-12.0	-28.7	-35.9
Items affecting comparability	-11.3	-	-31.5	-2.6
Operating profit/loss (EBIT)	28.9	45.7	105.4	164.5
<i>Operating margin (EBIT), %</i>	<i>2.9</i>	<i>4.7</i>	<i>3.1</i>	<i>5.0</i>

1) EBITDA and EBITA before items affecting comparability

Cash flow

Fourth quarter

Cash flow for the fourth quarter was SEK 166 (111) million, of which SEK 209 (166) million from operating activities.

January-December

For the full year, cash flow was SEK 96 (39) million, of which SEK 330 (243) million from operating activities. Changes in bank loans and utilisation of overdraft facilities has contributed to cash flow with SEK 118 million. Repayments of leasing liabilities amounted to SEK 103 million. SEK 108 million has been paid for shares in subsidiary. During the same period divestment of subsidiary in Spain has had a negative impact on cash flow with SEK 7 million. Dividends amounting to SEK 38 million has been paid to the parent company's shareholders.

Investments

During the full year SEK 94 (84) million has been invested in fixed assets. During the same period, SEK 108 (68) million was paid out in cash for acquisition of shares in subsidiaries.

Financial position

Cash and cash equivalent amounted to SEK 373 million as at 31 December 2019, compared to SEK 270 million previous year. Of total bank overdraft facilities of SEK 253 million, SEK 0 million has been utilised. Bank loans amounted to SEK 231 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 year-end was 18 (21) percent. The equity ratio has decreased during fourth quarter, mainly due to transition to accounting in accordance with IFRS 16 "Leasing" and acquisition of subsidiary.

Net debt

SEK million	Dec 31 2019	Sep 30 2019	Dec 31 2018	Sep 30 2018
Cash and cash equivalents	373	217	270	166
Bank overdraft facilities	-	-7	-5	-53
Liabilities to credit institutions excl. financial leasing liabilities	-232	-111	-109	-101
Net cash (+)/Net debt (-) excl. financial leasing	142	99	156	12
Financial leasing liabilities	-302	-262	-14	-6
Net cash (+)/Net debt (-) incl. financial leasing	-161	-163	142	6
Unutilized bank overdraft facility	253	249	240	188
Total bank overdraft facility	253	255	245	241

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 full year 2019 amounts to SEK 21.5 (40.6) million, corresponding to an efficient tax rate of 21 (24) percent.

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 percent of the company's shares by the next Annual General Meeting. As at 31 December 2019, no shares have been acquired under this authorisation.

The company holds 182,269 shares in its own custody as at 31 December, which is equivalent to 2.0 percent of the total numbers of shares.

Employees

The company employed 1 016 (810) as at December 31, 2019, of which acquisition of PeopleWare has contributed with 226 employees.

Parent Company in brief

Parent Company's total revenues for the full year amounted to SEK 100.9 (97.0) million. Profit before tax amounted to SEK 60.4 (93.7) million.

Parent Company's liabilities in a joint group currency account amounted as at 31 December 2019 to SEK 265 (232) million.

At the end of the period, the number of people employed by the parent company totaled 18 (15).

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

Fourth quarter

In Nordics, revenues decreased by 6 percent during the quarter compared to previous year, when revenues increased by 11 percent. Revenues from system sales decreased by 7 percent and revenues from service operation decreased by 3 percent.

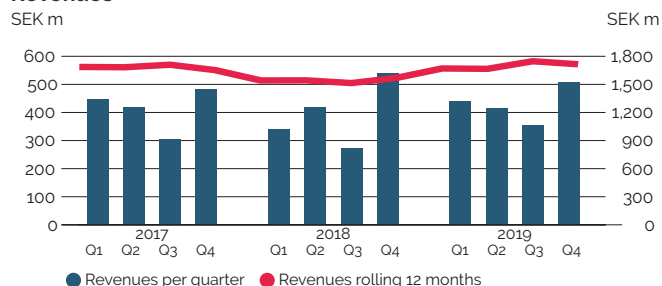
In Nordics, profit was positively affected by increasing profitability in both system and service operations remained. Adjusted EBITA increased by 56 percent and EBITA margin was 7.2 percent.

