

YEAR-END REPORT

JANUARY – DECEMBER 2018

Increased sales and profit
High cash flow
Good net recruitment

JANUARY – DECEMBER 2018

NET SALES INCREASED BY 12.8 PERCENT TO SEK 3,083.3 (2,733.5) MILLION

THE OPERATING PROFIT (EBITA) INCREASED BY 11.8 PERCENT, TO SEK 315.1 (281.8) MILLION

RESULTS AFTER TAXES INCREASED TO SEK 231.9 (202.4) MILLION

EARNINGS PER SHARE, BEFORE AND AFTER DILUTION, INCREASED TO SEK 11.62 (10.22)

THE OPERATING MARGIN (EBITA) WAS 10.2 (10.3) PERCENT

CASH FLOW FROM OPERATING ACTIVITIES INCREASED TO SEK 274.1 (196.9) MILLION

THE BOARD PROPOSES AN INCREASED DIVIDEND OF SEK 5.80 (4.75) PER SHARE, IN TOTAL SEK 111,7 (90.9) MILLION

OCTOBER – DECEMBER 2018

NET SALES INCREASED BY 10.6 PERCENT TO SEK 864.0 (781.2) MILLION

THE OPERATING PROFIT (EBITA) INCREASED BY 5.8 PERCENT, TO SEK 100.2 (94.7) MILLION

RESULTS AFTER TAXES INCREASED TO SEK 72.4 (66.1) MILLION

EARNINGS PER SHARE, BEFORE AND AFTER DILUTION, INCREASED TO SEK 3.63 (3.32)

THE OPERATING MARGIN (EBITA) WAS 11.6 (12.1) PERCENT

CASH FLOW FROM OPERATING ACTIVITIES WAS SEK 152.4 (160.6) MILLION

The information contained herein is such as shall be made public by Knowit AB (publ) in accordance with the EU Market Abuse Regulation. The information was made public through the agency of CEO and President Per Wallentin, at 8.30 AM CET on February 8 2019.

Another strong year with growth and increased profit

The year 2018 was another successful one for Knowit. Our sales increased to SEK 3.1 billion and our result increased to SEK 315 million. That's with retained margins. As we summarize 2018, I am proud that we have had a strong organic growth, giving us an excellent starting point for 2019. During the year we have grown with a net of almost 200 new employees and are now nearly 2,300 employees.

We continue to attract new employees, which is central to our continued growth. One of the reasons is that we have kept working to create an inclusive corporate culture and a more equal workplace. Our place in the final for the AllBright Award during the quarter is proof that we have come part of the way.

HIGH DEMAND

All three of our business areas, Experience, Insight, and Solutions, have developed positively, with increased sales and improved profits. Digitalization, for the purpose of becoming more efficient and competitive, remains a top priority among our clients, and we have during the year had a high demand for our services. Knowit's business model, with deliveries from three business areas, is a strength, as our offering is attractive for clients and the recruitment market.

CONTINUED GROWTH

It is important to us that we recruit competent employees who share our values and can contribute to creating high business value for our clients. Employer branding, which means build an attractive brand as an employer, is a high priority in the corporation, and this has had a positive effect. We are ranked highly on several lists and have been both named a "Career Company" and nominated as "Employer Branding Company of the Year 2019." This is,

of course, gratifying, but the main thing is that we have a steady stream of job applicants and can ensure growth with the right, high level of competence.

DATA-DRIVEN GROWTH

Data constitute the most important assets of many clients. However, they often perceive a challenge in how to use the information in the data to develop their business operations. With Knowit's high level of competence and long experience in analytics and data-driven growth, we contribute to developing the clients' business.

The acquisition of the digital agency All Rise during the quarter is a natural development of our offering in the area of analysis, web analysis, and data-driven customer experiences.

A SUSTAINABLE AND HUMANE COMPANY

It is important to me that we continue to strive toward our vision of a sustainable and humane society. Sustainability is now a natural part of our business model. Using resources efficiently and having a long-term sustainable business means, among other things, that we are making efforts to become an even healthier workplace, to decrease our environmental impact, to become a fully equal workplace, and to contribute to environmentally innovative solutions with our clients.

When used correctly, technology contributes to a better environment, increased contact between people, and a stronger economy. This is what we do every day, and therefore I am looking forward to 2019 with confidence. 

Per Wallentin
CEO and President

Important events during the year

Knowit Experience acquired the digital agency **ALLRISE** in December.

A new framework agreement was signed with the **SWEDISH LEGAL, FINANCIAL AND ADMINISTRATIVE SERVICES AGENCY** – Southern region.

Knowit is a new digital **INNOVATION PARTNER** to Bertel O. Steen – one of the largest vehicle retailers in Norway.

Knowit was named one of the most equal companies on the Stockholm Stock Exchange when it was awarded second place in **THE ALLBRIGHT AWARD 2018**.

Ovako has chosen Knowit as its **STRATEGIC PARTNER** for development and application management of IT systems.

Knowit has been named as partner to the **OSLO EUROPEAN GREEN CAPITAL 2019**.

At Volvo Cars, Knowit has an assignment in **AGILE TRANSFORMATION**.

Knowit is supporting **DNB SWEDEN** in a transformation project aimed at creating greater equality in the workplace.

Together with several other companies, Knowit is working to contribute to a **FOSSIL-FREE, CLIMATE-POSITIVE** and **COMPETITIVE** IT consultancy industry.

Knowit and **TELENOR SVERIGE** have initiated a deeper collaboration regarding delivery of agile teams.

Knowit is developing **A NEW GLOBAL SITE** for the global packaging company Huhtamaki.

Knowit has deepened its collaboration with Vinnova by taking on the role as **INNOVATION PARTNER**.

DURING THE ALMEDALEN WEEK, KNOWIT PARTICIPATED in several events, including a debate on digitalization in the public sector.

The Defence Material Administration chose Knowit as a partner for **DELIVERY OF SYSTEMS** for the Swedish Royal Navy.

Knowit won a **SILVER LION IN THE FILM CATEGORY** at the annual advertising competition Cannes Young Lions.