January-December

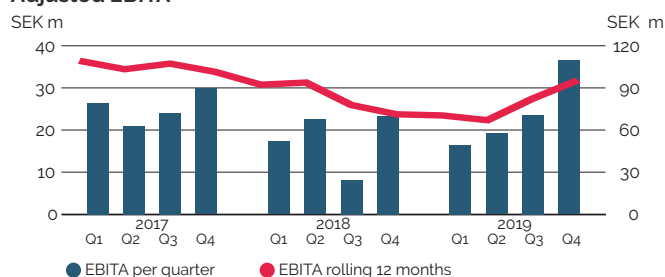
In Nordics, revenues increased by 9 percent during the full year compared to previous year. Revenues from system operations increased by 16 percent, while revenues from service operations decreased by 5 percent. The decrease is due to a few large service contracts concluded during the first half of 2018. The profitability of the system business has improved during the period, while the profitability of the service business has remained unchanged. EBITA margin improved from 4.5 percent to 5.6 percent during the period.

SEK million	Oct-Dec 2019	Oct-Dec 2018	Change, %	Jan-Dec 2019	Jan-Dec 2018	Change, %
Revenues	507	538	-6	1,715	1,570	9
Adjusted EBITA	36.5	23.3	56	95.6	71.2	34
Margin, %	7.2	4.3		5.6	4.5	

Revenues



Adjusted EBITA



UK

Revenue and result

Fourth quarter

In UK, revenues increased by 8 percent during the quarter compared to previous year, despite the market is pending as a result of Brexit. Revenues from system sales increased by 6 percent.

Revenues from service operation increased by 10 percent. Cloud service revenues increased by 21 percent compared to the corresponding quarter last year.

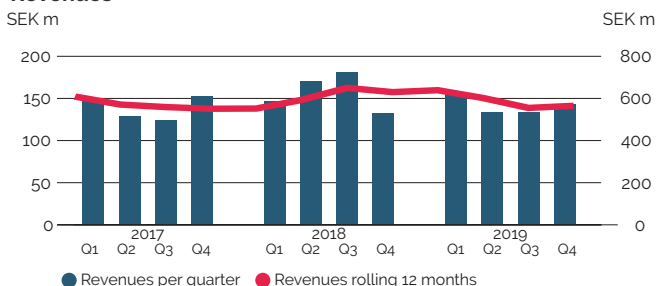
In UK, profit was positively affected by increasing profitability from service operations. At the same time the result was negatively impacted by lower profitability in systems operations and higher sales and administration costs.

January-December

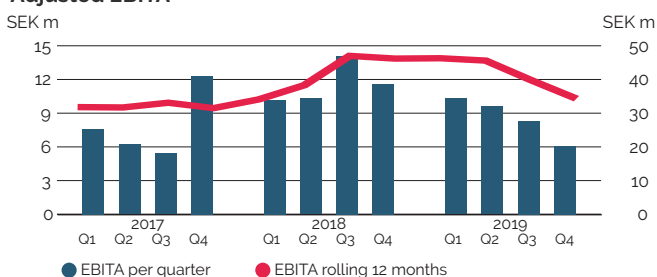
In UK, revenues decreased by 10 percent during the full year compared to previous year. Revenue from system operations decreased by 23 percent, while revenue from service operations increased by 4 percent. Revenue from cloud services increased by 16 percent. The EBITA margin has decreased from 7.3 percent to 6.1 percent mainly due to the decrease in revenues from system sales and related services.

SEK million	Oct-Dec 2019	Oct-Dec 2018	Change, %	Jan-Dec 2019	Jan-Dec 2018	Change, %
Revenues	143	132	8	565	630	-10
Adjusted EBITA	6.1	11.6	-48	34.3	46.2	-26
Margin, %	4.2	8.7		6.1	7.3	

Revenues



Adjusted EBITA



Business Units

West

Revenue and result

Fourth quarter

In the West, revenues increased by 27 percent during the quarter compared to the corresponding period last year, organically revenues increased by 3 percent. System revenues increased by 2 percent and service revenues increased by 69 percent. The system revenues increased organically by 4 percent and at the same time service revenues increased by 2 percent. Revenues from cloud service increased by 127 percent, of which increase by 23 percent organically.

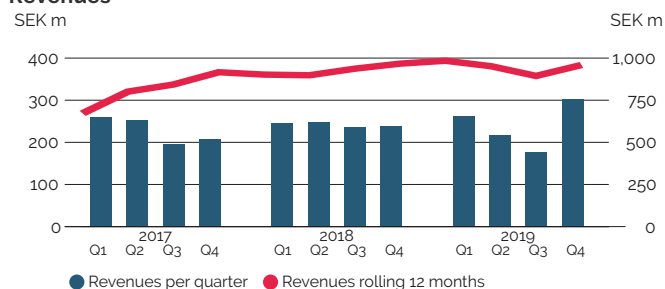
In the West, EBITA amounts to SEK 7.0 (16.3) million. The improvement measures, implemented in Germany 2019, related to challenges in sales, according to plan and improved EBITA compared to previous quarter. The acquisition of PeopleWare at the beginning of the quarter goes according to plan and has had a positive effect on the result. In the Netherlands lower profitability within system operations and related services has affected EBITA negative.

January-December

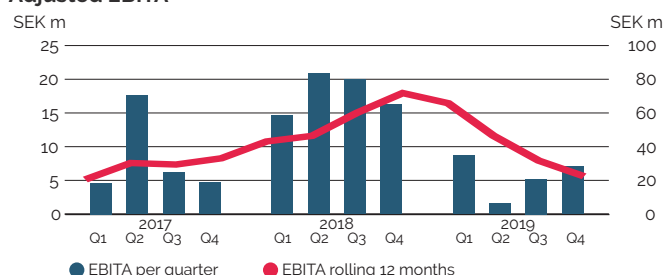
In the West, revenues decrease by 1 percent for the full year compared to previous year, organic decrease of 6percent. System revenues decreased by 12 percent while service revenues increased by 20 percent. Organically system revenue decreased by 11 percent and at the same time organically operations revenue increased by 4percent. Cloud services revenue increased by 53percent, organic increase by 26 percent. In West, adjusted EBITA margin decreased from 7.4 percent to 2.3 percent due to lower systems revenue in combination with decreased gross profit and lower revenues from professional services.

SEK million	Oct-Dec 2019	Oct-Dec 2018	Change, %	Jan-Dec 2019	Jan-Dec 2018	Change, %
Revenues	302	238	27	959	967	-1
Adjusted EBITA	7.0	16.3	-57	22.4	71.8	-69
Margin, %	2.3	6.8		2.3	7.4	

Revenues



Adjusted EBITA



East

Revenue and result

Fourth quarter

In East, revenues decreased by 15 percent during the quarter due to the lack of major system business. However, service revenues increased by 9 percent.

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

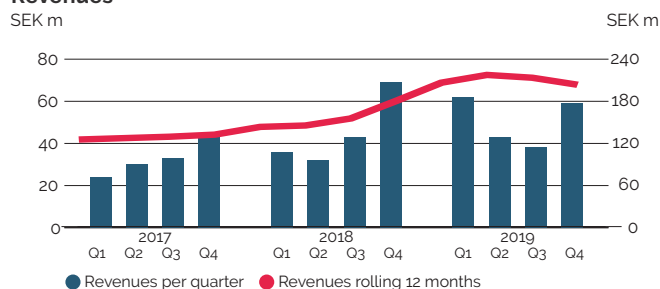
January-December

In East, revenues increased by 13 percent during the full year. Adjusted EBITA was nearly unchanged.

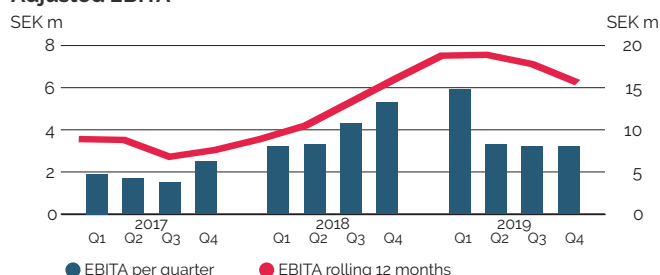
The EBITA margin deteriorated from 9.0 percent to 7.7 percent due to lower profitability and higher sales costs.