Knowit is developing Folkhälsokollen, a digital solution providing knowledge on **DEMOGRAPHY AND LIVING HABITS**, which is being relaunched for the Stockholm County Council.

Knowit Insight became a **PARTNER TO SKANDIA** for consultancy regarding agile transformation.

Knowit was given the assignment to develop the digital platform for **NORWAY'S NEW NATIONAL MUSEUM** in Oslo. The museum will be the Nordic region's largest art museum and is set to open in 2020.

Knowit Experience established a **NEW COMPANY IN NORTHERN SWEDEN** to reinforce growth.

IN DENMARK, Knowit Experience has established operations in **A NEW COMPANY**.

A Nordic team from Knowit won **FIRST PRIZE IN SAS INSTITUTE'S HACKATHON COMPETITION**.

GROW A DEVELOPMENT PROGRAM aimed at female employees within Knowit has been launched in Sweden.

In Universum's survey of **THE MOST ATTRACTIVE EMPLOYERS FOR YOUNG IT PROFESSIONALS**, Knowit was ranked among the top IT consultancy firms.

The Norwegian property manager Malling & Co has **"HIRED" A ROBOT**, developed by Knowit.

Knowit Insight is managing a project on the **DIGITAL HEALTHCARE ENVIRONMENT OF THE FUTURE** in Region Skåne.

For the Swedish Public Employment Service, Knowit Solutions is building an Android app for **PLATSBANKEN**.

Knowit has developed a GDPR-adapted **ANALYSIS SUPPORT FOR WAGE NEGOTIATION** for **THE SWEDISH AGENCY FOR GOVERNMENT EMPLOYERS**.

Strong demand in all areas



NET SALES, SEK, MILLIONS

■ Net sales, quarterly data
 ■ Rolling 12-monthly



EBITA, SEK, MILLIONS

■ EBITA, quarterly data
 ■ Rolling 12-monthly

Knowit's geographic market is the Nordic region. Knowit creates unique client values by offering digital and cross-functional services in three business areas: Experience, Insight and Solutions. It is our capacity to combine competence in design and communication, management consultancy, and IT that sets us apart from other consultancy firms.

The common denominator is innovation and creativity within the digital development, with the end user in mind – and our ability to handle today's complex market, business environment, and technology. Within Knowit's three business areas, demand is very high overall, in all operations, and on all geographic markets.

KNOWIT EXPERIENCE

We see a clear trend with ads and marketing converging with IT. Knowit has a strong position and is currently at the cutting edge of this development. With around 600 specialists, Experience is one of the largest digital agencies in the Nordic region. We offer services in data-driven sales, web and smartphone development, e-commerce solutions, market communication and various forms of client/user experience.

Knowit was given the assignment of migrating skoda.se and skoda-auto.no to a new content management system. After the migration, Knowit was asked to work as a technical and strategic sounding board for the implementation of new functionality, structure, and navigation, as well as optimization of the website. Varied tasks, but with the same goal: delivering value and quality to the website's visitors.

KNOWIT INSIGHT

Knowit's approximately 300 specialists work to improve the business

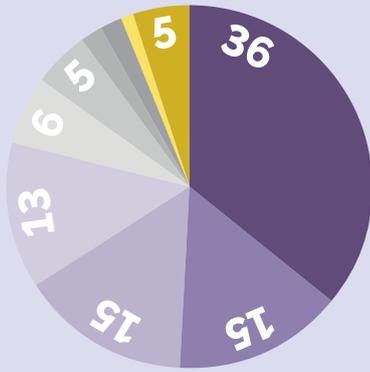
models, methods, and business-driving processes of clients, by identifying and realizing the opportunities created by new technology. We support clients in strategic challenges, streamlining, security, and transformation management, with the goal of developing the organizations of tomorrow.

E.ON and the little village of Simris on south-eastern Skåne are writing Swedish energy history. In a trial, the 150 households in Simris have been disconnected from the national power grid during certain periods, subsisting entirely on locally produced electricity. Knowit Insight has an active role in the project and contributes with competence in smart meters, demand side response, and IT. Briefly, demand side response means that the project Simris can facilitate load steering on the customer side, to make use of the flexibility of the local power grid.

KNOWIT SOLUTIONS

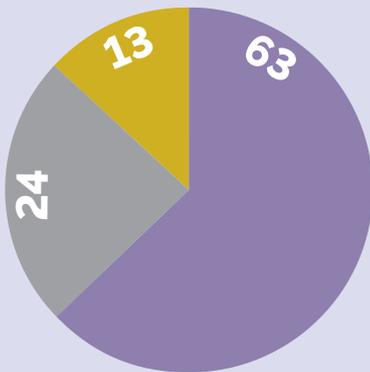
In the business field Solutions, we have 1,300 consultants working in systems development projects with high requirements on traceability, performance, and accessibility. We offer services for all aspects of the development process – from project steering and architecture to programming, testing, and security. Every day, millions of people use new digital solutions from Knowit.

As part of a general digitalization, the municipality of Oslo wanted to work with Knowit to create better support for electronic interactions between municipal authorities, to and from the centralized joint systems, and to and from external registers and partners that the municipality works with. This work also included management of their integration platform, which is a significant part of the IT infrastructure and their vision for the digitalization. Knowit



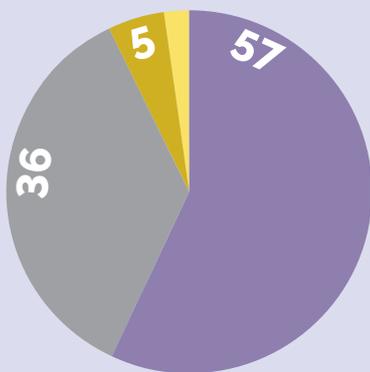
SALES PER INDUSTRY FIELD JANUARY – DECEMBER 2018

Public sector	36% (36)
Retail	15% (14)
Banking, finance and insurance	15% (13)
Industry	13% (14)
Telecommunications operators	6% (7)
Energy	5% (5)
Media, education and gaming	2% (3)
Telecommunications industry	2% (2)
Pharmaceuticals	1% (1)
Other	5% (5)



SALES PER SEGMENT JANUARY – DECEMBER 2018

Solutions	63% (65)
Experience	24% (23)
Insight	13% (12)



SALES PER COUNTRY JANUARY – DECEMBER 2018

Sweden	57% (60)
Norway	36% (33)
Finland	5% (5)
Other	2% (2)

MARKET AND OPERATIONS CONTINUED

supplied Application Development & Lifecycle Management (ADLM) for some of the most important systems in the municipality. The project group consisted of more than 30 consultants and deliveries were performed with the help of ADLM methods and techniques.

Client industry fields

BANKING AND FINANCE

Traditional banking is facing competition from parties using new digital business models and the technical possibilities that have emerged. The development has created a new competitive situation, where brands and user experiences are more important than ever. Furthermore, automation and machine learning are an increasingly important part of both customer service and internal decision support, for instance in credit processes.

We offer services in innovation, user experiences, system and process transformations, brand development, and marketing.

Our clients include B3-Sparebanker, Handelsbanken, Marginalen Bank, Santander, and Storebrand.

RETAIL

Knowit has over the course of many years amassed a wide knowledge from various fields and today supplies services and solutions to many leading retail companies and chains of stores.

With deep knowledge in e-commerce, purchasing, logistics systems, client management, and business intelligence, we contribute to strengthening our clients' competitiveness.

Clients include Bertel O. Steen, Dale of Norway, KappAhl, Hiab, and Systembolaget.

MANUFACTURING INDUSTRY

In the manufacturing industry, digital transformation is an important driving force for streamlining and renewal. For instance, in the vehicle

industry, digital transformation and the IoT are having a huge effect – both in the vehicles themselves, which can have up to 100 embedded processors, and in the infrastructure being developed around vehicles to support connections, maintenance, and repair.

Knowit supports clients with methods and architecture for faster, more efficient product development, for instance in AI technology. We also contribute in procurement processes and collaboration with suppliers, to maximize benefits for our clients.

In the manufacturing sector, our clients include LKAB, NCC, Tetra Pak, Sandvik, and Volvo Cars.

PUBLIC SECTOR

Within the public sector, there is a goal of streamlining operations and simplifying communications with citizens. Examples of solutions we develop include web solutions, mobile solutions, intranets, errand and document management solutions, archiving solutions, and operational systems related to specific needs.

Knowit works in all these areas and thanks to long experience in the public sector has a strong position, which we continuously develop through competence and knowledge transfer from other fields.

Knowit has framework agreements with several large organizations in the sector, including the Legal, Financial and Administrative Services Agency (Kammarkollegiet) in Sweden and Hansel in Finland.

Examples of clients include the Swedish Public Employment Service, Bank of Finland, the municipality of Oslo, the Norwegian Storting, and the Swedish Transport Administration. 

Popular workplace

During the year, Knowit has had a net recruitment of 195 employees. This organic growth is in line with Knowit's strategy of primarily developing its existing operations and growing organically.

SECURITY EXPERTISE

Knowit's security expert Åsa Schwarz was one of the experts invited to speak at the Tallinn Digital Summit in October. The theme was AI and security, emphasizing that we currently lack legislation protecting society – and the rest of the world – against organizations that perform irresponsible development of artificial intelligence.

In addition to the experts, participants included ministers from fifteen of the most digitalized countries in the world. Each country brought its Minister of Digitalization or similar, and five experts.

EMPLOYER BRANDING COMPANY OF THE YEAR

Knowit is nominated as Employer Branding company of the Year 2019 by Universum. In the justification for the nomination, Universum writes:

"This company has a strong focus on these matters, which is supported by the executive team. It has, in its work with matters relating to attractiveness shown a broad palette of the possibilities on offer for potential employees in the company. The company in question has shown an exciting mix of cutting-edge innovation and a focus on sales and marketing."

Eleven companies are nominated as Employer Branding Company of the year. The winner will be named at Talent Excellence Awards in September 2019.

KARRIÄRFÖRETAGEN

Knowit has been awarded the title "Career Company 2019" by Karriärföretagen. This title is awarded to the 100 employers in Sweden with the highest quality in their employer branding efforts, and which offer unique career and development

possibilities to students and young professionals.

The jury gave the award Career Company 2019 to Knowit with the following justification:

"Through career development for employees in the workplace, Knowit works with Employer Branding. With committed and innovative employees and a cohesion encompassing both current and potential employees, Knowit is hereby named a Swedish Career Company 2019."

SHARED SECOND PRIZE IN THE ALLBRIGHT AWARD

The AllBright foundation has an annual award for the company of the stock exchange that has shown that it takes responsibility for driving its operations towards greater meritocracy and equality.

Knowit shared second place with the biotech company Bioarctic, while the healthcare company Humana was in first place. 

Improved sales, profit and cash flow

Net sales and profit

JANUARY–DECEMBER

Net sales increased to SEK 3,083.3 (2,733.5) million, an increase by 12.8 percent as compared with the corresponding period last year. Net sales increased to SEK 1,737.3 (1,621.4) million in Sweden, SEK 1,114.8 (896.9) million in Norway, and SEK 161.5 (144.8) million in Finland. Sales per employee increased to SEK 1,517 (1,466) thousand.

The operating profit before amortization of intangible assets (EBITA) increased to SEK 315.1 (281.8) million, an increase by 11.8 percent as compared with the corresponding period last year. In Sweden, EBITA increased to SEK 217.4 (200.7) million, in Norway to SEK 135.6 (105.5) million, and in Finland to SEK 15.1 (11.6) million.

The operating margin (EBITA) was 10.2 (10.3) percent.

Amortization of intangible assets amounted to SEK -6.1 (-5.8) million. The operating profit after financial items increased to SEK 303.6 (266.7) million. The financial net was SEK -5.4 (-9.3) million. The financial net was affected by costs for interest relating to bank loans and leasing, as well as costs for synthetic options.