SEK million	Oct-Dec 2019	Oct-Dec 2018	Change, %	Jan-Dec 2019	Jan-Dec 2018	Change, %
Revenues	59	69	-15	202	179	13
Adjusted EBITA	3.2	5.3	-41	15.6	16.1	-3
Margin, %	5.4	7.8		7.7	9.0	

Revenues



Adjusted EBITA



Proact Finance

Revenue and result

Fourth quarter

Proact Finance revenues decreased for the fourth quarter compared to the same period last year. Revenues amounted to SEK 19 (21) million. Future contracted cash flows from Proact Finance amount to SEK 162 (150) million, an increase of 8 percent.

Profit before tax amounted to SEK -0.6 (1.1) million.

January-December

Proact Finance revenues amounted to SEK 97 (97) million during the full year, unchanged compared to previous year.

Profit before tax amounted to SEK 2.2 (3.9) million.

SEK million	Oct-Dec 2019	Oct-Dec 2018	Change, %	Jan-Dec 2019	Jan-Dec 2018	Change, %
Revenues	19	21	-12	97	97	0
EBIT	-1,6	0,2	Neg.	-1,7	0,3	Neg.
Net financial items	1.0	0.9	11	3.9	3.6	8
Profit before tax	-0.6	1.1	Neg.	2.2	3.9	Neg.

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-Dec 2019 SEK million	Nordics	UK	West	East	Proact Finance	Groupwide	Eliminations	Group
Total revenue	1,715	565	959	202	97	138	-269	3,408
EBITDA, before items affecting comparability	134.4	85.2	50.4	20.4	-1.5	14.4		303.2
Depreciations and write-down on tangible fixed assets	-38.9	-50.9	-28.0	-4.7	-0.1	-14.9		-137.6
EBITA, before items affecting comparability	95.6	34.3	22.4	15.6	-1.7	-0.6		165.6
Items affecting comparability	-2.1	-1.4	-10.8	-	-	-17.2		-31.5
EBITA	93.4	32.9	11.6	15.6	-1.7	-17.8		134.2
Amortizations and write-down on intangible fixed assets	-1.5	-8.6	-12.2	-0.8	-	-5.6		-28.7
EBIT	92.0	24.3	-0.6	14.9	-1.7	-23.4		105.4
Net financial items	-3.5	-3.8	-1.5	-0.1	3.9	1.4		-3.7
Profit before tax	88.4	20.5	-2.2	14.8	2.2	-22.0		101.7
Tax								-21.5
Comprehensive income for the period								80.2

Jan-Dec 2018 SEK million	Nordics	UK	West	East	Proact Finance	Groupwide	Eliminations	Group
Total revenue	1,570	630	967	179	97	129	-255	3,318
EBITDA, before items affecting comparability	80.0	55.8	80.6	17.7	0.4	-0.9		233.7
Depreciations and write-down on tangible fixed assets	-8.8	-9.6	-8.8	-1.6	-0.1	-1.7		-30.7
EBITA, before items affecting comparability	71.2	46.2	71.7	16.1	0.3	-2.6		203.0
Items affecting comparability	-	-	-	-	-	-2.6		-2.6
EBITA	71.2	46.2	71.7	16.1	0.3	-5.1		200.5
Amortizations and write-down on intangible fixed assets	-3.1	-14.9	-10.6	-1.1	-	-6.2		-35.9
EBIT	68.1	31.3	61.2	15.0	0.3	-11.3		164.5
Net financial items	-0.5	-0.7	-0.3	-0.1	3.6	1.3		3.3
Profit before tax	67.6	30.6	60.9	14.9	3.9	-10.0		167.8
Tax								-40.6
Comprehensive income for the period								127.3

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

Proposed appropriations of profits

The Board will propose a dividend of SEK 4.15 (4.15) per share to the Annual General Meeting for the 2019 business year.

Events after the balance sheet date

No events of significance to the Group have occurred since the end of the report period.

Transactions with related parties

No transactions between Proact and related parties, which have significantly affected the Group's position and profits, 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.

Annual General Meeting

The Annual General Meeting will be held at 4 pm on May 6, 2020 at Scandic Victoria Tower, Kista. The work of the Nomination Committee before the Annual General Meeting has not yet been completed. For more information, see the company's website www.proact.se.