The results after taxes increased to SEK 231.9 (202.4) million. Tax for the period amounted to SEK -71.7 (-64.3) million.

The non-controlling interests' share of profit for the year increased to SEK 8.9 (8.0) million.

Earnings per share increased to SEK 11.62 (10.22).

THE FOURTH QUARTER

Net sales increased to SEK 864.0 (781.2) million, an increase by 10.6 percent as compared with the corresponding period last year. Net sales increased to SEK 480.2 (460.9) million in Sweden, SEK 320.8 (256.2)

million in Norway, and SEK 45.0 (42.5) million in Finland. Sales per employee were SEK 410 (411) thousand.

The operating profit before amortization of intangible assets (EBITA) increased to SEK 100.2 (94.7) million, an increase by 5.8 percent as compared with the corresponding period last year. In Sweden, EBITA increased to SEK 65.9 (63.8) million, in Norway to SEK 41.2 (33.1) million, and in Finland EBITA to SEK 3.4 (3.0) million.

The operating margin (EBITA) was 11.6 (12.1) percent.

Amortization of intangible assets amounted to SEK -1.6 (-1.7) million.

The operating profit after financial items increased to SEK 95.9 (92.5) million. The financial net was SEK -2.7 (-0.5) million. The financial net was affected by costs for interest relating to bank loans and leasing, as well as costs for synthetic options.

The results after taxes increased to SEK 72.4 (66.1) million. Tax for the period amounted to SEK -23.5 (-26.4) million.

The non-controlling interests' share of profit for the year was SEK 2.6 (2.7) million.

Earnings per share increased to SEK 3.63 (3.32).

ACQUISITIONS AND SALES OF OPERATIONS

Knowit has in December acquired the digital agency All Rise Media AB, specialized in digital marketing and data-driven analysis. The acquisition of All Rise means we are strengthening our competence in performance marketing. All Rise Media AB is established in Stockholm and has ten employees.

As of January 1 2018, Knowit AB sold Knowit Estonia OÜ, which has been part of Knowit for ten years. The sale gives Knowit the opportunity to make clear its strategy of being a leader primarily in the Nordic countries. The company will continue to collaborate with Knowit. Knowit

Estonia OÜ operates in Tallinn and has fourteen employees. The sale has affected EBITA positively by SEK 0.2 million.

Segments

JANUARY–DECEMBER

The group's operations are organized so that the corporate management mainly follows up on three business areas: Experience, Insight, and Solutions.

Net sales for the segment Experience increased to SEK 780.2 (652.4) million, for the segment Insight they increased to SEK 426.6 (359.9) million, and for the segment Solutions they increased to SEK 2,037.9 (1,870.0) million.

The operating profit before amortization of intangible assets (EBITA) increased to SEK 71.8 (64.7) million for the segment Experience, to SEK 60.5 (44.5) for the segment Insight, and to SEK 238.7 (224.9) for the segment Solutions.

The EBITA margin was 9.2 (9.9) percent for the segment Experience, increased to 14.2 (12.4) percent for the segment Insight, and was 11.7 (12.0) percent for the segment Solutions.

The parent company's results and the company sales are not included in segment reporting.

Cash flow and financial position

JANUARY–DECEMBER

Cash flow from operating activities increased to SEK 271.4 (196.9) million, where the change in working capital is affected by decreased accounts receivable and increased short-term liabilities.

THE GROUP, CONTINUED

Cash flow from investment activities totaled SEK -68.0 (-36.1) million, affected mainly by consideration for acquisitions made in past years, which totaled SEK -56.4 (-16.3) million.

Cash flow from financing activities was SEK -113.8 (-99.4) million, affected by dividends to shareholders in Knowit AB, non-controlling interests in group companies, and amortization of bank loans.

Total cash flow was SEK 92.3 (61.4) million.

Cash and cash equivalents were SEK 194.6 (105.2) million as per December 31 2018.

Goodwill and other intangible assets amounted to SEK 962.9 (921.4) million, of which goodwill was SEK 938.9 (902.9) million, and other intangible assets were SEK 24.0 (18.5) million.

Equity increased to SEK 1,111.9 (951.2) million.

Interest-bearing liabilities totaled SEK 106.3 (150.2) million on December 31 2018, of which SEK 79.5 (55.0) million were long-term and SEK 26.8 (95.2) million were short-term.

Bank loans decreased to SEK 8.8 (23.0) million, a used overdraft facility totaled SEK 0 (0) million of a granted overdraft facility of SEK 25.0 (170.0) million, financial leases totaled SEK 24.7 (23.4) million and liabilities related to future consideration and synthetic options in subsidiaries totaled SEK 72.8 (103.9) million.

The equity ratio increased to 57.8 (53.0) percent as per December 31 2018.

THE SHARE

In May, 81,702 shares were issued, with a waiver of the shareholders' preferential rights, in accordance with the resolution of the AGM on an offset share issue. The issue performed is directed at the sellers of shares of Knowit Dataess AS, Norway, as partial consideration for acquisition of that company, and acquisition of non-controlling interest shares in Knowit Experience AS, Norway, and redemption of synthetic options in Knowit Skåne AB.

In November, 32,841 shares were issued, with a waiver of the shareholders' preferential rights, in accor-

dance with the resolution of the AGM 2018. The issue performed is directed at the sellers of shares in All Rise Media AB, as partial consideration for acquisition of that company.

The outstanding shares in Knowit AB totaled 19,139,217 before the new issues. Following the issues, the number of shares totals 19,235,760.

Employees

JANUARY-DECEMBER

On December 31 2018, a total of 2,260 (2,065) people were employed by the group. The number of employees has increased by 195 people during 2018. Excluding the sale of Knowit Estonia OÜ, the number of employees has increased by 209 people during 2018.

The average number of employees during the period increased to 2,032 (1,864). The average number of employees in Sweden increased to 1,235 (1,196), in Norway to 638 (525), and in Finland to 110 (100). **k**

PARENT COMPANY

Results and financial position

JANUARY-DECEMBER

The operating profit before amortization of intangible assets (EBITA) totaled SEK -55.4 (-48.6) million. The financial net was SEK 130.2 (147.1) million, affected mainly by group contributions, dividends to subsidiaries, and interest costs for bank

loans. The result after financial net was SEK 74.1 (98.5) million.