Forthcoming reports

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 6 February 2020
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 6 February 2020.

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Financial reports

Consolidated statement of comprehensive income

Amounts in SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
System income	635.9	670.9	2,203.1	2,174.6
Service income	354.4	295.2	1,203.0	1,138.9
Other operating income	0.6	0.9	1.8	4.2
Total income	991.0	967.0	3,407.9	3,317.7
Cost of goods and services sold	-759.0	-751.3	-2,619.2	-2,525.5
Gross profit	231.9	215.7	788.6	792.2
Sales and marketing expenses	-120.8	-110.2	-406.0	-402.4
Administration expenses	-71.0	-59.8	-245.8	-222.7
Items affecting comparability	-11.3	-	-22.4	-2.6
Disposal of subsidiary	-	-	-9.1	-
Operating profit/loss (EBIT)	28.9	45.7	105.4	164.5
Net financial items	-6.2	4.7	-3.7	3.3
Profit before tax	22.7	50.3	101.7	167.8
Income tax	-1.1	-11.3	-21.5	-40.6
Comprehensive income for the period	21.6	39.0	80.2	127.3
Other comprehensive income				
Items which may be reversed later in the income statement				
Change of hedging reserve (net investment in foreign operations)	-0.1	-0.9	-0.9	-0.2
Tax effect of change of reserve (net investment in foreign operations)	0.0	0.2	0.2	0.1
Translation differences from remaining foreign operations	-5.6	-7.2	15.0	9.6
Total items which may be reversed later in the income statement	-5.7	-7.9	14.3	9.4
Total comprehensive income for the period	15.8	31.1	94.4	136.7
Comprehensive income attributable to:				
Shareholders of the Parent company	21.7	38.8	80.1	127.0
Holdings without a controlling influence	-0.2	0.2	0.1	0.3
Total comprehensive income for the period attributable to:				
Shareholders of the Parent company	16.0	31.0	94.3	136.5
Holdings without a controlling influence	-0.2	0.2	0.1	0.2

Data per share¹⁾

	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Earnings per share for the period attributable to the shareholders of the parent company, SEK	2.37	4.24	8.75	13.87
Equity per share attributable to the shareholders of the parent company, SEK	57.28	51.12	57.28	51.12
Cash flow from operations per share, SEK	22.81	18.09	36.01	26.51
Number of outstanding shares at end of period	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	9,157,943

¹⁾ Proact has a longterm performance based share program that could give rise to dilution of maximum 0.44 percent.

Consolidated Balance Sheet in Brief

Amounts in SEK million	31 Dec 2019	31 Dec 2018
ASSETS		
Fixed assets		
Goodwill	516.4	393.2
Other intangible fixed assets	93.2	70.4
Tangible fixed assets	384.3	73.4
Other long-term receivables	350.9	294.4
Deferred tax receivables	16.2	13.7
Current assets		
Inventories	20.2	30.6
Trade and other receivables	1,122.2	1,067.5
Cash and cash equivalents	373.2	269.9
Total assets	2,876.7	2,213.1
EQUITY AND LIABILITIES		
Equity attributable to the shareholders of the parent company	524.2	467.8
Equity attributable to holdings without a controlling influence	1.7	1.8
Total equity	525.9	469.6
Long-term liabilities		
Long-term liabilities, interest-bearing	453.3	120.2
Long-term liabilities, non-interest-bearing	379.4	330.9
Deferred tax liabilities	28.1	21.8
Short-term liabilities		
Short-term liabilities, interest-bearing	127.6	9.9
Short-term liabilities, non-interest-bearing	1,362.4	1,260.7
Total equity and liabilities	2,876.7	2,213.1

Consolidated Statement of Changes in Equity

Amounts in SEK million	Jan-Dec 2019	Jan-Dec 2018
At beginning of period	469.6	384.4
Total comprehensive income for the period	94.4	136.7
Dividend	-38.0	-34.3
Dividend to holdings without a controlling influence	-0.3	-0.3
Financial liability to holdings without a controlling influence	0.0	-2.1
Acquisition from holdings without a controlling influence	-	-7.3
Share savings and share option programs	0.0	-
Buy-back of own shares	-	-7.5
At end of period	525.9	469.6