As per December 31 2018, equity was SEK 372.9 (396.7) million. Untaxed reserves, mainly accrual funds, were SEK 92.9 (78.5) million. **k**

Board of Directors proposes an increased dividend

DIVIDEND AND DIVIDEND POLICY

Knowit's Board of Directors proposes an increased dividend of SEK 5.80 (4.75) per share, for a total of SEK 111.7 (90.9) million. The Board has adopted a dividend policy aimed at retaining or increasing the dividend each year. The dividend shall reflect the Board's idea of the expected market development for the coming years.

AGM

The AGM will take place on Friday April 26 2019 at 1 PM in the Company's offices at Klarabergsgatan 60, Stockholm. Notice to attend will be announced in a press release, in the newspapers Post och Inrikes Tidningar and Dagens Industri, and on Knowit's website.

Essential risks and uncertainty factors

Knowit's general essential business risks consist of reduced demand for consultancy services, problems attracting and retaining skilled personnel, price pressures and financial risks related to credit and exchange rates, and, to a lesser extent, risks related to fixed price projects.

For a comprehensive description of the essential risks and uncertainty factors, see Knowit's annual report for 2017, pages 65–66. No significant changes have occurred since.

Accounting principles

This report has been prepared in accordance with IAS 34, Interim Financial Reporting, and the Swedish Annual Accounts Act. The interim report for the Parent company has been prepared in accordance with the Chapter 9 of the Swedish Annual Accounts Act, Interim Reporting.

For the group and the parent company, the same accounting principles and bases for calculation have been applied as in the latest annual report, excepting the altered accounting principles described below.

Information in accordance with IAS 34.16A appears in the financial reports and connected notes, as well as in other parts of the interim report.

ALTERED ACCOUNTING PRINCIPLES

IFRS 9, Financial Instruments

This standard applies for annual periods beginning on or after January 1 2018. Knowit will apply IFRS 9 as of January 1 2018.

Knowit has analyzed the effects of IFRS 9 and the results show that the new rules do not significantly affect the group's financial position and profit. Knowit has also made the assessment that the credit loss reserve will not be significantly affect as compared with under the former standard. As regards the changes of the principles for securities, these do not have any effect on Knowit's current securities, but may have an effect on future securities setups.

IFRS 15, Revenue from Contracts with Customers

The standard is applicable to fiscal years starting after January 1 2018. Knowit will apply IFRS 15 as of January 1 2018.

Knowit has analyzed the group's client agreements and identified the

revenue categories: Fee revenue, Licensing revenue and Other revenue. Most of the group's revenue falls into the category Fee revenue. Revenue from service contracts are reported in the period that the services are performed or when a project is finalized.

If there are different performance commitments in a contract, the transaction price is divided over the different performance commitments. In cases where the transaction price contains variable remunerations, these are estimated and taken into account in the transaction price, to the degree they will most likely not need to be redeemed.

The conclusion of the analysis performed is that IFRS 15 will not have any significant effect on the group's reporting of revenue, aside from increased requirements on information.

NEW ACCOUNTING PRINCIPLES NOT YET APPLIED BY THE GROUP

IFRS 16, Leases

The standard is applicable to fiscal years starting after January 1 2019. The standard requires that all assets and liabilities attributable to all leases, with some exceptions such as short-term leasing agreements and leasing agreements for assets of lesser value, are presented in the balance sheet. The standard will mainly affect Knowit's reporting of the group's operational leasing agreements, such as rental agreements for offices and the like. The standard provides for various transitional methods and Knowit has chosen not to apply the standard retroactively. Instead, Knowit will apply IFRS 16 as of January 1 2019. The transitional rule selected means that the financial reports for 2018 will not be recalculated.

As per January 1 2019, a leasing liability is reported which is the

OTHER INFORMATION CONTINUED

present value of the future payments for all leasing agreements. Knowit has chosen the transition rule that means right of use assets are reported at the same value as the leasing liabilities, plus the advance payments that have been made for the first month or first quarter 2019. Application of IFRS 16 will have an effect not only on the balance sheet, but also on the income statement and the cash flow analysis. An abbreviated calculation indicates that the liabilities for the leasing agreements pursuant to IFRS 16 as per January 1 2019 total approximately SEK 216 million, based on the existing leasing agreements. The short-term liability is approximately SEK 60 million.

DISCLOSURE REQUIREMENTS PER QUARTER IN ACCORDANCE WITH IFRS

Financial instruments reported at other than actual value

There are no significant differences between reported values and actual values for financial instruments in the balance sheet.

Alternative key figures

In this interim report, we are using the following alternative key figures, as we believe they are relevant in follow-up of our long-term financial targets and to give a fair idea of Knowit's results and financial position. The Board has, among other things, determined that the EBITA profit should exceed the net debt, that the EBITA margin should exceed a 10 percent average over a period of five years and that equity should exceed the intangible assets. We also monitor capital employed, as it is an important aspect of the working capital turnover.

For more information on our long-term financial targets and further definitions of key figures, see the annual report for 2017, pages 10 and 87.

EBITA profit The profit before amortization of intangible assets

EBITA margin The profit before amortization of intangible assets (EBITA) in relation to the turnover of the period.

Net liabilities Interest-bearing liabilities less financial interest-bearing assets.

Average equity The average of the opening equity of the period and the closing equity of the period.

Earnings on equity The profit after taxes in percent of average equity including non-controlling interest shares.

Capital employed Total assets less non-interest-bearing liabilities and provisions.

Earnings on capital employed Profit after financial items plus financial costs in percent of average capital employed.