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

Consolidated Cash Flow Statement in Brief

Amounts in SEK million	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Cash flow from operating activities before changes in working capital	80.7	72.2	2671	208.5
Cash flow from changes in working capital	128.0	93.4	62.4	34.3
Cash flow from operating activities	208.7	165.5	329.5	242.7
Cash flow from investing activities	-128.5	-26.4	-206.2	-141.1
Cash flow from financing activities	85.3	-28.6	-27.6	-62.7
Total cash flow for the period	165.5	110.5	95.7	39.0
Cash and cash equivalents at beginning of the period	216.6	165.5	269.9	220.4
Currency translation difference in cash and cash equivalents	-9.0	-6.1	7.5	10.6
Cash and cash equivalents at end of the period	373.2	269.9	373.2	269.9

Key ratios

	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Total revenue, SEK millions	991	967	3,408	3,318
of which currency effect total revenues, SEK million	22	34	72	130
Currency adjusted total revenues, SEK million	969	933	3,336	3,188
Currency adjusted growth total revenues, %	0.2	4.6	0.5	-1.7
System revenues, SEK millions	636	671	2,203	2,175
of which currency effect system revenues, SEK million	12	21	42	80
Currency adjusted system revenues, SEK million	624	650	2,161	2,094
Currency adjusted growth total revenues, %	-7.0	8.1	-0.6	-1.8
Services revenues, SEK millions	354	295	1,203	1,139
of which currency effect services revenues, SEK million	10	12	30	50
Currency adjusted services revenues, SEK million	344	283	1,173	1,089
Currency adjusted growth total revenues, %	16.6	-2.5	3.0	-1.5
EBITDA, SEK million	78.9	65.8	271.7	231.1
EBITDA margin, %	8.0	6.8	8.0	7.0
Depreciation and write-down on tangible assets, SEK million	-41.3	-8.1	-137.6	-30.7
EBITA, SEK million	37.6	57.7	134.2	200.5
EBITA margin, %	3.8	6.0	3.9	6.0
Depreciation and write-down on intangible assets, SEK million	-8.7	-12.0	-28.7	-35.9
EBIT, SEK million	28.9	45.7	105.4	164.5
EBIT margin, %	2.9	4.7	3.1	5.0
Profit before tax, SEK million	22.7	50.3	101.7	167.8
Net margin, %	2.3	5.2	3.0	5.1
Profit after tax, SEK million	21.6	39.0	80.2	127.3
Profit margin, %	2.2	4.0	2.4	3.8
Equity	525.9	469.6	525.9	469.6
Total assets	2,876.7	2,213.1	2,876.7	2,213.1
Equity ratio, %	18.3	21.2	18.3	21.2
Capital turnover rate, times	0.4	0.5	1.3	1.6
Return on equity, %	4.2	8.6	16.1	29.8
Financial costs included in net financial items, SEK million	8.1	-3.2	11.3	3.9
Capital employed	1,106.8	599.7	1,106.8	599.7
Return on capital employed, %	3.1	7.9	13.2	29.5
Investments in fixed assets, SEK million	256.4	25.7	440.7	83.8
Profit before tax per employee, SEK thousands	25.1	62.6	122.0	210.4
Average number of employees	904	805	834	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-Dec 2019	Jan-Dec 2018
Net sales	100.9	97.0
Cost of goods and services sold	-	-
Gross profit	100.9	97.0
Administration expenses	-125.8	-116.8
Operating profit	-24.8	-19.8
Net financial items	64.6	104.7
Profit efter financial items	39.8	84.8
Provisions	20.6	8.9
Profit before tax	60.4	93.7
Income tax	0.2	0.8
Comprehensive income for the period	60.6	94.6

Parent Company's Balance Sheet, in brief

Amounts in SEK million	31 Dec 2019	31 Dec 2018
ASSETS		
Fixed assets	792.3	728.6
Current assets	140.7	76.3
Total assets	933.0	804.9
EQUITY AND LIABILITIES		
Restricted Equity	54.8	52.9
Non-restricted Equity	309.8	289.0
Equity	364.6	341.9
Long-term liabilities	243.2	118.1
Short-term liabilities	325.2	344.9
Total equity and liabilities	933.0	804.9

Explanatory information

Note 1 ► Accounting principles

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

	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016 ¹⁾	Jan-Dec 2015 ¹⁾
Total revenue, SEK million	3,408	3,318	3,243	2,922	2,802
EBITDA, SEK million	271.7	231.1	218.8	191.4	169.2
EBITDA margin, %	8.0	7.0	6.7	6.6	6.0
EBITA, SEK million	134.2	200.5	188.1	163.9	140.4
EBITA margin, %	3.9	6.0	5.8	5.6	5.0
EBIT, SEK million	105.4	164.5	155.6	137.2	113.5
EBIT margin, %	3.1	5.0	4.8	4.7	4.1
Profit before tax, SEK million	101.7	167.8	151.1	133.7	104.1
Net margin, %	3.0	5.1	4.7	4.6	3.7
Profit after tax, SEK million	80.2	127.3	114.0	96.7	78.4
Profit margin, %	2.4	3.8	3.5	3.3	2.8
Equity ratio, %	18.3	21.2	19.8	18.4	19.2
Capital turnover rate, times	1.3	1.6	1.7	1.7	1.8
Return on equity, %	16.1	29.8	31.8	29.8	26.8
Return on capital employed, %	13.2	29.5	29.2	27.2	25.6
Dividend to shareholders of the Parent company, SEK million ²⁾	38.0	34.3	32.4	25.1	15.6
Investments in fixed assets, SEK million	440.7	83.8	166.7	60.5	150.4
Financial costs included in net financial items, SEK millions	11.3	3.9	11.4	8.3	14.2
Profit before tax per employee, SEK thousands	122	211	189	185	156
Average number of employees	834	797	799	723	669
Earnings per share for the period, SEK ³⁾	8.75	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 has a longterm performance based share program that could give rise to dilution of maximum 0.44 percent.

Note 3 ► Acquired companies net assets at the time of acquisition

	oct 2019
Intangible fixed assets	2
Tangible fixed assets	38
Financial fixed assets	2
Trade and other receivables	54
Cash and cash equivalents	1
Long-term liabilities	-27
Accounts payable and other short-term liabilities	-64
Net identifiable assets	7
Goodwill	110
Fair value adjustment acquired intangible assets	46
Deferred tax related to acquired assets	-11
Purchase price	153
Deduct:	
Acquired cash	-1
Deferred payment of part of consideration	-45
Own shares used in acquisition	-
Net outflow of cash	108

The acquisition relates to 100 percent of the shares and votes in PeopleWare ICT Solutions B.V. The acquisition was completed on October 14, 2019.

Total acquisition costs charged to earnings in 2019 amounted to SEK 1.6 million.

Of the total purchase price of EUR 14.5 million, 70 percent, EUR 10.2 million, was paid in cash at the time of acquisition. 15 percent of the purchase price will be settled one year after the acquisition date and the remaining 15 percent two years after the acquisition date.

The final purchase price will be balanced against profit for the full year 2019. The reported purchase price is based on a maximum possible outcome

In the acquisition, the purchase price was higher than the recognised assets of the acquired business, which resulted in the acquisition analysis giving rise to intangible assets.

Goodwill in this acquisition is motivated by the fact that it is a profitable company that strengthens Proact's presence in the Dutch and Belgian markets and adds additional expertise to deliver cloud services to medium and large companies.

Founded in 2003, PeopleWare is a privately-owned company with over 220 employees and more than 170 active customers. Through the acquisition, Proact will have a greatly enhanced presence in the Netherlands and Belgium with increased capacity to deliver market-leading IT services to medium and large companies and authorities, while at the same time adding additional expertise to provide cloud services to medium and large companies.

The acquisition of PeopleWare also contributes to Proact's strategic goals for increased sales and improved EBITA margin, in line with the Group's updated strategy and financial goals.

The acquisition was completed on October 14, 2019 and for the full year 2019, Peopleware contributed SEK 63 million in revenue and SEK 4 million in operating profit. On a full-year basis, PeopleWare is expected to contribute to the Group's sales of approximately SEK 300 million and an operating profit of approximately SEK 20 million.