Forward-looking information

Forward-looking information in this report is based on the expectations of Knowit's management team at the time of the report. While Knowit's management team assesses these expectations to be reasonable, there is no guarantee that these expectations are or will turn out to be correct. Consequently, future outcomes may vary significantly compared with what is presented in the future-oriented information, depending for example on changed market conditions for the Knowit corporation's offerings and more general conditions related to economy, market, competition, regulatory changes and other alterations in policy, as well as variations on exchange rates. Knowit does not commit to update or correct such forward-looking information beyond what is required by law.

Financial calendar

April 26 2019 8.30 AM

Interim report Q1

April 26 2019 1 PM

AGM

July 15 2019 1 PM

Interim report Q2

October 23 2019 8.30 AM

Interim report Q3

February 6 2020 8.30 AM

Year-end report 2019

Certification

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Per Wallentin

CEO

This interim report has not been reviewed by Knowit's auditors.

Address and contact information

Knowit AB,
(Company reg.no. 556391-0354)
Box 3383, 103 68 Stockholm
Visiting address: Klarabergsgatan 60
Phone: + 46 (0)8 700 66 00,
Fax: +46 (0)8 700 66 10
knowit.eu.

FOR MORE INFORMATION, PLEASE CONTACT

Per Wallentin, President and CEO, Knowit AB (publ), +46 8 700 66 00, eller
Christina Johansson, CCO, Knowit AB (publ), +46 8 700 66 00 eller +46 705 421 734,
eller
Anna Jennehov, CFO, Knowit AB (publ), +46 8 700 66 00.

Knowit AB (publ)

Knowit AB (publ) is a consultancy firm that creates unique customer values by offering digital and cross-functional solutions from three business areas: Experience, Insight and Solutions.

It is the capacity to combine competencies within IT, design and communication and management consultancy that sets us apart from other consultancy firms. Our culture is characterized by openness, understanding of the client's business, high competence and a drive to constantly develop. Knowit was founded in 1990 and currently has around 2,200 employees in 14 locations in Sweden, five locations in Norway, and one each in Denmark, Finland, and Germany. Knowit AB (publ) is quoted on NASDAQ OMX in Stockholm. For further information about Knowit, please visit knowit.eu. 

Consolidated income statement in summary and other total result in summary

SEK M	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	864.0	781.2	3,083.3	2,733.5
Operation costs	-760.6	-683.6	-2,756.3	-2,440.0
Depreciation of tangible fixed assets	-3.2	-2.9	-11.9	-11.7
OPERATING RESULT BEFORE DEPRECIATIONS OF INTANGIBLE ASSETS (EBITA)	100.2	94.7	315.1	281.8
Depreciation of intangible fixed assets	-1.6	-1.7	-6.1	-5.8
OPERATING RESULT (EBIT)	98.6	93.0	309.0	276.0
Financial income	0.2	0.1	1.0	0.6
Financial cost	-2.9	-0.6	-6.4	-9.9
RESULT AFTER FINANCIAL ITEMS	95.9	92.5	303.6	266.7
Income taxes	-23.5	-26.4	-71.7	-64.3
RESULT FOR THE PERIOD	72.4	66.1	231.9	202.4
Result for the period assignable to shareholders in Parent Company	69.8	63.4	223.0	194.4
Result for the period assignable to non-controlling interests' holdings	2.6	2.7	8.9	8.0
Earnings per share				
Earnings per share before dilution (SEK)	3.63	3.32	11.62	10.22
Earnings per share after dilution (SEK)	3.63	3.32	11.62	10.22
Total result in summary				
Result for the period	72.4	66.1	231.9	202.4
<i>Items that may be reclassified subsequently to profit or loss</i>				
Hedging of net investment	-	0.1	-0.5	0.5
Tax effect hedging of net investment	-	0.0	0.1	-0.1
Exchange rates difference	-28.1	-3.1	10.0	-13.5
OTHER TOTAL RESULT FOR THE PERIOD, NET AFTER TAX	44.3	63.1	241.5	189.3
Total result for the period				
Total result assignable to shareholders in Parent Company	41.7	60.4	232.5	181.3
Total result assignable to non-controlling interests' holdings	2.6	2.7	9.0	8.0

Consolidated balance sheet

SEK M	2018-12-31	2017-12-31
Assets		
Intangible fixed assets	962.9	921.4
Tangible fixed assets	44.1	42.6
Financial fixed assets	4.4	4.5
Deferred tax assets	2.6	4.7
Current assets	714.0	711.3
Liquid funds	194.6	105.2
Assets in disposal groups held for sale	-	4.3
TOTAL ASSETS	1,922.6	1,794.0
Equity and liabilities		
Share capital	19.3	19.1
Other paid-up capital and other provisions	558.8	530.4
Recognized profits including result for the period	513.3	389.2
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY	1,091.4	938.7
Non-controlling interests' holdings	14.9	12.5
TOTALE QUITTY	1,106.3	951.2
Long-term provisions	45.0	39.0
Interest-bearing long-term liabilities	79.5	55.0
Interest-bearing short-term liabilities	26.8	95.2
Other short-term liabilities	665.0	652.4
Liabilities in disposal groups held for sale	-	12
TOTALE QUITTY AND LIABILITIES	1,922.6	1,794.0

Key figures

	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Average number of employees	2,108	1,901	2,032	1,864
Sales per average number of employees (000s)	410	411	1,517	1,466
Result after financial items per average number of employees (000s)	45	49	149	143
Return on total capital %	5.2	5.4	16.7	16.2
Return on equity %	6.7	7.2	22.5	22.5
Return on capital employed %	8.4	8.5	26.8	26.2
EBITA margin %	11.6	12.1	10.2	10.3
Equity ratio %	57.5	53.0	57.5	53.0

Data per share

	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Earnings per share (SEK)				
Before dilution	3.63	3.32	11.62	10.22
After dilutions	3.63	3.32	11.62	10.22
Equity per share (SEK)				
Before dilution	56.68	49.20	56.68	49.05
After dilutions	56.68	49.20	56.68	49.05
Average number of shares (000s)				
Before dilution	19,225	19,115	19,191	19,028
After dilutions	19,225	19,115	19,191	19,028
Average number of shares (000s)				
Before dilution	19,254	19,139	19,254	19,139
After dilutions	19,254	19,139	19,254	19,139

Consolidated cash flow analysis

SEK M	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Cash flow current operations before changes in working capital	93.9	71.8	250.9	234.0
Change in working capital	58.5	88.8	23.2	-37.1
CASH FLOW FROM CURRENT OPERATIONS	152.4	160.6	274.1	196.9
Cash flow from investing activities	-7.2	-9.1	-68.0	-36.1
Cash flow from financing activities	-4.1	-55.5	-113.8	-99.4
CASH FLOW FOR THE PERIOD	141.1	96.0	92.3	61.4
Opening balance	57.6	10.9	107.3	44.8
Exchange rates differences	-4.1	0.4	-5.0	11
CLOSING BALANCE	194.6	107.3	194.6	107.3

The closing balance January to December 2017 includes SEK 2.1 million which in the balance sheet is reclassified to 'Assets in disposal group held for sale'.

Statement of changes in equity – Group

SEK M	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Opening balance	1,058.1	891.5	951.2	844.3
Exchange rates differences	-28.1	-3.1	10.0	-13.5
Hedging of net investment	-	0.1	-0.5	0.5
Tax effect hedging of net investment	-	0.0	0.1	-0.1
Result for the period	72.4	66.1	231.9	202.4
TOTAL RESULT FOR THE PERIOD	44.3	63.1	241.5	189.3
TOTAL BEFORE TRANSACTIONS WITH SHAREHOLDERS	1,102.4	954.6	1,192.7	1,033.6
Non-controlling interests' holdings	-	-	-0.7	-
Additional capital from non-controlling interests' holdings	-0.7	-12.8	-6.9	-31.1
Dividend payment	-0.4	-	-99.1	-82.8
New issue in connection with acquisitions	5.0	9.4	5.0	9.4
New issue in connection with synthetic options	-	-	5.3	-
Share issue for the acquisition of non-controlling interests	-	-	10.0	22.1
CLOSING BALANCE	1,106.3	951.2	1,106.3	951.2

Group revenue from contracts with customers

SEK M	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
GEOGRAPHICAL				
Fee revenue				
Sweden	455.7	444.4	1,666.0	1,571.7
Norway	298.5	245.2	1,055.0	861.1
Finland	43.4	40.6	158.9	141.8
Other	17.9	19.7	69.5	65.4
TOTAL	815.5	749.9	2,949.4	2,640.0
Other revenue				
Sweden	24.5	16.5	71.3	49.7
Norway	22.3	11.0	59.8	35.8
Finland	1.6	1.9	2.6	3.0
Other	0.1	1.9	0.2	5.0
TOTAL	48.5	31.3	133.9	93.5
TOTAL NET SALES	864.0	781.2	3,083.3	2,733.5
SEGMENT				
Fee revenue				
Experience	202.0	172.1	701.9	599.2
Insight	116.7	103.2	417.7	350.5
Solutions	534.3	508.8	1,955.6	1,812.0
Parent company/group adj.	-37.5	-34.2	-125.8	-121.7
TOTAL	815.5	749.9	2,949.4	2,640.0
Other revenue				
Experience	26.8	17.3	78.3	53.2
Insight	2.9	2.7	8.9	9.4
Solutions	31.7	17.4	82.3	58.0
Parent company/group adj.	-12.9	-6.1	-35.6	-27.1
TOTAL	48.5	31.3	133.9	93.5
TOTAL NET SALES	864.0	781.2	3,083.3	2,733.5

Revenue category License revenue is reported under the Other income category, as the total sums are not significant.
For more information, see Note 1 Accounting and Valuation Principles, pages 58-65 of the Annual Report 2017.

Financial assets and liabilities

SEK M	Accrued acquisition cost 2018-12-31	Fair value 2018-12-31	Loans and accounts receivables 2017-12-31	Fair value 2017-12-31
Assets in balance sheet				
Other long-term securities holdings	4.4	4.4	4.5	4.5
Other long-term receivables	1.6	1.6	1.2	1.2
Accounts receivable and other receivables	638.3	638.3	658.3	658.3
Cash	194.6	194.6	105.2	105.2
TOTAL	838.9	838.9	769.2	769.2
SEK M	Other financial liabilities 2018-12-31	Fair value 2018-12-31	Other financial liabilities 2017-12-31	Fair value 2017-12-31
Liabilities in the balance sheet				
Interest-bearing liabilities	106.3	106.3	150.2	150.2
Accounts payable	115.4	115.4	127.5	127.5
Other liabilities	245.8	245.8	230.1	230.1
TOTAL	467.5	467.5	507.8	507.8

Reported value of the Group's financial assets and liabilities, divided into valuation category in accordance with IFRS 9 for 2018 and IAS 39 for 2017 are presented in the above table. No financial assets or liabilities are reported at a value that significantly deviates from fair value.

Income statement Parent company

SEK M	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	89.3	871	3076	279.3
Operating costs	-105.4	-101.3	-361.7	-326.7
Depreciation of tangible fixed assets	-1.2	-0.3	-1.3	-1.2
OPERATING RESULT BEFORE DEPRECIATIONS OF INTANGIBLE ASSETS (EBITA)	-17.3	-14.5	-55.4	-48.6
Depreciation of intangible fixed asset	-0.7	-	-0.7	-
OPERATING RESULT (EBIT)	-18.0	-14.5	-56.1	-48.6
Financial items	124.7	134.9	130.2	147.1
RESULT AFTER FINANCIAL ITEMS	106.7	120.4	74.1	98.5
Appropriations	-14.4	-18.2	-14.4	-18.2
Income taxes	-12.9	-15.1	-12.9	-15.1
RESULT FOR THE PERIOD	79.4	87.1	46.8	65.2

Balance sheet Parent company

SEK M	2018-12-31	2017-12-31
Assets		
Intangible fixed assets	12.7	7.3
Tangible fixed assets	4.1	4.8
Financial fixed assets	871.8	831.0
Current assets	102.8	79.5
Liquid funds	189.6	96.5
TOTAL ASSETS	1,181.0	1,019.1
Equity and liabilities		
Share capital	19.3	19.1
Statutory reserve	68.0	68.0
Fund for development costs	11.3	7.3
Unrestricted share capital including result for the period	274.3	302.3
TOTAL EQUITY	372.9	396.7
Untaxed reserves	92.9	78.5
Interest-bearing long-term liabilities	16	8.8
Long-term provision	-	0.3
Interest-bearing short-term liabilities	72	14.2
Other liabilities	706.4	520.6
TOTAL EQUITY AND LIABILITIES	1,181.0	1,019.1

Segment reporting – Group

SEK M, Oct-Dec 2018	Experience	Insight	Solutions	Parent company / group adj.	Total
External net sales	218.9	109.9	535.2	–	864.0
Net sales between segments	9.9	9.7	30.8	-50.4	–
NETTOOMSÄTTNING	228.8	119.6	566.0	-50.4	864.0
Operating result before depreciations of intangible fixed assets (EBITA)	24.3	16.6	71.0	-11.7	100.2
Depreciation of intangible fixed assets	–	–	-0.9	-0.7	-1.6
OPERATING RESULT (EBIT)	24.3	16.6	70.1	-12.4	98.6
Result after financial items					95.9
PROFIT FOR THE PERIOD					72.4
EBITA margin, %	10.6	13.9	12.5		11.6
Average numbers of employees	542	288	1,266	12	2,108
SEK M, Jan-Dec 2018	Experience	Insight	Solutions	Parent company / group adj.	Total
External net sales	741.5	387.3	1,954.5	–	3,083.3
Net sales between segments	38.7	39.3	83.4	-161.4	–
NET SALES	780.2	426.6	2,037.9	-161.4	3,083.3
Operating result before depreciations of intangible fixed assets (EBITA)	71.8	60.5	238.7	-55.9	315.1
Depreciation of intangible fixed assets	–	–	-5.4	-0.7	-6.1
OPERATING RESULT (EBIT)	71.8	60.5	233.3	-56.6	309.0
Result after financial items					303.6
PROFIT FOR THE PERIOD					231.9
EBITA margin, %	9.2	14.2	11.7		10.2
Average numbers of employees	521	264	1,235	12	2,032
Intangible fixed assets	235.3	60.5	654.5	12.6	962.9
Tangible assets	2.8	0.3	13.1	27.9	44.1

Segment reporting – Group, continued

SEK M, Oct-Dec 2017	Experience	Insight	Solutions	Parent company / group adj.	Total
External net sales	170,8	95,5	514,9	–	781,2
Net sales between segments	18,6	10,4	11,3	-40,3	–
NET SALES	189,4	105,9	526,2	-40,3	781,2
Operating result before depreciations of intangible fixed assets (EBITA)	19,4	17,0	69,5	-11,2	94,7
Depreciation of intangible fixed assets	0,0	–	-1,7	–	-1,7
OPERATING RESULT (EBIT)	19,4	17,0	67,8	-11,2	93,0
Result after financial items					92,5
PROFIT FOR THE PERIOD					66,1
EBITA margin, %	10,2	16,1	13,2		12,1
Average numbers of employees	477	235	1,178	11	1,901
SEK M, Jan-Dec 2017	Experience	Insight	Solutions	Parent company / group adj.	Total
External net sales	581,7	323,4	1,828,4	–	2,733,5
Net sales between segments	70,7	36,5	41,6	-148,8	–
NET SALES	652,4	359,9	1,870,0	-148,8	2,733,5
Operating result before depreciations of intangible fixed assets (EBITA)	64,7	44,5	224,9	-52,3	281,8
Depreciation of intangible fixed assets	-0,1	–	-5,7	–	-5,8
OPERATING RESULT (EBIT)	64,6	44,5	219,2	-52,3	276,0
Result after financial items					266,7
PROFIT FOR THE PERIOD					202,4
EBITA margin, %	9,9	12,4	12,0		10,3
Average numbers of employees	467	225	1,161	11	1,864
Intangible fixed assets	200,6	59,9	653,6	7,3	921,4
Tangible assets	3,8	0,5	12,3	26,0	42,6

The group's operations are organized such that the corporate management primarily follows up on sales, EBITA profit and average number of employees per group segment. Excluding intangible assets, no other balance sheet items per operating segment are followed up on by the corporate management. Non-distributed costs consist of the parent company's corporate-wide costs for management, financing and marketing.

Acquired group companies 2018

On December 18 2018, Knowit acquired 100 percent of All Rise Media AB, specialists in digital marketing and data driven analysis. The acquisition means strengthened competence in data-driven digital customer experiences. All Rise Media AB is established in Stockholm and has ten employees.

For the acquired companies, the value of assets and liabilities, consideration and effect on group equity were as follows:

SEK M	All Rise Media AB	Others	Total
Consideration			
paid by issue of shares in Knowit AB	5,0	-	5,0
provisions for additional consideration	28,2	-	28,2
Total consideration	33,2	-	33,2
Depreciation and amortization	-1,7	-	-1,7
Goodwill and other intangible assets	31,5	-	31,5

Goodwill is attributable to the profitability of the acquired companies and the synergy effects expected to be created with other Knowit companies. Other intangible assets are attributable to the acquired companies' customer relationships

The assets and liabilities included in the acquisitions are as follows:

SEK M	All Rise Media AB	Others	Total
Property, plant and equipment	0,1	-	0,1
Current assets	3,3	-	3,3
Cash equivalents	2,2	-	2,2
Other liabilities	-3,9	-	-3,9
Identifiable net assets	1,7	-	1,7
Consideration paid in cash	-	-	-
Cash equivalents in acquired companies	2,2	-	2,2
Effect on group cash equivalents from acquisitions made this year	2,2	-	2,2
Additional consideration paid for acquisitions made earlier years	-	-56,4	-56,4
Effect on group cash equivalents from acquisitions	2,2	-56,4	-54,2

The acquired companies have during the period contributed with SEK 0 million in net sales and SEK 0 million in Profit before amortization of intangible assets (EBITA).